Stock Code : 2103

TSRC CORPORATION

Annual Report 2013

Annual Report website of FSC: http://mops.twse.com.tw
The company's website: http://www.tsrc.com.tw
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The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: No

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Overview of financial status

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A report to shareholders

A report to the shareholders

To all shareholders:

In 2013, the new SIS production line at TSRC (Nantong), which is a subsidiary of our Company, successfully completed its test run. The products formally entered the market, and the market share of the Company is growing. The ESBR plant with 120,000 tons of Capacity, a joint ventures in India with Indian Oil Corporation Limited and Marubeni Corp., In 2010, has completed test runs and began commercial production this year. The ESBR plant is committed to acquiring certifications from customers at the moment. In terms of environmental protection, our Company is performing proactive implementation and improvements in production line operation, quality assurance, the management of various environmental safety and sanitation monitoring, and functional audits. Our Company was recognized as an "Outstanding Company in Continuous Automated Monitoring Evaluation" for 2012 and 2013.

Review of Operation 2013

Business plan

The new production capacity in synthetic rubber in Asia continued to expand in 2013, thus leading to market oversupply. This situation cause to the industry decline in operating rate Petrochemical firms in China used their advantage of upstream integration to compete with low prices. Therefore, the selling price of our Company's synthetic rubber could not reflect the cost of raw material, and the profit margin was significantly squeezed. To break out of this quagmire, the management ceaselessly improved product quality and formed long-term cooperation with major tire customers. At the same time, the management executes profit-oriented selling strategies and effectively controls cost and expenses. Therefore, our Company's profit level was still better than the industry average last year.

In 2013, our Company's consolidated revenue was NT$ 34.423 billion, decreasing by 24% from the level in 2012; gross and net operating income were NT$4.267 billion and NT$2.065 billion, respectively, and showing decreases of 29% and 48% compared to the level in 2012. The final net income after tax was NT$1.495 billion, which was a 41% decline from the previous year. The after-tax profit margin was 4.98%, with EPS of $1.90.

Status of R&D

To support the trend of internationalization and generating higher value in the TPE industry, our Company continues to improve the quality of TPE products, advancing production technology, developing new products with high performance, and creating a global technology service network, so that we can quickly become a trusted supplier for our customers.

In this year, our Company was granted seventeen patents that we applied for in the past. To respond to the trend of rapid growth in environment-friendly and fuel-efficient tires around the world, our Company strives to develop synthetic rubber needed for environment-friendly and fuel-efficient tires and design relevant material. This year, we will coordinate with the demand from tire customers, continue to improve product quality, and provide the technology service and application solution needed by customers to expand the scale of our business.

Summary of the Business Plan in 2014

In 2014, the market of synthetic rubber is still expected to remain in a state of oversupply and excessive competition. Even though global economic recovery is healthy and is expected to boost the demand for automobiles and industries related to synthetic rubber, but recent production capacity increase has been excessive, and equilibrium of supply and demand is not likely to happen in the near future. This condition will affect both the selling price and profit. For this reason, our Company is taking measures to cope with fluctuations in the price of raw material, effectively taking advantage of the integration of production capacity, and increasing differentiation and the ratio of high-value products so that we can increase market share and improve profit. The new SIS production line and ESBR plant in India began officially commercial operation. The investment will increase revenue and operating income. Construction in TAMC, a joint venture, is still in progress and increase revenue to Our Company in future.

The development strategy of the Company in the future

Our Company will still hold fact to our ideal of sustainable operation and fulfill our corporate social responsibility (CSR). Aside from expanding our investment, we will devote our resources to developing environment-friendly and high-quality products to gain recognition from more customers. We can then deliver higher return and outstanding results to reward the support and ecouragement from all shareholders.

Chairman : Shao Yu Wang

Company's profile

Company's profile

I. Company's profile

(1) Date of incorporation

July 27, 1973

(2) Company history:

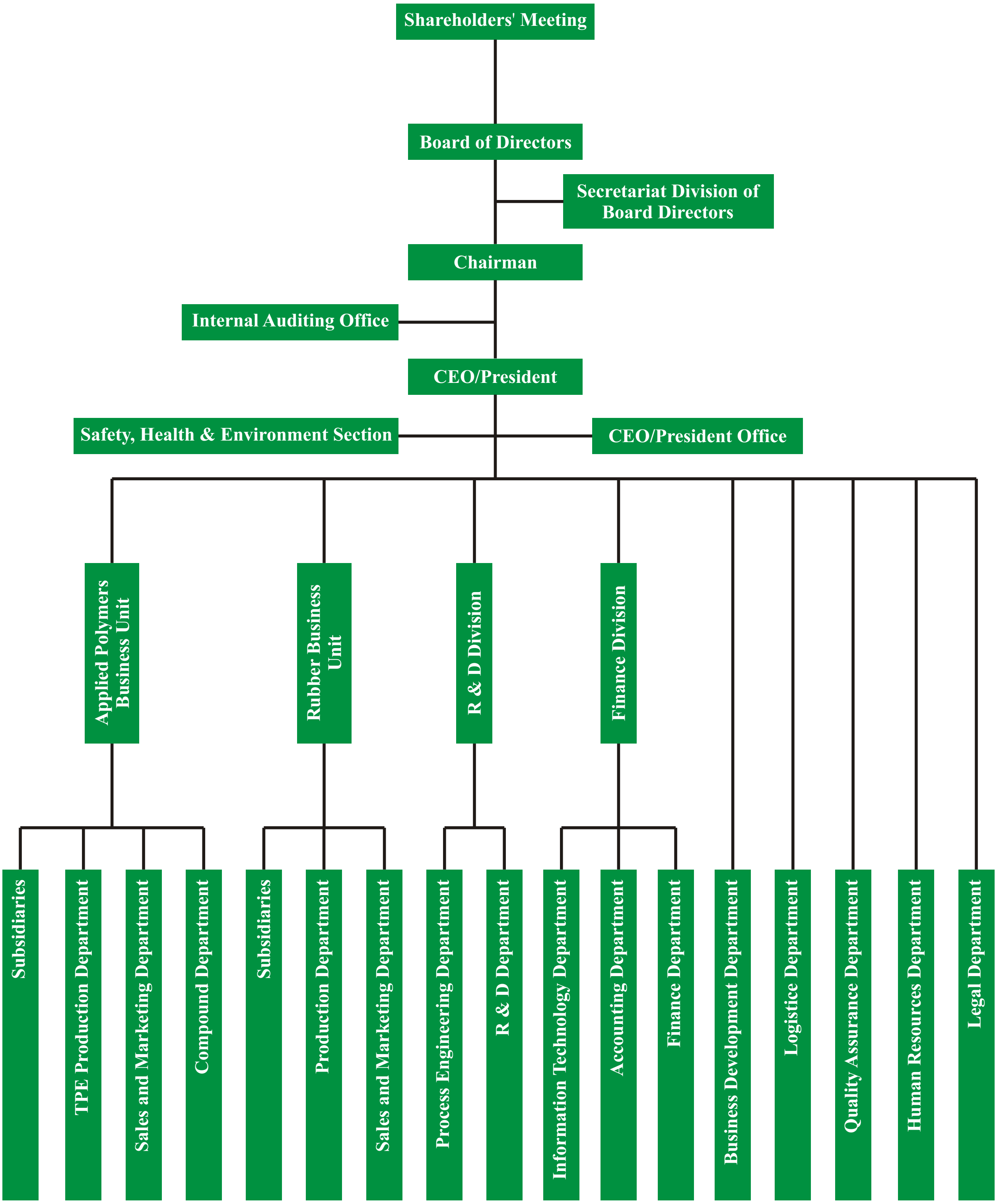
Nov. 1973	Taiwan Synthetic Rubber Corp. was established in Taipei, Taiwan. The factory location was established in Tashe Petrochemical Industrial Park, Kaohsiung, Taiwan. The Company acquired the Styrene Butadiene Rubber technology from B. F. Goodrich to build a 100,000 ton per year of SBR plant
Feb. 1977	Completed the construction of 100,000 tons of SBR plant .
Jan. 1980	Build a 40,000 tons per year of poly butadiene (BR) plant in Kaohsiung, Taiwan. The technology was licensed from Japan Japan-based UBE.
June 1982	BR plant was on stream.
Sep. 1982	The Company was listed on Taiwan Stock Exchange.
May 1984	Acquired Thermoplastic elastomers (TPE) production technology from of Phillips Petroleum Company to establish the TPE plant with capacity of 20,000 tons per year in Kaohsiung, Taiwan.
Apr. 1988	Start to produce TPE product.
Sep. 1991	Installation and test run of the pilot plant in Kaohsiung, Taiwan.
Sept. 1993	Installation and test run of the co-generation facilities in Kaohsiung, Taiwan.
Jan. 1994	Awarded the certificate of ISO-9002.
June 1994	Expanded TPE capacity from 20,000 tons to 48,000 tons per year.
Sep. 1994	Expanded BR capacity to 54,000 tons per year. Establishment of the compound plant.
Oct. 1995	Participate in a 50,000 tons per year of BR plant in Thailand with holding the equity of 12% in Thailand.
Jan. 1996	Expansion of the capacity of TPE plant to 54,000 tons per year.
Mar. 1996	Incorporation of Shen Hua Chemical Industrial Co., Ltd in Nantong, China, and establishment of a SBR plant with the annual capacity of 120,000 tons.
Oct. 1996	Reinvest in Asia Pacific Energy Development Co., Ltd. to engage in the development of power locally and overseas.
Jan. 1997	Awarded the certificate of ISO-9001
Oct. 1997	Started to commercialize BR plant of Thailand joint venture company, Thailand Synthetic Rubbers Co. Lte.
Feb. 1998	Awarded the certificate of ISO-14001
June 1988	Investment in Taiwan High Speed Rail project.
Oct. 1998	Establishment, incoming and test run of the SBR plant of Shen Hua Chemical Industrial in China.
Aug. 1999	Renamed as TSRC Corporation.
Aug. 2000	Established a Germany joint venture, Atlantic Polymers GmbH, to promote the Company's product in Europe.
Mar. 2001	Establishment of rubber business division as Rubber Business, TPR business division as Applied Polymers Business.
Aug. 2001	Establishment of TSRC (Shanghai) Industries Ltd for production and sales of compound product in Greater China.
Feb. 2002	Success fully completed the trial run of SEBS, brought a new opportunity for the diversified application of TPE product.
Oct. 2003	Completed the de-bottlenecking of SBR capacity in Shen Hua Chemical Industrial to 12,000 tons per year.
Apr. 2004	Operation of Nantong Qix Storage Co., Ltd. in Nantong, China .
July 2004	Incorporation of TPE application research center for compound product.
Aug. 2004	Establishment of Gangshan plant for compound product.
Oct. 2004	Operation of the new office in Taipei City.
Apr. 2005	Started to commercialize the compound product in Gangshan plant.
June 2005	Incremental SBR capacity of the Shen Hua Chemical Industrial to 180,000 tons per year.
Dec. 2005	Establishment of TPE application research center of Gangshan plant.
Sep. 2006	Incorporate TSRC (Nantong) Industrial Ltd. in Nantong, China for producing SEBS product with yearly capacity of 20,000 tons.
Sep. 2006	Incorporate TSRC (Jinan) Industrial Ltd. in Jinan, China for producing compound with yearly capacity of 5,000 5,000 tons.
Dec. 2006	Incorporate TSRC-UBE(Nantong) Chemical Industrial Limited Corporation in Nantong, China to produce BR product with yearly capacity of 72,000 tons.
Sep. 2007	Started to commercialize compound product in TSRC(Jinan) Industrial Ltd.
Nev. 2007	Close Germany subsidiary, Atlantic Polymers GmbH.
July 2008	Started to commercialize SEBS product in TSRC (Nantong) Industrial Ltd.

July 2008	Operation of the reinvested Polybus Corporation Pte. Ltd. in Singapore.
May 2009	Started to commercialize BR product in TSRC-UBE(Nantong) Chemical Industrial Company Limited.
May 2009	Signed the SBS technology license agreement with RUSTEP LLC/ OJSC SIBUR HOLDING in Russia.
Dec. 2009	Accredited with OHSAS 18001 & TOSHMS occupational safety and hygiene management system.
Apr. 2010	Launched a 120,000 tons of ESBR joint venture project with Indian Oil Corporation Limited and Marubeni Corporation in Panipat, India.
Jun. 2010	Launched a 30,000 tons of NBR joint venture project with LANXESS in Nantong, China.
Dec. 2010	Signed an share purchase agreement with Exxon Mobil and Dow Chemical to purchase all shares of Dexco Polymers., which produces 32,000 tons of SIS and 30,000 tons of SBS, in USA.
Nov. 2011	Signed a joint venture agreement with CPC Corporation, Taiwan and Fubon Financial Holding Venture Capital Corp. to establish Taiwan Advanced Materials Corp., which produces the C-5 series of products, including isoprene and SIS product.
Aug. 2012	Start to commercialize NBR product in Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd.
Oct. 2012	Expanded SEBS capacity from the yearly capacity of 20,000 to 35,000 tones in TSRC (Nantong) Industrial Ltd.
Jun. 2013	Successfully completed the test run of 25,000 tons of SIS in TSRC (Nantong) Industrial Ltd.

Corporate governance report

I. Company's organization

Structure



Operations of major departments/divisions/business unit

CEO/President Office	Establishment the Company's mid to long-term development strategies, resource integration and allocate, supervise implementation progress for all projects, promote Corporate Social Responsibility (CSR) and related public affairs.
Internal Auditing Office	Supervision, programming and execution of the Company's internal control system.
Safety, Health & Environment Section	Design, creation and implementation of safety, health and environment management.
Finance Division	Establish financial and accounting policies, and the information system integration planning.
R & D Division	New product and process development, design, and implementation. Provide technical service for products, manage patents and Know-How. Optimize, commercialize and standardize of production processes. Design and implement new construction and process improvement projects.
Rubber Business Unit	Design and implementation of Rubber Business Unit's development strategies, sales and production of SBR, BR, NBR products and responsible for operating performance and analysis.
Applied Polymers Business Unit	Design and implementation of Applied Polymers Business Unit's development strategies, sales and production of TPE and compound products, and responsible for the operating performance and analysis.
Legal Department	Handle and maintain the legal affairs related to the Company's interest and right.
Human Resources Department	Design, create and implement human resource policies for organization.
Quality Assurance Department	Responsible for quality management systems, customer complaints, regulations related to product safety; and systems, industrial safety compliance.
Logistics Department	Development of the main raw materials of global procurement strategy for optimal multi-international logistics and integration of the Group's logistics function to create a cost-competitive advantage, and strengthen the synergy of supply chain management.
Business Development Department	Implement Company and business units' strategies, responsible for the business development negotiations.
Finance Department	Planning and management of the business related to the Company's funds, financing activities and reinvested enterprises and investors' activities.
Accounting Department	Drafting of the Company's accounting principle, management of tax affairs, costs and management of production of statement and planning of shareholders' affairs.
IT Department	Plan and establishment the Company information systems and integration to enhance operational management and decision-making effectiveness.
R & D Department	Core technology innovation and development of new opportunities for development, intellectual property management and patent management, and analytical instruments maintenance, management, and R&D related analysis.
Process Engineering Department	Overall management of process technology & development.
Rubber Business Unit Sales and Marketing Department	Development of mid-and long-term development strategy and implementation of the marketing strategy of Rubber Business Unit and its subsidiaries and other related products as SBR / BR sales plan.

Rubber Business Unit Production Department	Overall management of all factory of Rubber Business Unit to establish the optimum production management system.
Applied Polymers Business Unit-Compound Department	Planning and implementation of the mid-and long-term compound strategies to develop of new target markets; Supervision Gangshan, Shanghai and Jinan plants.
Applied Polymers Business Unit-Sales and Marketing Department	The development of mid-and long-term development strategy and execution promotion TPE product marketing strategies and sales plans, including in ist subsidiaries..
Applied Polymers Business Unit-TPE Production Department	Overall management of all TPE factories of Applied Polymers Business Unit to establish the optimum production management system and execution C5 new construction projects planned project in Taiwan..

II. Information on directors, supervisors, presidents, vice presidents and assist vice presidents

1. Information on directors and supervisors(1)

Dec. 31, 2013

Job title	Name	Date of appoint-ment	Term of office	Date of first appoint-ment	Shares held when appointed		Shares currently held		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Education degree	Position(s) concurrently held in the company and/or in any other companies	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
					Share(s)	Stake	Share(s)	Stake	Share(s)	Stake	Share(s)	Stake			Jot title	Name	Relati-onship
Chairman	Hao Ran Foundation Statutory Representative: Shao Yu Wang	101.06.06	3	77.7.27	52,096,381 0	7.3% –	57,306,019 0	7.3% –	263,000	–	0	–	Soochow University /Fudan University PRC	Yung-an Rental Corp., Taiwan Insulation Material Industrial Company. Director of America California Bank	No	No	No
Director	Hao Ran Foundation Statutory Representative: Liang Chang	101.06.06	3	77.7.27	52,096,381 0	7.3% –	57,306,019 0	7.3% –	0	–	0	–	Ph.Din. Economics, Sate University of New York, USA	Chairman of Jardine Matheson, Taiwan, Vice Chairman of Global Financial Services Corporation, Directors of Asia Pacific Energy Development co., Ltd., Taiwan Acceptance Corporation,Yu-lon Motor Co., Ltd., Altek Corporation.,and Maxigen Biotech Inc., Independent Director of HSBC (Taiwan).	No	No	No
Director	Hao Ran Foundation Statutory Representative: Nita Ing	101.06.06	3	74.7.27	52,096,381 72,149	7.3% –	57,306,019 79,363	7.3% –	0	–	0	–	Economics, University of California, Los Angeles, USA	President of Hao Ran Foundation, Chairmen of Continental Holdings Corp., and Continental Engineering Corp.	No	No	No
Director	Hao Ran Foundation Statutory Representative: Tzu Wei Lee	101.06.06	3	91.9.2	52,096,381 907	7.3% –	57,306,019 997	7.3% –	0	–	0	–	M.Sc.,Management Science National Chiao Tung University	Directors of Continental Land Development Limited and Tai Ho Development Investment Limited.	No	No	No
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang	101.06.06	3	101.6.6	24,636,796 660	3.4% –	27,100,475 726	3.4% –	0	–	0	–	Master of Public Administration National Chengchi University	Senior Advisor of Wei Dah Development Co., Director of Metropolis Property Management &Maintenance Corporation., President of Metropolis Industry Co. Ltd., Director of Taiwan High Speed Rail Corporation	No	No	No
Director	Wei Dah Development Co., Ltd. Statutory Representative :J. K. Loh	101.06.06	3	77.7.27	24,636,796 0	3.4% –	27,100,475 0	3.4% –	0	–	0	–	Master of Comparative Jurisprudence, Southern Methodist University, USA	Chairman of Alliance International Law Offices	No	No	No
Director	Ching Shan Zhen Corporation Statutory Representative: D. Otto Cheng	101.06.06	3	77.7.27	572,906 362,166	0.1% 0.1%	630,196 208,382	0.1% –	100,099	–	104,500	–	Ph.D. in Chemistry, Michigan State University, USA	Independent Supervisor of Ardentec Corporation	No	No	No
Independent Director	Robert Hung	101.06.06	3	101.6.6	0	–	0	–	0	–	0	–	Master of Economics, Illinois State University, USA	Independent Director of Wistron N Web Corp.	No	No	No
Independent Director	Ting Kai (Peter)Wu	101.06.06	3	92.7.27	0	–	0	–	0	–	0	–	Master and Ph.D. Columbia University, Executive Enterprise Development of Harvard University, USA	Chairman of IBT II Venture Capital Co., Ltd Independent Director of Formosa Laboratories, Inc Member of the Remuneration Committee Yung Zip Chemical Industries Co., Ltd., Yung Shin Global Holding Co., Ltd	No	No	No
Supervisor	Dragony Investment Corporation Statutory Representative : Miles Hsieh	101.06.06	3	92.7.27	21,864,438 0	3.1% –	24,050,881 0	3.1% –	0	–	0	–	Business Administration, Soochow University	Miles Hsieh CPA	No	No	No
Independent Supervisor	Tsai-Der Chen	101.06.06	3	101.6.6	151	–	166	–	0	–	0	–	Accounting and Statistics, National Cheng Kung University	Secretariat-General Secretariat Division of Board of Continental Holdings Corporation	No	No	No

Major shareholders of corporate shareholders

Dec. 31, 2013

Corporate shareholders	Major shareholders of corporate shareholders
Hao Ran Foundation Statutory	NA
Wei Dah Development Co.,Ltd.	Ching Shan Zhen Corporation (99.8%)
Ching Shan Zhen Corporation	Dugan Corp. BVI (99.8%)
Dragony Investment Corporation	Long Reign Holding Inc. BVI (99.8%)

Major shareholders of major shareholders of corporate shareholders

Dec. 31, 2013

Corporate shareholders appellation	Major corporate shareholders
Ching Shan Zhen Corporation	Jode Fortune Enterprises Inc. (100%)
Dugan Corp. BVI	Long Reign Holdings Inc. (100%)
Long Reign Holding Inc. BVI	Auroral Limited. (100%)

Independency of directors and supervisors(2)

Conditions / Name	Whether they possess work experience of more than five years and the following professional qualifications			Compliance with the circumstances for independency (Note)										Number of other public companies in which he/she assumes an independent director concurrently
	At least lecturers of business, law, finance or accounting departments or other relevant departments/divisions required by the Company's business of public and private colleges/universities	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel possessing licenses after passing national examinations as required by the Company's business	Experience in business, law, finance and accounting, and other work required by the Company's business	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Shao Yu Wang	v	v	v	v		v	v	v	v	v	v	v		No
Liang Chang			v	v		v	v	v	v	v	v	v		1
Nita Ing			v	v		v	v		v	v	v	v		No
Tzu Wei Lee			v	v		v	v	v	v	v	v	v		No
Chin-Shan Chiang			v	v		v	v	v	v	v	v	v		No
J. K. Loh	v	v	v	v		v	v	v	v	v	v	v		No
D. Otto Cheng			v	v		v	v	v	v	v	v	v		No
Robert Hung			v	v	v	v	v	v	v	v	v	v	v	1
Ting Kai (Peter) Wu			v	v	v	v	v	v	v	v	v	v	v	1
Miles Hsieh		v	v	v		v	v	v	v	v	v	v		No
Tsai-Der Chen			v	v	v	v	v	v	v	v	v	v	v	No

(1) Who are not employees of the Company or its affiliates;
(2) Who are not directors/supervisors of the Company or its affiliates (excluding independent directors of the Company or its parent company, or subsidiaries in which the Company holds more than 50% of the shares with voting right directly and indirectly);
(3) Who are not directors/supervisors, or the directors'/supervisors' spouses or minor children, or natural person shareholders who possess more than 1% of the Company's total issued shares in the name of another person, or top ten natural person shareholders
(4) Who are not spouses, relatives within 2nd degree of relationship or lineal relatives within 3th degree of relationship of the personnel referred to in the preceding three subparagraphs;
(5) Who are not directors, supervisors or employees of corporate shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five corporate shareholders;
(6) Who are not directors, supervisors, managers or shareholders holding more than 5% of the shares of any specific companies or organizations which have financial or business transactions with the Company;
(7) Who are not the owners, partners, directors, supervisors, managers and spouses of the experts, proprietorship, partnership, companies or organizations that have provided financial, commercial and legal services and consultation to the company and its affiliates within the recent year; Excluding the remuneration committee referred to in Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
(8) Who are not spouses or relatives within 2nd degree of relationship of the other directors
(9) Who are free from any of the circumstances referred to in Article 30 of the Company Act;
(10) Who are not the corporations or representatives defined in Article 27 of the Company Act;

2. Information on presidents, vice presidents and assistant vice presidents

Dec. 31, 2012

Job title	Name	Date of appoin-tment	Shares held		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Education degree and work experience	Position(s) concurrently held in the Company and/or in any other companies	Managers who are their spouses or relatives of 2nd degree of relationship		
			Share(s)	Stake	Share(s)	Stake	Share(s)	Stake			Jot title	Name	Relationship
President	Wei-Hua Tu	95.09.15	440	–	0	–	0	–	Acting President, Asst. Vice President of Marketing Dept. and President of China Business Division, TSRC and / Accounting & Statistics, National Cheng Kung University	Presidents of Shen Hua chemical Industrial Ltd. TSRC(Nantong) Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Nantong Qix Storage Co., Ltd., TSRC (Shanghai) Industrial Ltd., TSRC (Jinan) Industrial Ltd., Polybus Corp. Pte. Ltd., TSRC (Hong Kong) Limited, Trimurti Holding Corp.,Hardison Int'l Corp., Dymas Corp., Triton Int'l Holdings Corp., TSRC Biotech Ltd., TSRC (USA) Investment Corp., Dexco Polymers Operating Company LLC, and TSRC (Lux.) Corporation S.'a.r.l., and President of TSRC (USA) Investment Corp.	No	No	No
Vice President Rubber Business Unit	Gino C. Y. Chen	98.04.01	337	–	0	–	0	–	General Manager of Applied Polymers Business Div., Kaohsiung factory manager., Marketing manager, TSRC and /National Central University	Directors of Shen Hua Chemical Industrial Ltd., TSRC-UBE(Nantong) Chemical Industrial Co. Ltd., Taiwan Advanced Materials Corporation.	No	No	No
Vice President Applied Polymers Business Unit	Hendrick Lam	93.07.16	0	–	0	–	0	–	Controller of Pacific Industrial Co., Ltd., Assistant Vice President of First Pacific Co., Ltd. and / Shau Kei Wan Industrial School, Hong Kong	Directors of TSRC (Nantong) Industrial Ltd., TSRC (Shanghai) Industrial Ltd. , TSRC (Jinan) Industrial Ltd., Taiwan Advanced Materials Corporation, TSRC Biotech Ltd., TSRC (Hong Kong) Limited,Dymas Corp., TSRC (USA) Investment Corp., Dexco Polymers Operating Company LLC, TSRC(Lux.) Corporation S.'a.r.l.,	No	No	No
Vice President Finance Division	Michael Kung	102.07.01	0	–	0	–	0	–	Chief Financial Officer of Tatung Co. Head of Global Credit, TSMC Co. and / MBA, University of Massachusetts	Directors of Shen Hua Chemical Industrial Ltd. TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Polybus Corporation Pte. Ltd. Trimurti Holding Corp., Triton International Holding Corp., TSRC (Hong Kong), TSRC (USA) Investment Corp. Limited, Dexco Polymers Operating Company LLC, TSRC(Lux.) Corporation S.'a.r.l.; Supervisors of TSRC (Nantong) Industrial Ltd., TSRC (Shanghai) Industrial Ltd., TSRC (Jinan) Industrial Ltd.,	No	No	No
Vice President R & D Division.	Frank J. Chen	98.04.01	0	–	0	–	0	–	Deputy Director, Institute of Chemical Engineering, ITRI, Project Leader of Exxon Chemical Co., and / PhD of Polymer Science University of Arkon, USA	No	No	No	No
Asst. Vice President Applied Polymers Business Unit Sales and Marketing Department	Max Tsai	102.12.01	0	–	0	–	0	–	General Manager of Marketing in China , Teknor Apex and /Chemical Engineer, Chung Yuan Christian University	No	No	No	No
Asst. Vice President Production Department Rubber Business Unit	R. L. Chiu	98.04.01	1,949	–	0	–	0	–	Kaohsiung factory manager and Assistant of Manufacturing Division, TSRC. Vice President & Factory manager of Shen Hua Chemical Industrial Co., Ltd. and / Chemical Engineer, Chung Yuan Christian University,	Director of Indian Synthetic Rubber Limited	No	No	No
Asst. Vice President Internal Auditing Office	Nick Lin	94.03.21	0	–	0	–	0	–	Assistant Vice President of Prudential Life Insurance Company, and / Master of Management, National Taipei University of Technology	No	No	No	No
Asst. Vice President Applied Polymers Business Unit	Chin-Chang Ting	94.12.30	924	–	0	–	0	–	Kaohsiung factory manager, TSRC, Presidentand factory manager of Shen Hua Chemical Industrial Ltd. and / Chemical Engineer of Tamkang University	No	No	No	No

Job title	Name	Date of appoin-tment	Shares held		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Education degree and work experience	Position(s) concurrently held in the Company and/or in any other companies	Managers who are their spouses or relatives of 2nd degree of relationship		
			Share(s)	Stake	Share(s)	Stake	Share(s)	Stake			Jot title	Name	Relationship
Asst. Vice President Compound Department Applied Polymers Business Unit	Huang -Cheng Kuo	102.01.01	636	－	1,002	－	0	－	President of TSRC (Shanghai) Industrial Ltd. Manager of Applied Polymers Division and / Chemistry,Tamkang University	Director of TSRC (Shanghai) Industrial Ltd. and TSRC (Jinan) Industries Ltd.	No	No	No
Asst. Vice President Information Technology Department	Eddy Chao	97.08.01	2,577	－	0	－	0	－	Director-General of Information Division, Siemens Telecommunication Systems Ltd./R&E Engineer of Alcatel Lucent Taiwan and /Master of Management Science of National Chiao Tung University	No	No	No	No
Asst. Vice President CEO/President Office	Alice Yuan	102.08.08	250	－	20	－	0	－	Assistant Vice President and Manager, Rubber Business Unit, Marketing & Sales Department and / Economics, Feng Chia University	Director of Lanxess-TSRC (Nantong) Chemical Industrial Co., Thai Synthetic Rubbers co., Ltd.	No	No	No
Asst. Vice President Legal Department	Tsung-Han Lin	98.05.01	2,888	－	6,207	－	0	－	Manager, Legal Affairs and acting Secretariat of the Board, TSRC; LLM, People's University of China, licensed attorney-at-law, passed the civil servant advanced level examination.	No	No	No	No
Asst. Vice President Business Development Department	Lee Pei (Lee) Chou,	98.09.10	1,260	－	0	－	0	－	Group Manager, International Business Development, ITRI and / PhD in Polymer Science, University of Akron, Ohio, USA	President of Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd. Director of Indian Synthetic Rubber Limited	No	No	No
Asst. Vice President Research & Development Division	Jeff Tsai	100.12.01	20	－	4,818	－	0	－	Asst. Vice President of Walsin Technology Corporation, Section Chief of R&D, TSRC and / Chemical Engineering, National Tsing Hua University	No	No	No	No
Asst. Vice President Finance Department	Christine Liu	101.02.01	0	－	0	－	0	－	Associate Vice President Bank of America,Taipei Branchand and / MBA, University of California, Los Angeles, USA	Supervisor of Lanxess-TSRC (Nantong) Chemical Industrial Co.,	No	No	No
Asst. Vice President Human Resources Department	Alex Liu	101.04.01	0	－	0	－	0	－	Special Assistant to the General Manager of Taita Chemical Company Ltd., Human Resources Director of Arima Photovoltaic & Optical Corp., and / Labor Relations, Chinese Culture University	No	No	No	No
Asst. Vice President Rubber Business Unit Sales and Marketing Department	Kevin Liu	102.08.08	0	－	0	－	0	－	Manager, Sales and Marketing Department, Rubber Business Unit, TSRC. Spokesperson and Assistant Vice President, Sales Department, China Synthetic Rubber Corp., And / MBA, Cambridge College, USA	Sales manager, Polybus Corporation Pte. Ltd; Directors of Indian Synthetic Rubber Limited	No	No	No
Asst. Vice President R & D Division	Ching Ting	102.10.01	0	－	0	－	0	－	Director of Advanced Technology Project Division, Delsolar Co., Ltd. and/ Ph.D. inChemistry, University of Iowa, USA	No	No	No	No

(3) Remuneration paid to directors, supervisors, presidents and vice presidents

1. Directors' remuneration

Unit: NT$1,000

<table>
<tr><th rowspan="4">Job title</th><th rowspan="4">Name</th><th colspan="8">Directors remuneration</th><th colspan="2" rowspan="2">Percentage of the total of A, B, C and D accounting for income after tax</th><th colspan="10">Relevant remuneration received by directors who are also employees</th><th colspan="2" rowspan="2">Acquisition Employee rights New shares equity (I)</th><th colspan="2" rowspan="2">Percentage of total of A, B, C, D, E, F and G accounting for income after tax</th><th rowspan="4">Whether remuneration from any reinvested companies other than subsidiaries is received?</th></tr>
<tr><th colspan="2">Reward (A)</th><th colspan="2">Pension fund (B)</th><th colspan="2">Remuneration distributed from earnings (C)</th><th colspan="2">Business execution expenses (D)</th><th colspan="2">Salary, bonus and special allowance (E)</th><th colspan="2">Pension fund (F)</th><th colspan="4">Employees' distributed from earnings (G)</th><th colspan="2">Acquisition of employee stock option certificates (H)</th></tr>
<tr><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th colspan="2">The company</th><th colspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th><th rowspan="2">The company</th><th rowspan="2">Companies in Financial Report</th></tr>
<tr><th>Cash dividend Amount</th><th>Stock dividend Amount</th><th>Cash dividend Amount</th><th>Stock dividend Amount</th></tr>
<tr><td>Chairman</td><td>Hao Ran Foundation Statutory Representative: Shao Yu Wang</td><td rowspan="12">Total 8,620</td><td rowspan="12">Total 8,620</td><td rowspan="12">Total 0</td><td rowspan="12">Total 0</td><td rowspan="12">Total 12,828</td><td rowspan="12">Total 12,828</td><td rowspan="12">Total 3,460</td><td rowspan="12">Total 3,460</td><td rowspan="12">1.45%</td><td rowspan="12">1.45%</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">0</td><td rowspan="12">1.45%</td><td rowspan="12">1.45%</td><td rowspan="12">NO</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory Representative: Liang Chang</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory Representative: Nita Ing</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory Representative: Tzu Wei Lee</td></tr>
<tr><td>Director</td><td>Wei Dah Development Co., Ltd.</td></tr>
<tr><td>Director</td><td>Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang</td></tr>
<tr><td>Director</td><td>Wei Dah Development Co., Ltd. Statutory Representative: J. K. Loh</td></tr>
<tr><td>Director</td><td>Ching Shan Zhen Corporation</td></tr>
<tr><td>Director</td><td>Ching Shan Zhen Corporation Statutory Representative: D. Otto Cheng</td></tr>
<tr><td>Independent Director</td><td>Robert Hung</td></tr>
<tr><td>Independent Director</td><td>Ting Kai (Peter) Wu</td></tr>
</table>

Remark: One leased vehicle and one driver assigned to the Company's. The yearly rent for the leased vehicle is NT$ 982 thousand and the remuneration paid to the driver is NT$ 848 thousand.

Escalation of remuneration

Escalation of remuneration paid to the various directors	Name of directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	Companies in Financial Report	The Company	Companies in Financial Report
2,000,000 below	Liang Chang Nita Ing Tzu Wei Lee Chin-Shan Chiang J. K. Loh D. Otto Cheng Ching Shan Zhen Corporation	Please refer to the left column.	Liang Chang Nita Ing Tzu Wei Lee Chin-Shan Chiang J. K. Loh D. Otto Cheng Ching Shan Zhen Corporation	Please refer to the left column.
2,000,000 (inclusive of 2,000,000)-5,000,000(does not contain 5,000,000)	Robert Hung Ting Kai (Peter) Wu Wei Dah Development Co., Ltd.	Please refer to the left column.	Robert Hung Ting Kai (Peter) Wu Wei Dah Development Co., Ltd.	Please refer to the left column.
5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)	Shao Yu Wang Hao Ran foundation	Please refer to the left column.	Shao Yu Wang Hao Ran foundation	Please refer to the left column.
10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)	–	–	–	–
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	–	–	–	–
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	–	–	–	–
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	–	–	–	–
100,000,000 above	–	–	–	–
Total	9	9	9	9

Note: Remuneration distributed from earnings means the remuneration to be distributed to directors from earnings of 2013 subject to the resolution made by the directors' meeting on March 13, 2014 and calculated based on the proportion of the distribution to directors/supervisors in last y ear. The details about the distribution have not yet been resolved before the publication date of the financial statement.

2. Supervisors' remuneration

Unit: NT$1,000

Job title	Name	Supervisors remuneration						Percentage of the total of A, B, and C accounting for income after tax		Whether remuneration from any reinvested companies other than subsidiaries is received?
		Reward (A)		Remuneration distributed from earnings (B)		Business execution expenses (C)				
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	
Supervisor	Dragony Investment Corporation	0	0	Total 2,332	Total 2,332	Total 850	Total 850	0.19%	0.19%	No
Supervisor	Dragony Investment Corporation Statutory Representative: Miles Hsieh									
Supervisor	Tsai-Der Chen									

Escalation of remuneration paid to the various supervisors (note)	Name of supervisors: Total (A+B+C) — The Company	Name of supervisors: Total (A+B+C) — Companies in Financial Report
2,000,000 below	Miles Hsieh Tsai-Der Chen Dragony Investment Corporation	Please refer to the left column.
2,000,000 (inclusive of 2,000,000)- 5,000,000(does not contain 5,000,000)	–	–
5,000,000 (inclusive of 5,000,000)- 10,000,000(does not contain 10,000,000)	–	–
10,000,000 (inclusive of 10,000,000)- 15,000,000(does not contain 15,000,000)	–	–
15,000,000 (inclusive of 15,000,000)- 30,000,000(does not contain 30,000,000)	–	–
30,000,000 (inclusive of 30,000,000)- 50,000,000(does not contain 50,000,000)	–	–
50,000,000 (inclusive of 50,000,000)- 100,000,000(does not contain 100,000,000)	–	–
100,000,000 above	–	–
Total	2	2

Note: Remuneration distributed from earnings means the remuneration to be distributed to supervisors from earnings of 2013 subject to the resolution made by the directors' meeting on March 13, 2014 and calculated based on the proportion of the distribution to directors/supervisors in last year. The details about the distribution have not yet been resolved before the publication date of the financial statement.

3. Presidents' and vice presidents' remuneration

Unit: NT$1,000

Job title	Name	Salary (A)		Pension fund (B)		Bonus, special allowance (C)		Employees' dividend distributed from earnings (D)				Percentage of the total of A, B, C and D accounting for income after tax (%)		Acquisition of employee stock option certificates		Acquisition Employee rights New shares equity		Whether remuneration from any reinvested companies other than subsidiaries is received?
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company: Cash dividend Amount	The company: Stock dividend Amount	Companies in Financial Report: Cash dividend Amount	Companies in Financial Report: Stock dividend Amount	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	
President	Wei-Hua Tu	Total 20,891	Total 20,891	0	0	Total 9,029	Total 9,029	Total 1,337	0	Total 1,337	0	1.82%	1.82%	0	0	0	0	No
Vice President	Gino C. Y. Chen																	
Vice President	Hendrick Lam																	
Vice President	Michael Kung																	
Vice President	Frank J. Chen																	
Vice President	John Chen																	

Remark:1. One leased vehicle and one driver assigned to the President. The yearly rent for the leased vehicle is NT$ 566 thousand and the remuneration paid to the driver is NT$ 510 thousand.

2. John Chen resigned on July 1 2013. Michael Kung started from July 1 2013.

Escalation of remuneration paid to presidents and vice presidents	Name of presidents and vice presidents	
	The company	Companies in Financial Report
2,000,000 below	–	–
2,000,000 (inclusive of 2,000,000)-5,000,000(does not contain 5,000,000)	Gino C. Y. Chen, Michael Kung, Frank J. Chen John Chen	Please refer to the left column.
5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)	Wei-Hua Tu, Hendrick Lam	Please refer to the left column.
10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)	–	–
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	–	–
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	–	–
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	–	–
100,000,000 above	–	–
Total	6	6

4. Names of managers distributed employees' bonus, and distribution thereof

Dec. 31, 2012

	Job title	Name	Stock dividend amount	Cash dividend amount (NT$1,000)	Total (NT$1,000)	Percentage of the total income after tax (%)
Managers	President	Wei-Hua Tu	0	Total 3,564	Total 3,564	0.21%
	Vice President	Gino C. Y. Chen				
	Vice President	Hendrick Lam				
	Vice President	Michael Kung				
	Vice President	Frank J. Chen				
	Vice President	Max Tsai				
	Asst. Vice President	R. L. Chiu				
	Asst. Vice President	Nick Lin				
	Asst. Vice President	Chin-Chang Ting				
	Asst. Vice President	Huang -Cheng Kuo				
	Asst. Vice President	Eddy Chao				
	Asst. Vice President	Alice Yuan				
	Asst. Vice President	Tsung-Han Lin				
	Asst. Vice President	Lee Pei (Lee) Chou				
	Asst. Vice President	Jeff Tsai				
	Asst. Vice President	Christine Liu				
	Asst. Vice President	Alex Liu				
	Asst. Vice President	Kevin Liu				
	Asst. Vice President	Ching Ting				
	Accounting Supervisor	Ming-Huang Chen				

Note 1: Employees' bonus plan is according to the resolution of directors' meeting on March 13, 2014. The detailed allocation is not resolved as the day when annual report published.

(4) The ratio of total compensation paid to directors, supervisors, president, vice president of our Company by our Company and all affiliated companies in the consolidated financial statements to the net income after tax in the financial statements of the entities in the last two years

Unit: NT$1,000

Job title	2013		2012	
	Total remuneration	Percentage of over income after tax	Total remuneration	Percentage of over income after tax
Director	24,908	1.45%	28,730	0.91%
Supervisor	3,182	0.19%	4,130	0.13%
President and Vice President	31,257	1.82%	31,059	0.99%
Total	59,347	3.46%	63,919	2.03%

This company pays the Director, the Supervisor, President and Vice President remuneration policy, criteria, composition, process, to set the remuneration, and the correlation there of with operational performance and risk management.

The relevant remuneration payable by the Company to directors and supervisors shall be subject to the resolution of the shareholders' meeting, while the remuneration payable to President and Vice President shall be subject to Management Rules Governing Salary to maintain the competitive salary and remuneration standards in the market. Meanwhile, it is necessary to take the salary position applicable to the relevant job ranks in the same trade, company's overall operational performance and personal performance to define the salary portfolio consisting of monthly salary (including base pay, allowance and additional pay) and year-end bonus; principle of this salary policy has no risk in the future.

III. Status of corporate governance implementation

(1) Operation of the Board of Directors:

The Board of Directors held 7 meetings in 2013. The attendance of directors in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remarks(Note)
Chairman	Hao Ran Foundation Statutory Representative:Shao Yu Wang	7	0	100.00%	
Director	Hao Ran Foundation Statutory Representative:Liang Chang	5	2	71.43%	
Director	Hao Ran Foundation Statutory Representative:Nita Ing	3	4	42.86%	
Director	Hao Ran Foundation Statutory Representative:Tzu Wei Lee	7	0	100.00%	
Director	Wei Dah Development Co., Ltd. Statutory Representative:Chin-Shan Chiang	7	0	100.00%	
Director	Wei Dah Development Co., Ltd. Statutory Representative:J. K. Loh	6	1	85.71%	
Director	Ching Shan Zhen Corporation Statutory Representative:D. Otto Cheng	7	0	100.00%	
Independent Director	Ting Kai (Peter) Wu	6	1	85.71%	
Independent Director	Robert Hung	7	0	100.00%	

Other matters to be noted:

1. Matters referred to in Article 14.3 of the Securities and Exchange Act, and other matters resolved by the directors' meeting against which any independent director shows dissent or qualified opinion, which is included in a record or written statement -None.
2. Directors' avoidance of motions with conflict of interest-None.
3. Objectives for enhancement of functions of the Board of Directors in the current year and recent years and evaluation of execution thereof-None.

(2) About supervisors' participation in the operation of the board of directors

The Board of Supervisor held 7 meetings in 2013. The attendance of supervisor in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remarks(Note)
Supervisor	Dragony InvestmentCorporation Statutory Representative: Miles Hsieh	7	0	100.00%	
Supervisor	Tsai-Der, Chen	7	0	100.00%	

Other matters to be noted:

1.Formation and job responsibilities of supervisors:

i.Communication between supervisors and the Company's employees and shareholders:

The Company's employees may communicate with supervisors via phone or email.

ii.Communication between supervisors and the internal auditing supervisor and CPA:

Supervisors may communicate with the CPA about the Company's financial statements. The internal auditors may issue the auditor's report for supervisors' review irregularly.

2.If supervisors attending a directors' meeting state their opinion at the meeting, it is necessary to specify the date, session, motions and resolutions of the directors' meeting, and the Company's response to the supervisors' opinion-None.

(3) Status of implementation of corporate governance, reasons and remedies to nonconformity to the Corporate Governance Best-Practice Principles for TSE/OTC Listed Companies:

Items	Status	Reasons and remedies to nonconformity to the Corporate Governance Best-Practice Principles for TSE/OTC Listed Companies
1.Equity structure and shareholders right (1)Handling suggestions and disputes from shareholders. (2)Control of the list of major shareholders and ultimate shareholders. (3)The establishment of risk control mechanism and firewall between the company and its affiliates.	(1)The list of major shareholders and the major parties behind such shareholders is disclosed pursuant to laws. (2)The Company's Board of Directors has the auditing commission responsible for auditing the implementation of personnel, assets and finance between the company and affiliates. The inspecting unit will enforce relevant measure for internal audit and control, to ensure the control of risk and compliance with laws.	No
2.The organization of the Board of Directors and their duties (1)The position of independent director. (2)Regular review and assessment on the impartiality and independence of the certifying CPA.	(1)The Board has 2 independent directors. An independent director will convene the auditing commission. (2)The company will re-appoint a new certifying CPA each year and replace the certifying CPA periodically to ensure the impartiality and independence of the CPA.	No
3.Communication channels with stakeholders.	The company's relevant business departmental personnel will keep in touch with stakeholders. The supervisory management of the board of directors will take care of the stakeholders' opinion.	No
4.Disclosures (1)The company has installed a website for the disclosure of its financial position and status of corporate governance. (2)The company also adopts other means for disclosure.(i.e. English web site, personnel dedicated to collect and disclose company information, establishment of a spokesperson policy, disclosure of the process of investor conference on company web site, etc.)	(1)The company's related information and annual reports will be posted on the company's website periodically, and important message will be released by the company's spokesman pursuant to laws. (2)The said enhancement of transparency of information and investors' services includes the expansion of links with revenue, quarterly statement, annual report and shareholders' relationship by means of public information system and the company's website.	No
5.The establishment nominator or remuneration Commission and its Other function	The Board of Directors has established the corporate governance commission dedicated to promoting and programming the various corporate governance principles and to examining the Company's nomination and salary policies.	No
6.The company has instituted internal rules for corporate governance in accordance with the “Corporate Governance Bestpractice Principles for TSE/OTC Listed Companies”, please explain clearly its operation with to subscribe the company to govern difference of the practice rules Different situation According to the “Corporate Governance Best-Practice Principles for TSE/OTC Listed Companies”, thecompany has instituted the various functional commissions such as independent directors, independent supervisors and audit commission. Meanwhile, the functions referred to in the Principles with respect to the functions of the various commissions are also fulfilled in the rules for institution of the various commissions subject to the job responsibility of the various commissions. The company also continues researching and promoting the various measures related to the corporate governance in accordance with the relevant requirements provided in the Principles.		

Items	Status	Reasons and remedies to nonconformity to the Corporate Governance Best-Practice Principles for TSE/OTC Listed Companies

7.Other information essential for the understanding of corporate governance: “Like the staff rights and interests, the employee show loving care for, the investor to relate, the supplier to relate, right, the trustee and the supervisor, the risk management policy and the risk measurables, the customer policy, the company the formidable sponsor for the trustee and situation of the supervisory purchase liability insurance”

(1)In order to enhance the safety performance, the Company continues holding education & training and safety meetings to enable such interested parties as employees and interested parties to verify and thoroughly execute the safe working procedure. Meanwhile, in order to comply with the laws and policies, the Company strictly fulfills the internal operating procedures and the relevant environmental management systems to pursue the enhancement of the environmental performance with respect to R&D, raw material, production process, equipment, storage and sale.

(2)The company's directors and supervisors will take part in the relevant educational training courses held by the SFI and CGA irregularly. The Secretariat of Board of Directors will provide the directors and supervisors with the relevant educational training information to help them apply for continuing education);

(3)The company's directors and supervisors will attend the directors' meetings on time. Where they fail to attend the meetings with reasons, they shall issue proxies to appoint other directors to attend the meetings on behalf of them.

8.Explanation about the Company's self-assessment report or the corporate governance assessment report of any other commissioned professional organization, Should explain clearly it from to comment (either outside committee appraisal) the result, the main flaw (or suggestion) the item and the improvement situation:

The Company strives to promote the various corporate governance principles; however, the Company has not yet conducted any self-assessment or appointed any external organizations to conduct the assessment.

Note 1: Continuing education for directors and supervisors is governed by the rules in “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies” released by the Taiwan Stock Exchange.

Note 2: Securities dealers, securities investment trust enterprises, securities investment consultant enterprises, and futures dealers should clearly state their risk management policies, criteria for measuring risk, and the implementation of consumer or customer protection policies.

Note 3: The self-review report of corporate governance referred to herein are the reports of current corporate functions and implementation of all self-review items based on corporate governance self-review items, and reviewed and explained by the companies themselves.

(4) The salary reward committee information:

(i) Information on salary reward committee

The identity	Conditions / Name	Whether they possess work experience of more than five years and the following professional qualifications			Compliance with the circumstances for independency (Note 2)								Number of other public companies in which he/she assumes an independent director concurrently	Remarks (Note 3)
		At least lecturers of business, law, finance or accounting departments or other relevant departments/divisions required by the Company's business of public and private colleges/universities	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel possessing licenses after passing national examinations as required by the Company's business	Experience in business, law, finance and accounting, and other work required by the Company's business	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Independent Director	Ting Kai (Peter) Wu			∨	∨	∨	∨	∨	∨	∨	∨	∨	3	
Director	Nita Ing			∨	∨		∨	∨		∨	∨	∨	No	No
Independent Director	Robert Hung			∨	∨	∨	∨	∨	∨	∨	∨	∨	No	

Note1: Please identify the director, independent director, or others.

Note2: Please tick “ ∨ ” in the following blank boxes, if the member meets the following conditions within two years prior to the appointment and in the duration of the appointment.

(1) Who are not employees of the Company or its affiliates;

(2) Who are not directors/supervisors of the Company or its affiliates (excluding independent directors of the Company or its parent company, or subsidiaries in which the Company holds more than 50% of the shares with voting right directly and indirectly);

(3) Who are not directors/supervisors, or the directors'/supervisors' spouses or minor children, or natural person shareholders who possess more than 1% of the Company's total issued shares in the name of another person, or top ten natural person shareholders

(4) Who are not spouses, relatives within 2nd degree of relationship or lineal relatives within 3th degree of relationship of the personnel referred to in the preceding three subparagraphs;

(5) Who are not directors, supervisors or employees of corporate shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five corporate shareholders;

(6) Who are not directors, supervisors, managers or shareholders holding more than 5% of the shares of any specific companies or organizations which have financial or business transactions with the Company;

(7) Who are not the owners, partners, directors, supervisors, managers and spouses of the experts, proprietorship, partnership, companies or organizations that have provided financial, commercial and legal services and consultation to the company and its affiliates within the recent year;

(8) Who are free from any of the circumstances referred to in Article 30 of the Company Act;

Note3: If the member is a director, please specify whether the requirements referred to in Paragraph 5, Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are met.

(ii) The operation of salary reward situation information

The Company's Remuneration Committee consists of 3 members. The term of office to be fulfilled by the existing members starts from June 13, 2012 until June 12, 2015. The Remuneration Committee has held 4 meetings in the latest year (A). The members' qualifications and attendance are stated as following:

Job title	Name	Frequency of actual attendance (B)	Frequency of proxy attendance	Actual attendance rate (%) (B/A)(Note)	Remarks
Convener	Ting Kai (Peter) Wu	4	0	100.00%	
Members	Nita Ing	4	0	100.00%	
Members	Robert Hung	4	0	100.00%	

Other matters to be noted:

1. If the Board of Directors will decline to adopt, or will modify, a recommendation of the remuneration committee, please specify the date of the directors' meeting, session, contents of the motion, resolution of the directors' meeting and the Company's response action against the recommendation of the remuneration committee (if the remuneration passed by the directors' meeting exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified). -None.
2. Where a member has expressed a dissenting opinion or reservation with respect to a material resolution passed by the remuneration committee, and said dissenting opinion or reservation has been recorded or prepared as a written declaration, please specify the date of the committee meeting, session, contents of the motion, all members opinion and the response action against the members' opinion.-None.

(5) Fulfillment of social responsibility

Items	Status	Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons therefor
1.Implementation of Corporate governance (1)The Company established CSR policies or systems and reviewed the implementation status. (2)The Company established a specific/concurrent CSR function, implemented CSR tasks and reviewed the implementation status. (3)The Company organized regular training courses and promotion activities on corporate ethics for directors, supervisors and employees. The Company also combined the training with the employee performance evaluation system and established an effective and definite system of rewards and penalties.	(1)through the Corporate Social Responsibility (CSR) Committee, the Company continued to promote CSR activities and regularly convened Steering Committee meetings, to review the promotional status and strategy of CSR. (2)Organization of CSR is as follows: Under the Steering Committee headed by the President /CEO, five committees were established: the "Promotion Secretariat" , "Corporate Governance Committee" , " Employee Caring Committee" , "Environmental Protection and Energy Saving Committee" , "External Communica tions Committee" and "Social Caring Committee" , actively facing and controlling the CSR management benchmarks of the three aspects: economic, environmental and social. (3)In order to implement a corporate culture emphasizing good quality and maintain Company's image and enterprise ethics, the Company established the "Code of Dutiful Conduct " for employees and the "Code of Ethical Conduct" for directors, supervisors and managers. And regularly reviewed the "Enterprise Mission, Objective and Values" and the "Core Functions" and "Management Functions" , requiring relevant staff to comply with them and including such rules into the employee annual performance review table. Any violation of a relevant rule will be subject to the rules for rewards and sanctions.	(1) No difference (2) No difference (3) No difference

Items	Status	Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons therefor
2.Development of sustainable environment (1)We contributed to improving the utilization of all resources and used recycled material that brought minimum load to the environment. (2)We established a suitable environment management system according to the feature of the industry. (3)We set up a specific function or personnel to take the responsibility for the management of the environment. (4)We paid attention to the impact of the climate change on the operation of the company and established energy saving, carbon reduction and greenhouse gas minimization strategies.	(1)In terms of the manufacturing process, the concept of "maximizing energy resource" is introduced. Through the design of manufacturing process, the increase in efficiency and the recycling of raw materials, energy consumption required for production is minimized. We also successfully developed and produced new green products. (2)The Company continues to operate effectively, under the certifications of ISO 1400, environmental management system. the Company passed QC 080000 certification (hazardous material process flow management system). (3)The Company established dedicated environmental management organization in accordance with the law, with dedicated environmental management staff in charge of air pollution, waste water, waste and toxic materials. (4)Regarding greenhouse gas reduction planning, the Company supports the national reduction target and follows the relevant policies of the competent authority. The companies were in 2011 and 2013 passed 2005-2010 ISO 14064-1 certification (greenhouse gas emission verification) , and the Company has passed the ISO/DIS 14067 (product carbon footprint) of three representative products and the certification of the product's water footprint, and defined and continued implementing certain energy-saving and carbon-reduction policies. Additionally, by establishing the carbon/water footprint inspection system, the Company was able to control the greenhouse gas emission ratio at the various stages during the life circle of a product to seek the chance to reduce carbon and also to mitigate the environmental burden by selecting low-carbon raw materials, supplies and spare parts when engaging in producing or developing any product. In 2013, the Company has built ISO 50001 energy management system and certified by SGS, which can help companies analyze energy use through the system and Consumed situation, to seek to improve the identification of opportunities.	(1) No difference (2) No difference (3) No difference (4) No difference

Items	Status	Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons therefor
3.Protection of social commonweal (1)Whether the Company complied with the labor-related laws and regulations and also respected the basic principles for labors' human rights recognized internationally, protected employees' legal interest and right and employment policy from discrimination, and established the adequate management method and procedure, and fulfillment thereof. (2)We provided the employees with safe and healthy working environment and carried out regular training courses regarding safety and health of the employees. (3)Whether the Company established the periodic communication mechanism for employees, and notified employees of any changes in operation that might materially affect employees in reasonable manners. (4)We established and published consumer interest policies and provided consumers with a transparent and effective complaint procedure regarding our product and service. (5)We cooperated with our suppliers to enhance CSR jointly. (6)We participated in the community development as well as charity and public welfare activities by commercial activities, donationin-kind, corporate volunteer service, and other free professional services.	(1)The Company established labor conditions and implemented related business according to the Labor Standards Act. The Company hired new employees in accordance with its internal SOP and also gave comprehensive consideration about the job-seekers' expertise and work experience according to the requirements about job titles/qualifications, and never discriminated toward gender in the remuneration standard. (2)In addition to implementing related business according to applicable safety and health regulations, we went beyond the scope of the regulations and carried out regular health examination and for a health lecture for employees every year. (3)Group bargaining (about once per three years), labors and employer meeting (principle per quarter), labor union members communication meeting (whenever needed), strategic company development meeting (per year), presidents' symposium (whenever needed), workers welfare committee meeting (per quarter), responsible care committee meeting (once per two months), labor, safety & health committee meeting (per quarter), employees unit safety communication meeting (per quarter), labor pension overseeing committee (per quarter), collaboration agreement organization (whenever needed), health promotion workshop (whenever needed), and employees' forum at the internal Portal site. (4)The Company is a supplier of synthetic rubber material. It is not a producer of end-user consumer products. Relevant customer complaints are handled through the customer complaint procedure, and official feedback is provided. (5)The Company carried out the QC 080000 (hazardous material process flow management system) project, raw materials required to provide qualified suppliers of raw materials and packaging materials meet the hazard substances regulatory requirements for the company; another to complete the Supplier Code of Conduct project formulation and implementation status of greenhouse gases investigation. (6)The Company spent a of neighboring fees and community fees, subsidizing water and electricity fees for the community residents, school scholarships and school lunches. In addition, the Company also regularly makes donations to public interest organizations to assist members of disadvantaged communities. In the future, the "Social Caring Committee" under the CSR Committee will actively reinforce the following: 1.Sponsor and promote cultural, art and academic exchanges. 2.Caring for disaster areas. 3.Cooperation between companies and industries. 4.Caring for disadvantaged communities. 5.Green holidays or relevant official events.	(1) No difference (2) No difference (3) No difference (4) No difference (5) No difference (6) No difference

Items	Status	Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons therefor
4.Enhancing the disclosure of information (1)We disclosed the information on the social responsibility with relevance and reliability. (2)We compiled CSR reports to disclose CSR implementation status.	(1)The Company's official website already has a section for "Corporate Social Responsibility" that discloses relevant information. (2)The Company completed the B+ level Corporate Social Responsibility Report of 2013, which will be disclosed alongside the annual report for the shareholders' meeting; the Company will also create a CSR indicator system that gathers internal information in the TSRC Group to manage the performance of CSR internally.	(1) No difference (2) No difference
5.Where the company has established the CSR implementation policy according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, describe the difference between the actual implementation and the regulations of the Principle. The Company established the CSR Committee in 2010. in the Company fully strengthened the depth of CSR activities in accordance with the CSR Best Practice Principles for Publicly Listed Companies.		
6.Other important in formation that is helpful to understand the operation of CSR (e.g. the system, measure and their implementation that the company used for environmental protection, community participation, social contribution, social service, social commonweal, consumer's interests, human rights, safety and health, and other social reasonability activities): (1)External consultants establishing the CSR mechanism. (2)Continued Solution Styrene Butadiene Rubber (SSBR) is used in tire manufacturing. It can reduce oil consumption and waste gas emission by cars, reducing the impact on the environment. (3)Participating in the Taiwan Responsible Care Association and Chemical Awareness and Emergency Response Association, Taiwan, fulfilling member obligations and ensuring the safety and health of the community/society. (4)The Manufacturing Process Safety Management Guidelines, Product Management Guidelines, Contractor Safety Management Guidelines, Distribution Management Guidelines, Waste Management and Reduction Management Guidelines and Emergency Reaction Management Guidelines are established based on the safety standards of Taiwan Responsible Caring Association. The established sub-committees of "Manufacturing Process Safety", "Product Regulations and Rules", "Contractor Safety", "Distribution Safety", "Energy Saving and Reduction", "Emergency Reaction" and "Legislation and Discipline" continued to operate. Plant "Safety, Health, Environmental Protection and Green" policies are implemented with a reinforced "Technology, Equipment, Staff and Community" policy. (5)Environmental accounting was established in 2010 (including safety, health and environmental protection expense). Statistics of several environmental accounting expenses every year have also been completed for the purpose of management and continuous improvement in environmental safety and health. (6)The Company continued to purchase Mid-autumn Festival gift boxes from the Children Are Us Foundation to help disadvantaged communities. (7)Through the association of companies in the industrial sector, the Company continues to promote neighboring and community support development events.		
7.If any product or CSR report of the company has passed the certification criteria of any certification body, please describe: The Company has passed the ISO/DIS 14067 (product carbon footprint) of three representative products and the certification of product water footprint. The B+CSR report of 2013 was also certified by a fair third entity and released in public.		

(6) Fulfillment of operation in good faith and measures taken

Fulfillment of operation in good faith

Items	Status	Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/ GTSM-Listed Companies and the reasons therefor
1.Define the policy and program for operation in good faith (1)The Company has expressly stated the policy for operation in good faith in its regulations and public documents, as well as the undertaking of the board of directors and management rank to fulfill the same. (2)The status of the program for prevention of dishonest conduct as defined by the Company, and the status of SOPs under the program, ethical guidance and educational training. (3)The status of the preventive actions taken by the Company against offering and acceptance of bribery and provision of illegal political contributions in the operating activities involving high risk over dishonest conduct, when defining the preventive action against dishonest conduct.	All of the Company's directors/supervisors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the disciplinary procedure for violations in said codes in accordance with the Company's "Reward & Punishment Policy".	No
2.Fulfillment of operation in good faith (1)The Company's business activities shall avoid trading with any person who had dishonest conduct record, and shall expressly provided the clauses about honest conduct in business contracts. (2)Status of the unit dedicated to (concurrent engaged in) boosting the enterprise's operation in good faith, and the status of supervision of the Board of Directors. (3)The status of the policy against conflict of interest defined by the Company and operation of the adequate complaining channels provided by the Company. (4)The valid accounting system established by the Company to fulfill the operation in good faith, operation of the internal control system, and audit of the internal auditors.	The Company ensured the transactions only with qualified suppliers according to the "Vendor Evaluation Management Rules", and stated when inquiring price with the suppliers that the Company would not trade with the company who has engaged in dishonest conduct. All of the Company's directors/supervisors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the reporting and disciplinary procedures for violations in said codes in accordance with the Company's "Reward & Punishment Policy". The Company defines the audit plan pursuant to laws on a yearly basis to audit the Company's accounting system and internal control system.	No
3.The operation of the complaining channels and disciplinary/reporting systems against violations of the requirements about operation in good faith established by the Company.	The Company's "Reward and Punishment Policy" has expressly defined the reporting and disciplinary procedures for the violations.	No

Items	Status	Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons therefor
4.Enhance the disclosure of information (1)The Company set up its official website to disclose the information about operation in good faith. (2)The Company adopted other ways to disclose information (e.g. set-up of an English website, and designation of person dedicated to collecting and disclosing the Company's information to be posted on the Company's website).	The Company's intranet (EIP) has disclosed the "Code of Professional Conduct", which may be followed by all employees when performing their job duty.	No
5.If the Company has defined its ethical corporate management practice in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the operation thereof and difference between the Principles and the practice defined by the Company: The Company executed the operation in accordance with the "Ethical Code" and "Code of Professional Conduct", and there is no difference between them and said Principles.		
6.Any other important information helpful to comprehend the Company's operation in good faith (e.g. the Company's determination and policy to propagate the Company's operation in good faith to trading counterparts, and the Company's invitation of the trading counterparts to attend the educational training programs and to discuss the amendments to the ethical corporate management practice defined by the Company): None		

(7) Whether the Company and its subsidiaries defines any corporate governance principles and relevant rules-None.

(8) Other important information sufficient to enhance the corporate governance of TSRC Corporation and its subsidiaries.

1. Advanced study of directors/supervisors

Job title	Name	Date of advanced study	Hosted by	Programs	Hours
Independent Director	Ting Kai (Peter) Wu	Aug. 28, 2013	Securities & Futures Institute (SFI)	Employee Stock Transaction Legal Compliance Information Session	3
Independent Director	Robert Hung	Aug. 14, 2013	Securities & Futures Institute (SFI)	Employee Stock Transaction Legal Compliance Information Session for Publicly Traded Companies	3
Director	Liang Chang	Aug. 1, 2013	Accounting R&D Foundation	Corporate Governance and Securities Laws	3

2. Important information treatment procedure

For setting up a viable system for handling materiality and disclosure, the Company has instituted the Procedure for Handling Materiality and release for the review of the public. The scope covers the directors, supervisors, managers, employees and other parties who access to material information of the Company due to his/her identity, occupation, or control relation to the Company. In addition, education on applicable laws or related education and training programs are provided.

(9)Information about enforcement of internal control system

1.Declaration of Internal Control

TSRC Corporation

Declaration of Internal Control System

Date: March 13, 2014

TSRC Corporation has conducted internal audit in accordance with its Internal Control System covering the period from 2013, and hereby declares as follows:

1. The company acknowledges and under stands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and managers, and that the company has already established such system. The mission is to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
2. There is limitation inherent to internal control system, no matter how perfect the design is. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcomings will be corrected immediately.
3. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies " (hereinafter referred to as "the Criteria") promulgated by the Securities and Futures Commission of the Ministry of Finance. The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control is composed by five elements, namely, 1.Control Environment 2. Risk Evaluation 3. Control Operation 4. Information and Communication and 5.Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
4. The company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
5. Based on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.
6. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and illegal practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on March 13, 2014 with presence of 9 directors at unanimous consent

TSRC Corporation
Chairman: Shao Yu Wang
Acting President: Wei-Hua Tu

2.Public accountants retained to review the internal control system: No

(10) Where any penalties have been imposed in accordance with the laws, or the company has taken disciplinary action against its in-house personnel for violations of the company's internal control regulations, please specify the principal problems and correction actions taken in 2013 and until the annual report being published: No

(11) The major resolutions made by shareholders' regular meetings and directors' meetings in 2013 and until the annual report being published.

1. The important resolutions made by shareholders' regular meetings in 2013:

(1) Recognition of the Company's business report and financial statements for 2012;

(2) Recognition of the allocation of earnings for 2012;

(3) Approved of the Company's "Making Endorsements/Guarantees Conducting Guideline" amendment.

(4)Approved of the Company's "Loaning of Funds to Others Conducting Guideline" amendment.

2. Implementation of the resolutions made by shareholders' regular meetings:

(1) With respect to the allocation of earnings for 2012, the directors' meeting resolved that July 22, 2013 should be the ex-dividend record date and the cash dividends should and new share capital increase be allocated on August 29, 2013.

3. Important resolutions made by directors' meetings:

proposal (May 7, 2013) Board meeting

Resolved the Board of Directors of the Company passed 2013 the first quarter of financial report.

Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.

proposal (June 27, 2013) Board meeting

Resolved the recording date for the distribution of shareholder dividends.

Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.

Resolved the Chief Accountant movement case.

Resolved the chief of Financial Officer movement case.

proposal (August 8, 2013) Board meeting

Resolved that the competition restrictions imposed on the Company's managers should be lifted.

proposal (March 13, 2014) Board meeting

Resolved that the shareholders' regular meeting for 2014 should be called.

Resolved that allocation of earnings for 2013 should be approved.

Resolved to pass the financial statement for 2013.

Resolved to convert profit into capital increase and issuance of new shares.

(12) Whether any director or supervisor has shown dissent against any important resolution made by the Board of Directors, which is also included in a record or written statement in 2013 and until the annual report being published : None

(13)In 2013 and until the annual report being published the chairman, general manager, accounting manager, chief financial officer, chief of internal audit officer and director of research and development and other Dismissal:

Job title	Name	Date of hiring	Date of discharge	Cause for resignation discharge
Vice President Finance Division	John Chen	Apr.1, 2009	July 1, 2013	Voluntary resignation

IV. Information public expenses of CPA

(1) Information about public expenses paid to CPA and accounting firms

Unit: NT$1,000

Name of the accounting firm	Name of the CPA		Audited public expenses	Non-audited public expenses					CPA's audit period	Remarks
				System design	Industrial & commercial registration	Human resource	Other	Subtotal	Audit period	
KPMG Taiwan	Mei Hsueh Yang	Chia-Hsiu Chen	4,450	0	0	0	618	618	Jan. 1, 2013 to Mar. 22, 2013	Other non-audit fees mainly pay tax-related and a business services.
KPMG Taiwan	Po Shu Hung	Ann Tine Yu							Mar. 23, 2013 to Dec. 31, 2013	

Note: Personnel transfer of the CPA firm on March 23, 2013

Unit: NT$1,000

Escalation of remuneration \ Project		Audited public expenses	Non-audited public expenses	Total
1	2,000,000 below	0	618	618
2	2,000,000 (inclusive of 2,000,000)-4,000,000	0	0	0
3	4,000,000 (inclusive of 4,000,000)-6,000,000	4,450	0	4,450
4	6,000,000 (inclusive of 6,000,000)-8,000,000	0	0	0
5	8,000,000 (inclusive of 8,000,000)-10,000,000	0	0	0
6	10,000,000 (inclusive of 10,000,000) above	0	0	0

(2) The Corporation information about public expenses paid to certified public accountants and accounting firms and audit and the non-audit government expense related information the relational enterprise has not reached 1/4th audit government expense.-No.

(3) Because the Company did not replace the CPA in the last two years.-No.

(4) Do audited public expenses decrease by more than 15% compared with those in the previous year?-No.

V. Information change of CPA

(1) About former CPA

Date of change	March. 23, 2013
Cause and explanation	Internal personnel transfer of the CPA firm
Specify whether appointer or CPA terminates or rejects the appointment	Internal personnel transfer of the CPA firm: Not applicable.
The comments and causes for the issue of the audit report other than those with unqualified opinions within the latest two years	The unqualified opinion subsequent to revision was issued in 2011 due to the changes of accounting policy (changes of the pricing of inventory cost and adoption of the requirements about subsequent valuation of receivable accounts referred to in the amended Statement of Financial Accounting Standards No. 34).
Disagreement with the issuer	No
Other information to be disclosed (to be disclosed according to Item (1).4 of Article 10-5 of the Principles)	No

(2) About succeeding CPA

Firm	KPMG
CPA's name	Hung Po Shu, Yu Ann Tine
Date of appointment	March 23, 2013
Accounting methods or principles with respect to certain transactions prior to the appointment, and inquiries and results as to the comments likely to be issued with respect to the financial statement	No
Succeeding CPA's written opinion towards the disagreement with the former CPA	No

(3) The former CPA's response to the issues referred to in Article 10.5.1 and Item 3 of Article 10.5.2 of the Regulations: Not applicable.

VI. Chairman, president, or manager in charge of the company's finance or accounting who has within the last year held a position at the accounting firm of a CPA or any of its affiliated company-No.

VII. Information on equity of directors, supervisors, managers and shareholders holding more than 10% of the shares

Job title	Name	2012		February 28, 2013	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Shao Yu Wang	–	–	–	–
Director	Hao Ran Foundation Statutory	–	–	–	–
Corporate representative of the director	Shao Yu Wang	–	–	–	–
Corporate representative of the director	Liang Chang	–	–	–	–
Corporate representative of the director	Nita Ing	–	–	–	–
Corporate representative of the director	Tzu Wei Lee	–	–	–	–
Director	Wei Dah Development Co., Ltd.	–	–	–	–
Corporate representative of the director	Chin-Shan Chiang	–	–	–	–
Corporate representative of the director	J. K. Loh	–	–	–	–
Director	Ching Shan Zhen Corporation	–	–	–	–
Corporate representative of the director	D. Otto Cheng	(190,000)	–	–	–
Independent Director	Robert Hung	–	–	–	–
Independent Director	Ting Kai (Peter) Wu	–	–	–	–
Supervisor	Dragony Investment Corporation	–	–	–	–
Corporate representative of the supervisor	Miles Hsieh	–	–	–	–
Independent Supervisor	Tsai-Der Chen	–	–	–	–
President	Wei-Hua Tu	–	–	–	–
Vice President	Gino C. Y. Chen	–	–	–	–
Vice President	Hendrick Lam	–	–	–	–
Vice President	Michael Kung	–	–	–	–
Vice President	Frank J. Chen	–	–	–	–

Job title	Name	2013		February 28, 2014	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Asst. Vice President	Max Tsai	–	–	–	–
Asst. Vice President	R. L. Chiu	–	–	–	–
Asst. Vice President	Nick Lin	–	–	–	–
Asst. Vice President	Chin-Chang Ting	–	–	–	–
Asst. Vice President	Huang-Cheng Kuo	–	–	–	–
Asst. Vice President	Eddy Chao	–	–	–	–
Asst. Vice President	Alice Yuan	–	–	–	–
Asst. Vice President	Tsung-Han Lin	–	–	–	–
Asst. Vice President	Lee Pei (Lee) Chou	(1,260)	–	–	–
Asst. Vice President	Jeff Tsai	(2)	–	–	–
Asst. Vice President	Christine Liu	–	–	–	–
Asst. Vice President	Alex Liu	–	–	–	–
Asst. Vice President	Kevin Liu	–	–	–	–
Asst. Vice President	Ching Ting	–	–	–	–
Chief Accountant	Ming-Huang Chen	–	–	–	–

Note: The trading counterparts to whom the equity of the said directors, supervisors, managers and major shareholders is transferred and pledged are not related parties; therefore, no information about equity transfer and pledge may be disclosed.

VIII. Information about top ten share holders being the related party as defined in Statement of Financial Accounting Standards No. 6

July 22 , 2013

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share(s)	Stake	Share(s)	Stake	Share(s)	Stake	Name/name	Relationship	
Panama Banco industrial company	66,213,731	8.4%	0	–	0	–	N0	N0	
Hao Ran Foundation Statutory	57,306,019	7.3%	0	–	0	–	Nita Ing	Chairman of the Foundation	
Hao Ran Foundation Statutory Chairman: Shao Yu Wang	0	–	263,000	–	0	–	N0	N0	
Hao Ran Foundation Statutory Chairman:Liang Chang	0	–	0	–	0	–	N0	N0	
Hao Ran Foundation Statutory Chairman:Nita Ing	79,363	–	0	–	0	–	Hao Ran foundation Statutory	Chairman of the Foundation	
Hao Ran Foundation Statutory Chairman:Tzu Wei Lee	997	–	0	–	0	–	N0	N0	

VIII. Information about top ten shareholders being the related party as defined in Statement of Financial Accounting Standards No. 6

July 22 , 2013

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share(s)	Stake	Share(s)	Stake	Share(s)	Stake	Name/name	Relationship	
Cathay life insurance Co. Ltd. Chairman: Cai Hong Tu	38,163,524	4.9%	0	–	0	–	N0	N0	
Tamerton Group Limited	32,931,565	4.2%	0	–	0	–	N0	N0	
Metacity Development Corporation Chairman: Zeng Wang Mei-Xiang	28,982,289	3.7%	0	–	0	–	N0	N0	
Fubon Life Insurance Co. Ltd. Chairman: Cheng Pen Yuan	28,501,000	3.6%	0	–	0	–	N0	N0	
Wei Dah Development Co., Ltd.	27,100,475	3.4%	0	–	0	–	N0	N0	
Wei Dah Development Co., Ltd. Chairman: Chin-Shan Chiang	726	–	0	–	0	–	N0	N0	
Wei Dah Development Co., Ltd. Chairman: J. K. Loh	0	–	0	–	0	–	N0	N0	
Dragony Investment Corporation	24,050,881	3.1%	0	–	0	–	N0	N0	
Dragony Investment Corporation Chairman: Miles Hsieh	0	–	0	–	0	–	N0	N0	
Nan Shan Life Insurance Company, Ltd Chairman:Guo Wende	23,171,000	2.9%	0	–	0	–	N0	N0	
Labor Insurance Fund	19,869,726	2.5%	0	–	0	–	N0	N0	

IX. Shares-and shareholdings of the Company, -directors, -supervisors, managers, and direct and indirect Investments of the Company in affiliated companies

Reinvested enterprises (Note 1)	Investment by the company		Investment by directors, supervisors, managers and enterprises directly or indirectly controlled by the company		Total investment	
	Share(s)	Stake	Share(s)	Stake	Share(s)	Stake
Trimurti Holding Corporation	86,920,000	100.00%	–	–	86,920,000	100.00%
Hardison International Corporation	3,896,305	100.00%	–	–	3,896,305	100.00%
Dymas Corporation	1,161,004	19.48%	4,798,566	80.52%	5,959,570	100.00%
Taiwan Advanced Materials Corp.	72,000,000	48.00%	–	–	72,000,000	48.00%

Note 1: the Company's long-term investment

Status of Fundraising

Status of Fundraising

I. Capital and shares

(1) Source of capital and types of shares

March 22, 2014

Year/ month	Issue price (NT$)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NT$1,000)	Shares(s) (1,000 shares)	Amount (NT$1,000)	Source of stock capital	Property other than cash offset against capital	Other
July 1973	10	20,000	200,000	5,100	51,000	Incorporation of company		
Jun 1974	10	20,000	200,000	13,200	132,000	Increase of 51,000,000 NTD	Technical cooperation remuneration transferred to capital stock 30,000,000 NTD	
Feb 1975	10	20,000	200,000	20,000	200,000	Increase of 61,928,000 NTD	Technical cooperation remuneration transferred to capital stock 6,072,000 NTD	
Nov 1975	10	40,000	400,000	30,000	300,000	Increase of 100,000,000 NTD		
Dec 1975	10	40,000	400,000	40,000	400,000	Increase of 100,000,000 NTD		
Jul 1976	10	60,000	600,000	50,000	500,000	Increase of 100,000,000 NTD		
Apr 1977	10	60,000	600,000	54,000	540,000	Increase of 40,000,000 NTD		
Jul 1980	10	110,000	1,100,000	73,238	732,380	14,000,000 NTD transferred from earnings 52,380,000 NTD transferred from capital		
Sep 1981	10	110,000	1,100,000	92,300	923,000	Increase of 16,980,000NTD 173,640,000 NTD transferred from earnings		Issue date: May 18,1981
Apr 1982	10	120,000	1,200,000	116,000	1,160,000	Increase of 135,470,000 NTD 101,530,000 NTD transferred from capital		Listed date: September 25, 1982
Oct 1983	10	121,800	1,218,000	121,800	1,218,000	58,000,000 NTD transferred from capital		
Sep 1984	10	145,000	1,450,000	127,890	1,278,900	60,900,000 NTD transferred from capital		
Aug 1985	10	145,000	1,450,000	140,679	1,406,790	63,945,000 NTD transferred from earnings 63,945,000 NTD transferred from capital		
Sep 1986	10	164,200	1,642,000	164,200	1,642,000	Increase of 80,463,000NTD 119,577,000 NTD transferred from earnings 35,170,000 NTD transferred from capital		
Jul 1987	10	201,966	2,019,660	201,966	2,019,660	344,820,000 NTD transferred from earnings 32,840,000 NTD transferred from capital		
Aug 1988	10	238,319	2,383,199	238,319	2,383,199	363,539,000 NTD transferred from earnings		
Aug1989	10	274,068	2,740,679	274,068	2,740,679	357,480,000 NTD transferred from earnings		
Oct 1991	10	306,956	3,069,560	306,956	3,069,560	328,881,000 NTD transferred from earnings		
Aug 1995	10	550,000	5,500,000	369,700	3,697,000	627,440,000 NTD transferred from earnings		
Jul 1997	10	550,000	5,500,000	502,900	5,029,000	1,332,000,000 NTD transferred from earnings		
Jul 1998	10	750,000	7,500,000	580,487	5,804,870	775,870,000 NTD transferred from earnings		Authorized stock capital includes convertible corporate bonds totaling 10 million shares
Jul 1999	10	750,000	7,500,000	609,511	6,095,114	290,244,000 NTD transferred from earnings		June 29, 1999 Approved by the official letter under (88) Tai-Tsai-Cheng (1) No. 59287

Year/ month	Issue price (NT$)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NT$1,000)	Shares(s) (1,000 shares)	Amount (NT$1,000)	Source of stock capital	Property other than cash offset against capital	Other
Jun 2006	10	750,000	7,500,000	649,909	6,499,095	403,981,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 0950124967 dated June 20, 2006
Jun 2011	10	900,000	9,000,000	714,900	7,149,004	649,909,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1000028593 dated June 22, 2011
Jun 2012	10	900,000	9,000,000	786,390	7,863,904	714,900,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1010027239 dated June 19, 2012

March 22, 2014

Type of shares	Authorized stock capital (shares)			Remarks
	Listed Shares	Non-listed shares	Total	
Common stocks	786,390,456	113,609,544	900,000,000	
Preferred stocks	–	–	–	

Information related to general report system-not applicable

(2)Shareholders' structure

July 22, 2013

Shareholder's Structure / Quantity	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign Institutions & Natural Persons	Total
Number of persons	7	21	168	63,417	418	64,031
Share(s)	36,788,187	106,818,976	169,992,218	212,480,818	260,310,257	786,390,456
Stake(%)	4.68	13.58	21.62	27.02	33.10	100.00

(3) Equity diffusion

Par value NT$10/ July 22, 2013

Range of shares held	Number of shareholders	Shares held	Stake (%)
1-999	29,360	8,349,647	1.06
1,000-5,000	25,014	53,137,045	6.76
5,001-10,000	5,025	34,838,639	4.43
10,001-15,000	1,932	23,437,841	2.98
15,001-20,000	743	12,991,432	1.65
20,001-30,000	761	18,519,005	2.35
30,001-50,000	505	19,508,138	2.48
50,001-100,000	326	22,265,776	2.83
100,001-200,000	159	21,877,687	2.78
200,001-400,000	82	22,523,585	2.86
400,001-600,000	24	11,708,803	1.49
600,001-800,000	22	14,747,233	1.88
800,001-1,000,000	13	11,755,185	1.49
1,000,001 above	65	510,730,440	64.96
Total	64,031	786,390,456	100.00

Preferred stocks shares- The company does not issue preferred stocks shares.

(4) Major shareholders

July 22, 2013

Shares / Shareholders	Shares held	Stake (%)
Panama Banco Industrial Company	66,213,731	8.4%
Hao Ran Foundation Statutory	57,306,019	7.3%
Cathay Life Insurance Co. Ltd.	38,163,524	4.9%
Tamerton Group Limited	32,931,565	4.2%
Metacity Development Corporation	28,982,289	3.7%
Fubon Life Insurance Co. Ltd.	28,501,000	3.6%
Wei Dah Development Co., Ltd.	27,100,475	3.4%
Dragony Investment Corporation	24,050,881	3.1%
Nan Shan Life Insurance Company, Ltd	23,171,000	2.9%
Labor Insurance Fund	19,869,726	2.5%

(5) Market price per share, net worth per share, EPS dividends per share and related information

Unit: NT

<table>
<tr><th colspan="3">Fiscal year / Item</th><th>2013</th><th>2012</th><th>As of Feb. 28, 2014</th></tr>
<tr><td rowspan="3">Market price per share</td><td colspan="2">Maximum</td><td>62.80</td><td>81.70</td><td>45.45</td></tr>
<tr><td colspan="2">Minimum</td><td>40.30</td><td>51.50</td><td>40.20</td></tr>
<tr><td colspan="2">Average</td><td>54.83</td><td>68.70</td><td>42.83</td></tr>
<tr><td rowspan="2">Net worth per share</td><td colspan="2">Before distribution</td><td>19.81</td><td>19.88</td><td>–</td></tr>
<tr><td colspan="2">After distribution</td><td>(Note 1)</td><td>17.28</td><td>–</td></tr>
<tr><td rowspan="3">Earnings per share</td><td colspan="2">Weighted average share(s)</td><td>786,390,456</td><td>786,390,456</td><td>786,390,456</td></tr>
<tr><td rowspan="2">EPS</td><td>Before adjustment</td><td>1.90</td><td>3.22</td><td>–</td></tr>
<tr><td>After adjustment</td><td>–</td><td>3.22</td><td>–</td></tr>
<tr><td rowspan="4">Dividends per share</td><td colspan="2">Cash dividend (Note 1)</td><td>1.37</td><td>2.60</td><td>–</td></tr>
<tr><td rowspan="2">Dividends (Note 1)</td><td>Dividend distributed from earnings</td><td>0.50</td><td>–</td><td>–</td></tr>
<tr><td>Dividend distributed from additional paid-in capital</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td colspan="2">Cumulative outstanding dividends (Note 2)</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td rowspan="3">Cash dividend yield (note 5)</td><td colspan="2">Price-earnings (P/E) ratio (Note 3)</td><td>28.86</td><td>21.34</td><td>–</td></tr>
<tr><td colspan="2">Price-dividend (P/D) ratio (Note 4)</td><td>40.02</td><td>26.42</td><td>–</td></tr>
<tr><td colspan="2">Cash dividend yield (note 5)</td><td>2.5%</td><td>3.8%</td><td>–</td></tr>
</table>

Note 1: The dividends for 2013 have not yet resolved by the shareholders' meeting.

Note 2: Requirements for issue of securities provide that the unappropriated dividends in the current year may be cumulative and distributed in the year of earnings, and only the outstanding cumulative dividends in the current year shall be disclosed.

Note 3: P/E ratio=yearly average closing price per share/EPS

Note 4: P/D ratio=yearly average closing price per share/Cash dividend per share

Note 5: Cash dividend yield=cash dividend per share/yearly average closing price per share

(6) Dividend policy and implementation status

1. Dividend policy

The business operated by the Company has matured and been stable, and the Company is orienting itself towards globalization and diversification. In order to cope with the Company's long-term programming to ensure the perpetual growth of the enterprise, the Company sets the dividend policy as following: the profit of annual final account, if any, shall deduct the tax and make up the loss in past years, then withdraw 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, if any, plus the unappropriated earnings in the previous period, which shall be distributed in the following manners:

1) 97% for shareholders' dividend

2) 1% for directors'/supervisors' remuneration

3) 2% for employees' bonus

The cash dividend distributed, if any, shall not less than 20%. Share dividend shall not exceed 80%. If the shareholders' dividends are less than 0.5 per share based on the above calculation, the Company may keep the distributable profit without distribution.

The proposal for the said distribution of earning shall be submitted by the Board of Directors to the shareholders' meeting for ratification.

The rules for directors'/supervisors' remuneration and employees' bonus shall be subject to the resolution of the directors' meeting.

2. Distribution of dividends scheduled at the shareholders' regular meeting

Cash dividends to be distributed are NT$ 1.37 per share and surplus to be distributed is NT$ 0.5 per share.

(7) Effect upon business performance and EPS of stock dividend distribution plans drafted at the shareholders' regular meeting:Not applicable.

(8) Employees' bonus and directors'/supervisors' remuneration

1. Percentage or scope of employees' bonus and directors'/supervisors' remuneration referred to in the company's articles of association. Please refer to the dividend policy.
2. The Company determined to pay cash dividends for fiscal year 2013. The basis of, and the actual estimation of employee bonus, remuneration to directors and supervisors are in compliance with the Articles of Associate. There is no difference in the amount between the actual and the projected payment.
3. Information on resolution of the Board on payout of employee bonus:
   (1)The Company shall pay NT$30,321,000 to employees as cash dividends, NT$15,160,000 to directors and supervisors as remunerations for fiscal year 2013, the stated amount is identical with the actual amount paid.
   (2)The proposed distribution of employees' stock bonus and accounted for the issue of individuals or individual financial reporting net income and staff bonus total aggregate number of proportion - this provision of notapplicable.
   (3)The estimated EPS net of the payout of employee bonus, remunerations to directors and supervisors under consideration not applicable, the Company has no plan to pay out employee stock dividends.

3. Employees' bonus and directors'/supervisors' remuneration distributed from earnings of the previous year:

Unit: NT$

	Distribution after shareholders' meeting	Distribution plan drafted at the directors' meeting	Variance
Employees' bonus	42,157,014	42,157,014	0
Director'/supervisors' remuneration	21,078,507	21,078,507	0

(9) Repurchase of the company's shares: None

II. Corporate bonds - none

III. Preferred shares - none

Overseas depository receipts - none

Employee stock options and to limit employees' rights to the new shares - none

New shares issued upon merger or acquisition of other Company's shares - none

V. Implementation of funds utilization plans

1. Description of plans - Article 18 of the “Criteria Governing Information to be published in Annual Reports of Public Companies” is not applicable.
2. Status of implementation - Article 18 of the “Criteria Governing Information to be published in Annual Reports of Public Companies” is not applicable.

Overview of business operations

Overview of business operations

TSRC Corporation and subsidiaries

I. Description of businesses

(1) Business Scope

1. Major business and product lines:

The Company is engaged in the production and sales of synthetic rubber products. The product lines include E-SBR, S-SBR, BR, TPE and TPR.

2. Product Portfolio

Unit: NT$1,000

Items	Revenue in 2013	Percentage of Total Turnover %
Synthetic rubber	33,647,883	97.75%
Non-synthetic rubber	737,640	2.14%
Other	37,476	0.11%
Total	34,422,999	100.00%

3. New Developments

Item
(1) High-performance and energy-saving SSBR for the tire industry.
(2) Continue to develop NBR product for automotive and consumer applications.
(3) Improve the product quality and the production process of SBS and SIS products to explore international markets.
(4) Develop HSBC with high added value to meet the needs of downstream overseas customers.

(2) Industry Overview:

In 2013, 21.98 million units of automobiles were sold in China, representing an annual growth of 13.9% and making China the number one car market in terms of units sold for the fifth year in a row. The annual growth rate this year is much better than the 4.1 % in 2012. Of the automobile sold, 17.93 million units were passenger cars, growing by 15.7% annually; and 4.05 million units were commercial vehicles, growing by 6.4% annually. Even though the growth momentum of the automobile market in China was no longer the breakneck pace we saw in 2009 and 2010, vehicle demand growth in second and third tier cities is expected to support the overall automobile market.

However, the production capacity of synthetic rubber in Asia grew quickly in 2013. The market is in a terrible situation of oversupply. In addition, the prices of raw materials fluctuated massively, and this situation made operations much harder for synthetic rubber firms and affected profitability. Fortunately, our Company secured a large supply of low-cost raw materials in the end of 2012, and our operations in the first quarter of 2013 were less affected by expensive raw materials. Moreover, in the beginning of 2013, we consummated supply contracts with many major customers and adjusted utilization ratio and purchase of raw materials with flexibility and taking market situation into consideration. We adhered to our cautious management style and therefore our profit for the whole year remained above the industry average.

In 2013, global economy continued to grow at a modest pace, and the overall condition is slightly worse than expected. Markets in Europe and the US gradually escaped the gloom of European debt crisis, and the demand improved significantly. Emerging markets are affected by the tapering of Quantitative Easing in the US, and demand growth for related industries weakened. The market for TPE benefited from the gradual recovery of demand in adhesives and plastic modifiers, the demand grew slightly. Looking forward to 2014, as recovery accelerates in Europe and the US, the demand is expected to improve continuously. TPE sale is expected to grow further compared to 2013.

TPR is known to be toxin-free, low pollution, and recyclable, These outstanding qualities allow it to replace PVC that has been restricted for import in Europe in recent years. Major international brands are switching to TPE and away from PVC or traditional rubber for their products. Because TPE has the outstanding fabrication qualities of thermoplastic as well we the elasticity of traditional rubber, and it is more environment friendly than PVC, which contains halogen, TPR is gradually replacing PVC and traditional rubber. The result is that TPE is quickly expanding in all industry applications. As the application of TPR keeps expanding, TPR is widely used in industries such as non-PVC wires and cables, baby products, personal care, foam shoe materials, hand tool cover materials, automobiles, and refrigerator door gaskets.

(3) Overview of technology and R&D

1. R&D expenses

Unit: NT$1,000

Item / Fiscal year	2013
R&D expenses	389,147

2. Successfully developed technology or products

Item	Result
Patents	Awarded with 11 patents and filed 4 patent applications.
Developing high quality SBS and SIS products	Using the technology of the Company and its US subsidiary Dexco to develop high quality products SBS SIS to explore the international market
Developing advanced TPE production technology	Development high-rank production process technology to upgrade TPE product quality and performance

(4) Long-term and short-term business development plans

In response to the increasing awareness of Corporation Social Responsibility (CSR), we remain focused on the development of high value-added products and technologies with advanced environment-friendly processes. The purpose of this R&D orientation is to ensure that we can meet the requirements of customers with our products and services, to provide solutions for our customers regarding rubber applications, to create a win-win scenario. Business development plans are described below:

Long-term plans:

1. Continue to develop new process, equipment, and raw material sources to reduce production and investment costs;
2. Continue to improve processing technology by exchanging ideas with the academic sector and customers, to create additional value.
3. Continue to enhance technical service capability, to further explore industry applications.
4. Continue to review business procedures and promote a procedure improvement plan research.
5. Continue to keep track the changes in upstream and downstream sectors of the rubber industry world-wide, and the needs of the customers for seeking the development of new products or opportunity of new markets
6. Maximize resource allocation internally and externally, improving the weight of sales and profitability of innovative products.
7. Combine the Company's R&D team and that of the customers and develop high-quality, innovative products together with customers.
8. Develop the potential market business in emerging countries in Asia/Latin America to look for new production bases or expand the existing TPE factory productivity and develop special application products to meet the future business development trend.
9. Develop the TPE technology platform application to deal with the downstream industrial development and needs for environmental protection; continue developing new high-value added products and technologies.
10. Major orientations are: Performing production process reformulation and improvement, improving the quality of existing products, and creating product application technology.
11. Continue to commit manpower and resources to R&D so that the products and services of our Company can satisfy the needs of customers. Intensify technology research in industry applications.
12. Optimize resource allocation inside and outside the group. Evaluate additive operation integration plans for the Greater China Region so that economic benefit may increase.
13. Integrate the R&D teams of the Company and major customers. Create a win-win situation while continuing to generate new products and incorporating the growth plan of customers in target industries.

Short-term plans:

1. In response to the EU's promotion of environment-friendly tire logos, continuously develop and promote S-SBRs featuring low rolling resistance and evaluate investment opportunities in high linearity polybutadiene rubber (BR).
2. Development and promotion of high-oil resistant NBR applicable to car components.
3. To respond to the completion and launch of the newly built E-SBR plant in India in 2013, we will keep developing local potential customers and meeting the requirements of key customers.

4. Actively visit the main tire customers in the world, and promote SSBR product application under our own brand, TAIPOL.
5. Develop the TPE technology platform application to deal with the downstream industrial development and needs for environmental protection; continue developing new high-value added products and technologies, and innovate, research and develop the production method to upgrade the existing product quality and orient toward establishment of product application technology; continue to invest R&D manpower and resource to enable the Company's products and services to satisfy customers' needs and solve any problems in application of rubber for customers.
6. Improve technology platform and customer development. Concentrate resources in customer promotion for the worldwide brand of Advanced Shoe Material. Integrate relevant technology. Create entry barriers Continue to grow. Accomplish sales targets in the application market.
7. Respond to the demands of worldwide brand customer, which emphasizes product quality and production management: Create an OSC commercial production line zone (Advanced Shoe Material products with all formulas).
8. Complete creation of the autonomous coloring database for all commercial products of Advanced Shoe Material.
9. Continue to expand the product application of Advanced Shoe Material for businesses with their own brands, such as Crocs, Nike, and New Balance; effectively integrate the operation of marketing management team (MMT).
10. Develop opportunities for the application of TPR in the automotive industry as a response to the mandate of weight reductions and material recycling in automobiles.
11. Develop TPR waterproof roll. Such environment friendly waterproof material is a product that is energy-saving, environment friendly, high performance, highly durable, and system-compatible. With the intensity of market development, the Company can explore the fields of new product application.

II. Analysis of the market as well as production and marketing situation

(1) Market Analysis

1. Major product distribution areas

Unit: NT$1,000/ton

Name of product	2013		Exported territories
	Sales volume	Sales amount	
Synthetic rubber	470,981	33,647,883	Japan, Thailand, China, Malaysia, Vietnam, U.S.A., Germany, India, Portugal
Non-synthetic rubber	8,056	737,640	China, South East Asia, Americas

2. Market share:

E-SBR：Asia is the main market for this product, in which 99% of this product produced by the group is sold. In Asia, China is the largest market, with 67% of sales. After that comes Taiwan with 10%, Thailand with 9 %, and Japan with 4% of sales.

S-SBR：This new product is still in the initial promotion stage. Sales are mostly concentrated in Japan and China, with 86 % and 12% of sales.

BR：Asia is the main market for this product, in which 90% of this product produced by the group is sold. In Asia, China is the largest market, with 36% of sales. After that comes Thailand with 17%, Taiwan with 14%, and Japan with 7% of sales.

TPE：The market share of the Company's elastomer sales in the global Styreneic Block Copolymers market is 6%. The percentage of sales in the Americas, Europe, and Asia are about 40%, 30%, and 30%, and the market in which our Company holds the highest market share is North America. The largest market for our Company in Asia is China.

TPR：Domestic sports product business represents 17%. The China market represents the majority of the export market at 70%. For other export market, South East Asia represents 13%.

3. Demand and supply conditions for the market in the future, and the market's potential growth

According to the estimates of research institution LMC (2013), the global demand for natural rubber (NR) in 2014 is about 11.55 million tons, showing an annual growth of 4.3%. The market is recovering noticeably, in comparison to the 3.1% and 0.3 % growth in 2013 and 2012, respectively. However, rubber farmers in Asia are growing new rubber plantations on a massive scale, and these plantations will be able to supply rubber in five to seven years. The result is that supply after 2012 will be relatively easy. It is expected that global excessive supply in NR will expand to 600,000 tons in 2014, offering limited support to the price of NR and, consequently, the price performance of synthetic rubber. At the same time, new synthetic rubber firms in China are sprouting up quickly. The industry of general synthetic rubber in Asia is facing a quandary of excessive capacity and saturated development. Therefore, developing differentiated products is the surest path of future development for our Company in the future.

In the TPE product series, general SBS products are still in a stage of oversupply. In 2013, the demand for SIS/SEBS in all regions is leveling off. Looking toward 2014, the demand for special SBS products in the high added-value application market is still good, and the demand for SIS/SEBS will gradually improve along with the global economy. The demand for these products will grow steadily. The Company completed the expansion of the SEBS plant in Nantong in 2012, China and a new, 25,000-tons SIS factory at the same plant site in 2013, greatly expanding the supply of TPE products for our largest market.

4. Niche for competition, and positive and negative factors for future development, and countermeasures

In recent years, the Company has actively developed overseas sales locations, completing the Asian operational footprint through joint ventures throughout China in East Asia, Thailand in South East Asia and India in South Asia. The successful management experience of the Company in the investment of the Shen Hua and Nantong Plants in Nantong City, Jiangsu Province of China will attract joint venture opportunities future business model of will be similarity, Invest rubber products other niche fields, for example, dissolving modification functionalized styrene - butadiene rubber (S-SBR).

Given the latest breakthrough of the Shale Gas, most of the petrochemical cracking plants might tend to adopt the Shale Gas, which has the strengthen in cost price, to replace Naphtha to produce ethylene and, therefore, might result in the shortage of supply of the primary raw materials for synthetic rubber, BD. The Company plans the adequate production bases through the Group's optimal resource layout, and also works hard to strive for the international alliance with the upstream petrochemical raw materials suppliers to secure the successful supply of raw materials and to re-evaluate the possible investment in new markets.

Many major TPE manufacturers are building new factories in China and continuously expand their capacities. The competition in the staple products such as footwear, plastics and asphalt modified will be fierce Ordinary grade TPE product was oversupply. To avoid competition in a market where prices are drifting ever lower, our Company continues to prospect adhesive, plastic modifier industry, and special product application customers. Our Company introduced the advanced production process of Dexco, the US subsidiary of the Company, to develop products with high added value. We coordinated to the development of customized products and expanded the range of product application. We increased the sales volume of TPE products with high added value.

Most major international forecast institutions hold a positive view on global economy in 2014. The recovery lead by the US remains unchanged, and the European economy is climbing up from the bottom. In Asia, Japanese economy is steadily growing, and the structural adjustments in the Chinese economy are showing initial effects. Global economy is more in a more optimistic situation than it was in 2013. However, in light of regional economic integration worldwide, our Company not only has to improve our production capability and product quality, but also has to accelerate the transformation of our industry and improve the coordination of new technology and new products in the industry of our target customers to maintain the competitiveness of our Company in the TPR market.

(2) Important application and production process of major products

Main product important use:

E-SBR: General type of car tires, soles, conveyor belts, hoses, sport facilities, toys and other industrial products.

S-SBR: Primarily apply to energy-saving (low rolling resistance) tires, high-function tires, snow tires and all-season tires.

BR: High-speed tires, soles, sport facilities, polyethylene modifier (HIPS) and other industrial products.

TPE: Soles, adhesives, hot-melt rubber, plastic modifier, asphalt modifier and other special applications industrial products.

TPR: Toys, stationery, wire and cable, baby supplies, personal care, foam shoes, hand tools covering materials, car industry and other industries of the refrigerator。

Outline of production process:

E-SBR: Rubber is made through emulsification and polymerization Emulsion SBR, soap liquid is taken as the medium. Macromolecular emulsion is made after polymerization of butadiene and styrene, and rubber is made (by solidification) after the addition of anti-oxidant (and also extender oil for oily rubber products), and then be dehydrated and packed.

S-SBR: Rubber is made through solution and emulsion polymerization SBR, in the solvent macromolecular glue liquid is made after polymerization of butadiene and styrene, and rubber is made (by solidification) after the addition of anti-oxidant (and also extender oil for oily rubber products), Separation recovery of the solvent is stripped colloidal particle and then be dehydrated and packed.

BR: Rubber is made through polymerization of liquid. Macromolecular rubber liquid is made after polymerization of butadiene (BD) , and be condensed into pallets, wash off ash content and then dehydrated and packed.

TPE: Rubber is made through polymerization of liquid. Rubber liquid is made after polymerization of butadiene and after being steamed to recall solvent, is dehydrated, cut and dried and then packed.

TPR: TPR products and other raw materials such as mixed polymers blending and granulation.

(3) Supply of major raw materials

The SBR, BR and TPE produced by the Company are made by polymerization of butadiene and styrene.

1. Butadiene is primarily supplied by the CPC and FPCC, and imported, in the case of the short supply.
2. Styrene is primarily supplied by the TSMC, FCFC and GPPC, and imported in part.

(4) Customers accounting for 10 % or more of the Company's total procurement (sales) amount in either of the most recent two fiscal years, the amounts sold to each, and the percentage of total procurement (sales) respectively, and reasons for increase/decrease

1. Major Suppliers with 10 % or more in procurement

Unit: NT$1,000

Item	2013				2012			
	Suppliers	Amount	Percentage of total net procurement (%)	Relationto the issuer	Suppliers	Amount	Percentage of total net procurement (%)	Relationto the issuer
1	CPC	2,786,778	10%	No	CPC	4,639,647	13%	No
	Others	24,200,491	90%		Others	31,752,978	87%	
	Total	26,987,269	100%		Total	36,392,625	100%	
Causes	1. In 2013, the market average price of 1,3-Butadiene dropped by about 40% from the level in 2012, causing our purchase from CPC to decline. 2. The price of other material remains at levels similar to 2012, causing the ratio of net purchase from CPC to decline.							

2. Not applicable because we had no customers that occupied more than 10% of the total sales amount in the past two years.

(5) Output by product

NT$1,000/ton

Product	2013			2012		
	Capacity	Output	Output value	Capacity	Output	Output value
Synthetic rubber	573,600	471,962	28,634,251	549,000	480,614	37,469,362
Non-synthetic rubber	19,750	7,844	304,155	19,750	8,474	647,319
Total	593,350	479,806	28,938,406	568,750	489,088	38,116,681

(6) Sales by product

NT$1,000/ton

Product	2013				2012			
	Domestic		Export		Domestic		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Synthetic rubber	289,062	19,396,468	181,919	14,251,415	306,265	26,782,568	189,744	17,714,679
Non-synthetic rubber	5,732	516,167	2,324	221,473	5,594	570,850	2,922	247,163
Others	–	25,628	–	11,848	–	20,742	–	28,373
Total	294,794	19,938,263	184,243	14,484,736	311,859	27,374,160	192,666	17,990,215

III. Employees' information

Item \ Fiscal year		2013	2012	February 28, 2014
	Direct workers	800	795	783
	Indirect workers	682	657	673
	Total of employees	1,482 (persons)	1,452 (persons)	1,456 (persons)
	Average age	38.4(years old)	38.0(years old)	38.6(years old)
	Average seniorities	10.0(years)	9.8(years)	10.3(years)
Education level (%)	Ph.D.	1%	1%	1%
	Master	12%	12%	12%
	Bachelor	60%	58%	60%
	Senior high school	21%	24%	21%
	Below senior high school	5%	5%	5%

IV. Expenses of environmental protection

(1) Loss for environmental pollution

	2011	February 28, 2013
Pollution (Type and degree)	On May 13, 2013, our Company underwent the "Random Test on Equipment Components" from the Environment Protection Bureau of Kaohsiung City. The result of the test was that two pieces of equipment components exceeded the 2,000 PPM of punishable leaking net value stated in the "Evaporating Organic Material Control and Emission Standards of Kaohsiung City."	The Environment Protection Bureau of Kaohsiung City tested "RATA," "Emission Channel," and "Vicinity Odor" at our plant, and our Company met the legal requirements.
Counterpart, or authority imposing fines	Kaohsiung Factory	No
Compensation and fines	NT$ 100,000	No
Other loss	No	No

(2) Countermeasures

1. Improvement actions to be taken	
1) Environmental protection capital expenditure to be spent in the following three years	
Pollution prevention equipment to be purchased, or contents of the expenditure	· Improvement of production process waste gas processing system. · Reduction use of solvent and release of volatile organic compounds. · Replacement of old boilers and chimneys. · Measurement of soil and underground water. · Repairing, maintenance and operation of pollution prevention equipments. · Decrease and recycling of waste articles. · Energy saving, carbon reduction and decrease of greenhouse gas emission.
Estimated improvement	· Compliance with the requirements of environmental protection laws. · Ensure that consumed of raw materials and reducing environmental the impact. · Decrease of resident's complaints. · Maintenance of working environmental quality. · Removal of raid actions. · Achieve purpose of saving energy and reducing. · Reduction of the contribution to global warming. · Reduce energy consumed.
Amount	Total investment amount at NT$ 202,540,000.

2) Influence after improvement	
Influence on income	· Decrease of the loss in production and fines resulting from objections and raids.
Influence on competitive status	· Lowering of parking ratio and upgrading of productivity.
2. Parts where no countermeasures have been taken	
1) Causes	No
2) Status of pollution	No
3) Potential loss and compensation	No

V. Labor relations

(1) Employees' beneficiary policies, on-the-job training, staff training and retirement, and the implementation status, and contracts between employer and employees, and policies to maintain the various employees' interests and rights:

1. Beneficiary policies, on-the-job training, staff training and retirement, and the implementation status:

On welfare measures, through our operation of the Employee Welfare Committee, in addition to providing employees (Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year), birthdays, Labour Day and other gifts outside, the "optional beneficiary policies" are implemented. According to the policies, the employees may combine the "benefits that comply" with their own requirement by means of their benefit credit tickets, including traveling and recreation activities, children's educational reimbursement, optional purchase of employees' welfare daily necessities purchase of movie tickets, and leisure requisites to fulfill the benefits substantially.

With respect to the insurance, the Company provides employees with labor and health insurances pursuant to the laws, and also the group insurance free of charge, which is also applicable to employees' family members. With respect to labors' retirement, the Company applies the Labor Standard Law and labors' retirement system to ensure the retired employees' interest and right.

The Company also holds large-scale events for celebration of plants and year-end party to enhance the interaction with employees. The Company also provides employees with cash gifts for marriage, birth and injury/sickness, Funeral establishes restaurants for employees and reimburses employees' meal expenses, and designates a dedicated nurse in the medical center, and also provides doctor's diagnosis and medical nursing services.

With respect to employees' training, the rules for employees' training are followed. The training plans are set based on the Company's business policies, units' requirements and relevant laws/regulations, and the general knowledge, professional skill and management ability programs for the newly recruited and employees are handled according to the plans. Meanwhile, the "life-time learning" goal is fulfilled through such training modes as OJT, Off-JT and SD., including the training fees in 2013 in the amount of NT$8,772,000. There were about 6,190 trainees. The average training fees per person were NT$ 6,000 and the training hours per person were 20 hours.

2. Contracts between employer and employees, and policies to maintain the various employees' interests and rights:

Since the incorporation of the labor union, the Company has held meetings between employer and labor periodically, and negotiated for the laborers' interests and rights through formal meetings. In 2013, the Company held 2 meetings in total.

Furthermore, according to the Labor Standard Law and Accounting Handling Rules on Pension, the Company will contribute the pension fund to the employees' personal account in the Bank of Taiwan and Bureau of Labor Insurance on a monthly basis.

Meanwhile, the "Reserve Labor Pension Fund Supervisory Commission" will hold meetings to review the utilization of pension funds periodically to protect the retired employees' interests and rights.

(2) No loss resulting from dispute over labors has been suffered by the Company in 2013 and until February 28, 2014.

(3) Estimated loss suffered by the Company due to labor disputes currently and in the future, and countermeasures thereof

Since the company's incorporation with the union, the relationship between employees and the company has remained fair through the good interaction and communication between employees and the company. Therefore, no significant dispute over labors has occurred, let alone the loss thereof. Therefore, the company and employees will abide by the communication models to create a win-win situation when proceeding with communication, and there is no likelihood of any monetary loss resulting from dispute over labors.

VI. Material contracts

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture contract for BR	UBE Industries Ltd., Marubeni Techno Rubber Corporation	Oct. 20, 1995 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of BR plant with the annual capacity of 50,000 tons in Thailand	
Joint Venture Agreement for Butadiene Rubber	TSRC Corporation UBE Corporation, Marubeni Petrochemicals Investment B. V. Netherlands	Oct. 25, 2006 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of BR plant with the annual capacity of 72,000 tons in China	
Technology License Agreement	TSRC (Jinan) Industrial Ltd.	July 1, 2008 to December 31, 2020	Technology license agreement for use compound technology	
Thermoplastic elastomer technology license agreement	JSC VORONEZHSYNTHEZKAUCHUK	May 27, 2009 until 10 years after the official production termination	Technology license agreement for production of thermoplastic elastomers with annual capacity of 50,000 tons.	
Joint venture agreement for annual production of 120 thousand-ton styrene-butadiene (E-SBR) rubber.	Indian Oil, Corporation, Marubeni Petrochemicals Investment B. V. Netherlands	Apr. 3, 2010 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of ESBR plant with the annual capacity of 120,000 ton in India	
Styrene -butadiene (E-SBR) technology license agreement	Indian Synthetic Rubber Limited	Sep. 1, 2010 until termination of the cooperative relationship	A license for India Synthetic Rubber Co., Ltd. to use styrene -butadiene (E-SBR) production technology	
Shareholders Agreement	Lanxess Hong Kong Limited Lanxess AG	May 7, 2010 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of NBR plant with the annual capacity of 30,000 tons in China	
Acrylonitrile -butadiene rubber (NBR) technology license agreement	Lanxess-TSRC(Nantong) Chemical Industrial Co., Ltd.	Dec. 1, 2010 until termination of the cooperative relationship	A license for Lanxess TSRC (Nantong) Chemical Industrial Co Ltd. to use NBR production technology	
Share purchase agreement	Exxon Equity Holding Company, ExxonMobil Chemical Company, ExxonMobil Chemical SBC Investment LLC, The Dow Chemical Company, DW Dexco Investment LLC	Dec. 23, 2010 until The two sides agreed to termination	Acquiring 100% shares of Dexco Polymers Operating Company LLC and Dexco Polymers L.P.	
Joint venture agreements for Taiwan Advanced Materials Corporation	Fubon Financial Holding Venture Co.,Ltd, CPC Corporation, Taiwan	November 8, 2011 until termination of the cooperative relationship	Three factories stated below were built: (1)C5 Separation factory with annual capacity of 150,000 tons; (2)SIS synthesis factory with annual capacity of 30,000 tons (3)C5 Tackifiers factory with annual capacity of 19,000 tons	

Overview of financial status

Overview of financial status

TSRC Corporation and subsidiaries

I. Condensed balance sheet and Consolidated income statement recent five years

(1) Condensed balance sheet

Unit: NT$1,000

Item \ Fiscal year		Independent 2013	Independent 2012	Consolidated 2013	Consolidated 2012
Current assets		3,836,060	5,247,291	15,295,687	17,697,494
Property, plant and equipment		2,429,360	2,461,725	10,255,107	9,921,124
Intangible assets		79,310	79,012	2,506,846	2,590,677
Other assets		14,559,149	13,403,557	5,314,724	5,365,783
Total assets		20,903,879	21,191,585	33,372,364	35,575,078
Current liability	Before distribution	4,043,157	4,106,642	10,719,593	11,261,851
	After distribution	(Note)	6,151,257	(Note)	13,306,466
Non-Current liability		1,285,525	1,449,793	5,097,806	6,368,168
Total liability	Before distribution	5,328,682	5,556,435	15,817,399	17,630,019
	After distribution	(Note)	7,601,050	(Note)	19,674,634
Equity attributable to shareholders of the parent		15,575,197	15,635,150	15,575,197	15,635,150
Capital stock		7,863,904	7,863,904	7,863,904	7,863,904
Additional paid-in capital		849	849	849	849
Retained earnings	Before distribution	6,536,125	7,083,507	6,536,125	7,083,507
	After distribution	(Note)	5,038,892	(Note)	5,038,892
Other equity		1,174,319	686,890	1,174,319	686,890
Treasury stock		0	0	0	0
Non-controlling interest		–	–	1,979,768	2,309,909
Total shareholders' equity	Before distribution	15,575,197	15,635,150	17,554,965	17,945,059
	After distribution	(Note)	13,590,535	(Note)	15,900,444

Note: The earnings in 2013 will be distributed subject to the resolution of the shareholders' meeting in 2014.

Condensed income statement

Unit: NT$1,000

Item \ Fiscal year	Financial information for the recent years			
	Independent		Consolidated	
	2013	2012	2013	2012
Operating revenue	12,934,484	17,056,436	34,422,999	45,364,375
Gross profit	1,622,932	2,318,736	4,267,101	6,036,491
Operating Profit	730,492	1,366,553	2,064,932	3,967,602
Non-operating income and expenses	748,264	1,332,424	37,070	(87,817)
Net income before tax	1,478,756	2,698,977	2,102,002	3,879,785
Net income (loss)	1,495,011	2,534,808	1,715,482	3,139,901
Other comprehensive income (loss)	489,651	(581,762)	522,061	(692,064)
Total comprehensive income	1,984,662	1,953,046	2,237,543	2,447,837
Net income attributable to shareholders of the parent	1,495,011	2,534,808	1,495,011	2,534,808
Net income attributable to non-controlling interests	–	–	220,471	605,093
Total comprehensive income attributable to shareholders of the parent	1,984,662	1,953,046	1,984,662	1,953,046
Total comprehensive income attributable to non-controlling interests	–	–	252,881	494,791
EPS (Note)	1.90	3.22	1.90	3.22

Note: EPS (loss) is computed by income (loss) after tax divided by weighted average outstanding shares. The shares increased after earnings or additional paid-in capital transferred to capital should be computed retroactively.

(2) Condensed balance sheet－The financial accounting principles generally accepted in this country (Consolidated)

Unit: NT$1,000

Item \ Fiscal year		Financial information for the recent five years			
		2012	2011	2010	2009
Current assets		5,257,379	6,970,348	5,640,790	5,552,412
Funds and investment		11,684,596	11,605,591	7,650,768	6,408,934
Fixed assets		2,260,060	2,087,607	1,753,248	1,669,871
Intangible assets		100,145	71,442	34,536	－
Other assets		1,886,340	1,901,065	1,915,790	1,892,530
Total assets		21,188,520	22,636,053	16,995,132	15,523,747
Current liability	Before distribution	4,106,642	3,955,914	2,981,578	2,280,537
	After distribution	6,151,257	7,530,416	5,256,261	4,360,247
Long-term liability		－	－	100,000	350,000
Other liability		1,272,110	1,512,689	954,884	764,922
Total liability	Before distribution	5,378,752	5,468,603	4,036,462	3,395,459
	After distribution	7,423,367	9,043,105	6,311,145	5,475,169
Capital stock		7,863,904	7,149,004	6,499,095	6,499,095
Additional paid-in capital		69,003	69,003	69,003	69,003
Retained earnings	Before distribution	7,269,599	8,984,752	6,167,579	4,968,128
	After distribution	5,224,984	5,410,250	3,242,987	2,888,418
Unrealized gain (loss) on financial products		－	－	5,980	5,468
Cumulative translation adjustment		688,778	1,002,365	257,903	579,328
Net loss not recognized as pension cost		(88,782)	(44,940)	(48,156)	－
Total shareholders' equity	Before distribution	15,809,768	17,167,450	12,958,670	12,128,288
	After distribution	13,765,153	13,592,948	10,683,987	10,048,578

Condensed income statement－The financial accounting principles generally accepted in this country.

Unit: NT$1,000

Item \ Fiscal year	Financial information for the recent five years			
	2012	2011	2010	2009
Operating revenue	17,056,436	20,612,158	15,264,239	10,265,923
Gross profit	2,312,355	4,519,028	2,631,609	2,125,800
Operating profit (loss)	1,217,126	3,331,817	1,747,421	1,485,292
Non-operating income	1,691,310	3,892,623	2,174,943	1,490,389
Non-operating expenses and loss	161,940	189,139	137,725	94,117
Net income before tax	2,746,496	7,035,301	3,784,639	2,881,564
Cumulative effect of changes in accounting principles	–	4,914	–	–
Net income	2,574,249	5,741,765	3,279,162	2,331,579
EPS (note)	3.27	7.30	4.17	2.96

Note: EPS (loss) is computed by income (loss) after tax divided by weighted average outstanding shares. The shares increased after earnings or additional paid-in capital transferred to capital should be computed retroactively.

(3) Condensed balance sheet－The financial accounting principles generally accepted in this country (Consolidated).

Unit: NT$1,000

Item \ Fiscal year		Financial information for the recent five years			
		2012	2011	2010	2009
Current assets		17,778,821	22,211,193	13,739,202	10,743,083
Funds and investment		2,834,775	2,146,686	1,855,074	1,681,291
Fixed assets		9,719,459	8,723,540	6,987,437	7,630,314
Intangible assets		3,213,218	3,356,446	413,476	469,182
Other assets		2,013,195	2,104,709	2,087,109	1,955,694
Total assets		35,559,468	38,542,574	25,082,298	22,479,564
Current liability	Before distribution	10,620,859	11,202,189	7,886,758	5,556,529
	After distribution	12,665,474	14,776,691	10,161,441	7,636,239
Long-term liability		5,293,081	5,088,720	1,037,357	2,014,304
Other liability		1,525,851	1,558,731	990,267	762,442
Total liability	Before distribution	17,439,791	17,849,640	9,914,382	8,333,275
	After distribution	19,484,406	21,424,142	12,189,065	10,412,985
Capital stock		7,863,904	7,149,004	6,499,095	6,499,095
Additional paid-in capital		69,003	69,003	69,003	69,003
Retained earnings	Before distribution	7,269,599	8,984,752	6,167,579	4,968,128
	After distribution	5,224,984	5,410,250	3,242,987	2,888,418
Unrealized gain (loss) on financial products		－	－	5,980	5,468
Cumulative translation adjustment		688,778	1,002,365	257,903	579,328
Net loss not recognized as pension cost		(88,782)	(44,940)	(48,156)	－
Total shareholders' equity	Before distribution	18,119,677	20,692,934	15,167,916	14,146,289
	After distribution	16,075,062	17,118,432	12,893,233	12,066,579

Condensed income statement－The financial accounting principles generally accepted in this country (Consolidated).

Unit: NT$1,000

Item \ Fiscal year	Financial information for the recent five years			
	2012	2011	2010	2009
Operating revenue	45,364,375	55,075,318	36,685,708	22,112,107
Gross profit	6,030,109	12,329,572	6,585,506	4,826,282
Operating profit (loss)	3,836,279	10,176,146	5,030,999	3,708,822
Non-operating income	387,599	528,255	519,836	320,702
Non-operating expenses and loss	296,574	265,555	296,019	242,745
Net income before tax	3,927,304	10,438,846	5,254,816	3,786,779
Cumulative effect of changes in accounting principles	–	1,919	–	–
Net income	3,179,342	7,481,231	4,088,790	2,847,645
EPS (note)	3.27	7.30	4.17	2.96

Note: EPS (loss) is computed by income (loss) after tax divided by weighted average outstanding shares. The shares increased after earnings or additional paid-in capital transferred to capital should be computed retroactively.

(4) CPA's name and auditing opinion

Fiscal year	CPA's name	Auditing opinion
2013	Hung Po Shu Yu Ann Tine	Unqualified opinion
2012	Yang Mei Hsueh Chen, Chia-Hsiu	Unqualified opinion
2011	Yang Mei Hsueh Chen Ya Ling	No reservation for amended version.
2010	Yang Mei Hsueh Chen Ya Ling	Unqualified opinion
2009	Chen Ya Ling Chang Huei-Chen	Unqualified opinion

II. Financial analysis for the recent five years

(1) Financial analysis

Item	Fiscal year	Financial analysis for the recent five years			
		Independent		Consolidated	
		2013	2012	2013	2012
Financial structure (%)	Debt ratio	25.49	26.22	47.40	49.56
	Long-term capital property, plant and equipment ratio	694.04	694.02	220.89	245.07
Solvency %	Current ratio	94.88	127.78	142.69	157.15
	Quick ratio	50.78	73.16	89.73	102.66
	Interest Coverage ratio	50.67	92.25	12.37	18.00
Operating performance	Receivables turnover (time)	7.78	6.85	7.17	6.42
	Average number of days receivables outstanding	46.92	53.28	50.90	56.85
	Inventory turnover (time)	5.73	6.52	5.13	5.98
	Account payable turnover (time)	15.64	15.21	18.45	18.07
	Average number days of sales	63.70	55.98	71.15	61.04
	Property, plant and equipment turnover rate (time)	5.29	7.18	3.36	4.81
	Total assets turnover (time)	0.61	0.77	1.00	1.22
Profitability	Return on assets (%)	7.22	11.62	5.42	8.95
	Return on shareholders' equity (%)	9.58	15.41	9.66	16.22
	Percentage of net profit over paid-in capital (%)(Note 7)	18.80	34.32	26.73	49.34
	Net profit ratio (%)	11.56	14.86	4.98	6.92
	EPS (NT$)	1.90	3.22	1.90	3.22
Cash flow	Cash flow ratio (%)	42.24	30.03	39.19	52.90
	Cash flow adequacy ratio (%)	(Note)	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	-1.52	-10.68	4.99	2.23
Leverage	Operating leverage	1.26	2.47	1.15	2.23
	Financial leverage	1.04	1.02	1.10	1.06

Independent

1. The decrease in current ratio is mostly caused by a decrease in accounts receivable and inventory this year.
2. The decrease in speed ratio is mostly caused by a decrease in accounts receivable this year.
3. The interest protection multiples reduced due to the pre-tax net profit and decrease of the interest cost.
4. Reduction of property, plant and equipment turnover rate reduced due to the decrease of net sales this year
5. The decrease in asset turnover ratio is mostly caused by a decrease in net sales this year.
6. Asset rate of return is reduced due to a reduced of net profit after tax of the year.
7. Stockholders' equity ROE reduced due to the reduced in post-tax profit this year.
8. Percentage of net profit over paid-in capital is reduced due to a reduced of net profit before tax of the year.
9. The net profit ratio reduced due to the reduced of the income after tax less than the decrease of net sales this year.
10. EPS reduced due to the reduced in net tax profit this year.

11. The change in cash flows ratio is mostly caused by the increase in net cash flows from operating activities this year.
12. The cash flow reinvestment ratio reduced due to the increase of cash dividend allocated this year.
13. The decrease in operating leverage is mostly caused by a decrease in revenue this year.

Consolidated

1. The interest protection multiples reduced due to the pre-tax net profit and decrease of the interest cost.
2. Reduction of property, plant and equipment turnover rate reduced due to the decrease of net sales this year
3. Asset rate of return is reduced due to an reduced of net profit after tax of the year.
4. Stockholders' equity ROE reduced due to the reduced in post-tax profit this year.
5. Percentage of net profit over paid-in capital is reduced due to an reduced of net profit before tax of the year.
6. The net profit ratio reduced due to the reduced of the income after tax less than the decrease of net sales this year.
7. EPS reduced due to the reduced in net tax profit this year.
8. The change in cash flows ratio is mostly caused by the increase in net cash flows from operating activities this year.
9. The cash flow reinvestment ratio reduced due to the increase of cash dividend allocated this year.
10. The decrease in operating leverage is mostly caused by a decrease in revenue this year.

Note: Our Company does not have financial information under IFRS extending to the past five years.

1. Financial structure:
   1) Debt ratio of liabilities in assets＝total liability／total assets
   2) Percentage of long-term funds in fixed assets＝（net shareholders' equity＋long-term liability）／ Property, plant and equipment, net
2. Solvency:
   1) Current ratio＝current assets／current liability
   2) Quick ratio＝（current assets－inventory－prepayment）／current liability
   3) Interest Coverage ratio＝ income tax and interest expenses net profit before tax/interest expenses in the current period
3. Operating performance:
   1) Receivables (including account receivable and notes receivable resulting from operation) turnover＝Net sales ／balance of average account receivable (including account receivable and notes receivable resulting from operation)
   2) Average number of days receivable outstanding＝365／Receivable turnover
   3) Inventory turnover＝Sales cost／average inventory
   4) Accounts payable (including accounts payable and notes payable resulting from operation) turnover=Sales cost/balance of average account payable (including account payable and notes payable resulting from operation)
   5) Average number days of sales＝365／Inventory turnover
   6) Property, plant and equipment turnover rate＝Net sales／Average of property, plant and equipment, net
   7) Total assets turnover＝Net sales／Total assets
4. Profitability:
   1) Return on assets＝〔Income (loss) after tax＋Interest expensesx (1－tax ratio）〕／ Average total assets
   2) Return on shareholders' equity＝Income (loss) after tax／Net average shareholders' equity
   3) Net profit ratio＝Income (loss) after tax／Net sales
   4) EPS＝（Equity attributable to shareholders of the parent －Dividend of special stocks）／Weighted average issued stocks
5. Cash flow:
   1) Cash flow ratio＝Net cash flow from operating activities／Current liability
   2) Net cash flow adequacy ratio＝Net cash flow from operating activities for the most recent five years／for the most recent f ive years (capital expenditure＋Increase in inventory＋Cash dividend)
   3) Cash reinvestment ratio＝(Net cash flow from operating activities－Cash dividend)／(Property, plant and equipment, gross ＋Long-term investment＋Other assets＋Working capital)
6. Leverage:
   1) Operating leverage＝(Net operating revenue－Changed operating costs and expenses) ／ Operating income
   2) Financial leverage＝Operating income ／ (Operating income－Interest expenses)

(2) Financial analysis－The financial accounting principles generally accepted in this country.

Item		Fiscal year	Financial analysis for the recent years			
			2012	2011	2010	2009
Financial structure (%)	Debt ratio		25.39	24.16	23.75	21.87
	Percentage of long-term funds in fixed assets		699.53	822.35	744.83	747.26
Solvency %	Current ratio		128.02	176.20	189.19	243.47
	Quick ratio		73.18	117.35	128.39	182.03
	Interest Coverage ratio		94	363	205	105
Operating performance	Receivables turnover (time)		6.70	8.20	8.03	5.15
	Average number of days receivables outstanding		54	45	45	71
	Inventory turnover (time)		6.34	7.66	7.77	6.00
	Account payable turnover (time)		15.32	14.97	15.42	15.26
	Average number days of sales		58	48	47	61
	Fixed assets turnover (time)		7.55	9.87	8.71	6.15
	Total assets turnover (time)		0.80	0.91	0.90	0.66
Profitability	Return on assets (%)		11.44	29.06	20.26	14.95
	Return on shareholders' equity (%)		15.61	38.12	26.14	19.38
	Percentage in additional paid-in capital %	Operating income	15.48	46.61	26.89	22.85
		Income before tax	34.93	98.41	58.23	44.34
	Net profit ratio (%)		15.09	27.86	21.48	22.71
	EPS (loss) (NT$)(Note)		3.27	7.30	4.17	2.96
Cash flow	Cash flow ratio (%)		65.37	60.01	54.09	96.10
	Cash flow adequacy ratio (%)		80.21	92.50	77.74	102.26
	Cash flow reinvestment ratio (%)		(3.66)	0.39	(2.21)	1.84
Leverage	Operating leverage		2.77	1.99	4.57	2.49
	Financial leverage		1.02	1.01	1.01	1.02

(Note): Profit (loss) per ordinary share is calculated based on net profit (loss) after tax, divided by the weighted average number of outstanding ordinary shares. Calculation will be adjusted retrospectively if the number of shares is increased due to conversion of profit or capital reserve into capital.

(3) Financial analysis －(consolidated) The financial accounting principles generally accepted in this country.

Item		Fiscal year	Financial analysis for the recent years (consolidated)			
			2012	2011	2010	2009
Financial structure (%)	Debt ratio		49.04	46.31	39.53	37.07
	Percentage of long-term funds in fixed assets		240.89	295.54	231.92	211.79
Solvency %	Current ratio		167.40	198.28	174.21	193.34
	Quick ratio		110	135	128	133
	Interest Coverage ratio		18	52	33	21
Operating performance	Receivables turnover (time)		6.42	8.06	8.28	5.88
	Average number of days receivables outstanding		57	45	44	62
	Inventory turnover (time)		5.75	7.69	8.32	5.59
	Account payable turnover (time)		18.07	18.99	17.16	16.23
	Average number days of sales		63	47	44	65
	Fixed assets turnover (time)		4.67	6.31	5.25	2.90
	Total assets turnover (time)		1.28	1.43	1.46	0.98
Profitability	Return on assets (%)		9.09	24.05	17.77	13.17
	Return on shareholders' equity (%)		16.38	41.72	27.90	20.34
	Percentage in additional paid-in capital %	Operating income	48.78	144.08	77.40	57.06
		Income before tax	49.94	146.02	80.84	58.26
	Net profit ratio (%)		7.01	13.58	11.15	12.88
	EPS (loss) (NT$)(Note)		3.27	7.30	4.17	2.96
Cash flow	Cash flow ratio (%)		55.73	50.63	43.05	53.17
	Cash flow adequacy ratio (%)		76.69	80.62	77.93	83.82
	Cash flow reinvestment ratio (%)		1.67	6.82	1.77	3.04
Leverage	Operating leverage		2.31	1.75	4.26	1.85
	Financial leverage		1.06	1.02	1.03	1.05

(Note): Profit per ordinary share is calculated based on net profit after tax, divided by the weighted average number of outstanding ordinary shares. Calculation will be adjusted retrospectively if the number of shares is increased due to conversion of profit or capital reserve into capital.

1. Financial structure:

1) Debt ratio of liabilities in assets＝total liability／total assets

2) Percentage of long-term funds in fixed assets＝（net shareholders' equity＋long-term liability）／net fixed assets

2. Solvency:

1) Current ratio＝current assets／current liability

2) Quick ratio＝（current assets－inventory－prepayment）／current liability

3) Interest Coverage ratio＝ income tax and interest expenses net profit before tax/interest expenses in the current period

3. Operating performance:

1) Receivables (including account receivable and notes receivable resulting from operation) turnover＝Net sales ／balance of average account receivable (including account receivable and notes receivable resulting from operation)

2) Average number of days receivable outstanding＝365／Receivable turnover

3) Inventory turnover＝Sales cost／average inventory

4) Accounts payable (including accounts payable and notes payable resulting from operation) turnover=Sales cost/balance of average account payable (including account payable and notes payable resulting from operation)

5) Average number days of sales＝365／Inventory turnover

6) Fixed assets turnover＝Net sales／Net fixed assets

7) Total assets turnover＝Net sales／Total assets

4. Profitability:

1) Return on assets＝〔Income (loss) after tax＋Interest expenses x (1－tax ratio）〕／ Average total assets

2) Return on shareholders' equity＝Income (loss) after tax／Net average shareholders' equity

3) Net profit ratio＝Income (loss) after tax／Net sales

4) EPS＝（Net profit after tax－Dividend of special stocks）／Weighted average issued stocks

5. Cash flow:

1) Cash flow ratio＝Net cash flow from operating activities／Current liability

2) Net cash flow adequacy ratio＝Net cash flow from operating activities for the most recent five years／for the most recent five years (capital expenditure＋Increase in inventory＋Cash dividend)

3) Cash reinvestment ratio＝(Net cash flow from operating activities－Cash dividend)／(Gross fixed assets＋Long-term investment＋Other assets＋Working capital)

6. Leverage:

1) Operating leverage＝(Net operating revenue－Changed operating costs and expenses) ／ Operating income

2) Financial leverage＝Operating income ／ (Operating income－Interest expenses)

III. Supervisor's Audit report on the financial statement for the recent years

This report is to certify that the financial statement 2013 prepared by the Board as audited and certified by KPMG, as well as the business report and proposal for distribution of earnings, complies with Article 219 of the Company Act.

To:
Annual Shareholders' Meeting 2014

TSRC Corporation

Supervisor: Dragony Investment Corporation
Representative: Miles Hsieh

Supervisor: Tsai-Der, Chen

Date: March 20, 2014

V. Consolidated financial statement

Declaration

The companies that should be included in the preparation for consolidated financial statements of affiliated companies as required by "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are identical to those that should be incorporated into the parent-subsidiary consolidated financial statements as required by IAS 27, which is approved by the Financial Supervisory Commission, in year 2013 (from January 1, 2013 to December 31, 2013) at our Company. Furthermore, the information that should be disclosed in consolidated financial statements of affiliated companies has been disclosed in said parent-subsidiary consolidated financial statements. Therefore, our Company will not prepare another set of consolidated financial statements of affiliated companies.

Declared by:

TSRC Corporation

Chairman: Shao Yu Wang

Date: March 13, 2014

Independent Auditors' Report

The Board of Directors
TSRC Corporation:

We have audited the accompanying consolidated balance sheets of TSRC Corporation and subsidiaries(the Group) as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income as well as the consolidated statements of changes in stockholders' equity and of cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and generally accepted auditing standards. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013 and 2012, and January 1, 2012, and the consolidated results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the R.O.C. Financial Supervisory Commission.

We have also audited the standalone financial statements of TSRC Corporation as of December 31, 2013 and 2012, and January 1, 2012, and the related consolidated statements of comprehensive income as well as the consolidated statements of changes in stockholders' equity and of cash flows for the years ended December 31, 2013 and 2012, on which we have issued an unqualified audit opinion.

KPMG
Hung Po Shu
Yu Ann Tine
March 13, 2014

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013 and 2012, and January 1, 2012

(expressed in thousands of New Taiwan dollar)

Unit: NT$1,000

	Dec.31, 2013			Dec.31, 2012		Jan. 1, 2012	
Assets		**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current assets:							
Cash and cash equivalents (note 6(a))	$	4,994,973	15	5,147,163	14	6,055,884	16
Notes receivable, net (note 6(c))		807,638	2	1,408,383	4	2,493,559	6
Accounts receivable, net (note 6(c))		3,087,887	9	4,294,118	12	5,937,012	15
Other receivable (note 6(c) and 7)		130,251	－	280,314	1	304,657	1
Current income tax assets		116,685	－	－	－	－	－
Inventories (note 6(d))		5,633,218	17	6,104,178	17	7,040,206	18
Other current assets s (note 6(i))		525,035	2	463,338	1	345,352	1
Total current assets		15,295,687	45	17,697,494	49	22,176,670	57
Non-current assets:							
Available-for-sale financial assets－non-current (note 6(b))		1,005,832	3	893,054	3	1,363,889	4
Investments accounted for under equity method (note 6(e))		1,779,228	5	1,985,612	6	1,058,858	3
Property, plant and equipment (note 6(f) and 8)		10,255,107	31	9,921,124	28	8,925,205	23
Investment property (note 6(g))		1,669,950	5	1,684,675	5	1,699,400	4
Intangible assets (note 6(h))		2,506,846	8	2,590,677	7	2,760,687	7
Deferred income tax assets (note 6(m)		267,510	1	213,486	1	99,389	－
Other non-current assets (notes 6(i) and 8)		592,204	2	588,956	1	715,753	2
Total non-current assets		18,076,677	55	17,877,584	51	16,623,181	43
Total assets	$	33,372,364	100	35,575,078	100	38,799,851	100

See accompanying notes to these financial Statements

(Continued)

Unit: NT$1,000

Liabilities and Stockholders' Equity	Dec.31, 2013 Amount	%	Dec.31, 2012 Amount	%	Jan. 1, 2012 Amount	%
Current liabilities:						
Short-term borrowings (note 6(j) and 8)	$ 5,805,694	17	6,194,179	17	5,101,364	13
Current portion of long-term borrowings (notes 6(j) and 8)	1,200,944	4	1,107,168	4	1,067,183	3
Short-term commercial paper payable (note 6(j))	798,856	2	349,441	1	249,601	1
Accounts payable	1,527,291	5	1,683,776	5	2,334,318	6
Accounts payable－related parties (note 7)	－	－	58,134	－	276,570	1
Current income tax liabilities	128,352	－	577,933	2	834,521	2
Other payable	1,075,144	3	1,223,878	3	1,171,099	3
Other current liabilities (note 6(j))	183,312	1	67,342	－	167,533	1
Total current liabilities	10,719,593	32	11,261,851	32	11,202,189	30
Non-current liabilities:						
Long-term borrowings (note 6(j) and 8)	3,653,931	11	4,652,089	13	5,088,720	13
Deferred income tax liabilities (note 6(m))	903,655	3	1,012,641	3	1,196,180	3
Other non-current liabilities (note 6(j), 6(l) and 7)	540,220	1	703,438	2	530,672	1
Total non-current liabilities	5,097,806	15	6,368,168	18	6,815,572	17
Total liabilities	15,817,399	47	17,630,019	50	18,017,761	47
Equity attributable to shareholders of the parent (note 6(l), 6(n) and 6(s)):						
Common stock	7,863,904	24	7,863,904	22	7,149,004	18
Capital surplus	849	－	849	－	849	－
Retained earnings:						
Legal reserve	3,355,130	10	3,097,705	9	2,523,529	7
Unappropriated earnings	3,180,995	10	3,985,802	11	6,358,188	16
	6,536,125	20	7,083,507	20	8,881,717	23
Other equities:						
Financial statement translation differences for foreign operations	1,064,983	3	688,778	2	1,002,365	3
Unrealized gain (loss) on valuation of available-for-sale financial assets	109,336	－	(1,888)	－	222,671	－
	1,174,319	3	686,890	2	1,225,036	3
Total stockholders' equity	15,575,197	47	15,635,150	44	17,256,606	44
Non-controlling interests	1,979,768	6	2,309,909	6	3,525,484	9
Total equity	17,554,965	53	17,945,059	50	20,782,090	53
Total liabilities and stockholders' equity	$ 33,372,364	100	35,575,078	100	38,799,851	100

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang　　Manager :Wei-Hua Tu　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2013			2012	
		Amount	%	Amount	%
Revenue (note 6(p))	$	34,422,999	100	45,364,375	100
Cost of sale (notes 6(d), 6(f), 6(h), 6(i), 6(l) and 7)		30,155,898	88	39,327,884	87
Gross profit		4,267,101	12	6,036,491	13
Operating expenses (notes 6(f), 6(g), 6(h), 6(i), 6(k), 6(l) and 7):					
Selling expenses		1,033,162	3	1,002,171	2
General and administrative expenses		904,716	3	912,538	2
Research and development expenses		389,147	1	351,239	1
Total operating expenses		2,327,025	7	2,265,948	5
Other income and expenses, net (notes 6(h), 6(q) and 7)		124,856	–	197,059	1
Operating profit		2,064,932	5	3,967,602	9
Non-operating income and expenses (notes 6(b), 6(e) and 6(r)):					
Interest income		97,576	–	91,619	–
Other gains and losses		278,235	1	46,740	–
Finance costs		(184,832)	–	(228,157)	(1)
Share of profit (loss) of associates and joint ventures accounted for under equity method		(153,909)	1	1,981	–
Total non-operating income and expenses		37,070	2	(87,817)	(1)
Net income before tax		2,102,002	7	3,879,785	8
Less: income tax expenses (note 6(m))		386,520	1	739,884	2
Net income		1,715,482	6	3,139,901	6
Other comprehensive income (loss) (notes 6(l), 6(n) and 6(s)):					
Financial statement translation differences for foreign operations		408,615	1	(423,889)	(1)
Unrealized gain (loss) on valuation of available-for-sale financial assets		111,224	–	(224,559)	–
Actuarial gains (losses) on defined benefit plans		2,222	–	(52,549)	–
Less: income tax expense relating to components of other comprehensive income (loss)		–	–	(8,933)	–
Other comprehensive income (loss), net of tax		522,061	1	(692,064)	(1)
Total comprehensive income	$	2,237,543	7	2,447,837	5
Net income attributable to:					
Shareholders of the parent	$	1,495,011	5	2,534,808	5
Non-controlling interests		220,471	1	605,093	1
	$	1,715,482	6	3,139,901	6
Total comprehensive income attributable to:					
Shareholders of the parent	$	1,984,662	6	1,953,046	4
Non-controlling interests		252,881	1	494,791	1
	$	2,237,543	7	2,447,837	5
Basic EPS (in New Taiwan dollars) (note 6(o))					
EPS (in New Taiwan dollars)	$	1.90		3.22	

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang Manager :Wei-Hua Tu Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	Equity attributable to shareholders of the parent										
			Retained earnings			Other equity adjustments					
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Financial statement translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Total	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
Balance at January 1, 2012	$ 7,149,004	849	2,523,529	6,358,188	8,881,717	1,002,365	222,671	1,225,036	17,256,606	3,525,484	20,782,090
Appropriations and distributions:											
Legal reserve	–	–	574,176	(574,176)	–	–	–	–	–	–	–
Cash dividends	–	–	–	(3,574,502)	(3,574,502)	–	–	–	(3,574,502)	(1,710,336)	(5,284,868)
Stock dividends	714,900	–	–	(714,900)	(714,900)	–	–	–	–	–	–
Net income	–	–	–	2,534,808	2,534,808	–	–	–	2,534,808	605,093	3,139,901
Other comprehensive income (loss)	–	–	–	(43,616)	(43,616)	(313,587)	(224,559)	(538,146)	(581,762)	(110,302)	(692,064)
Total comprehensive income (loss)	–	–	–	2,491,192	2,491,192	(313,587)	(224,559)	(538,146)	1,953,046	494,791	2,447,837
Balance at December 31, 2012	$ 7,863,904	849	3,097,705	3,985,802	7,083,507	688,778	(1,888)	686,890	15,635,150	2,309,909	17,945,059
Appropriations and distributions:											
Legal reserve	–	–	257,425	(257,425)	–	–	–	–	–	–	–
Cash dividends	–	–	–	(2,044,615)	(2,044,615)	–	–	–	(2,044,615)	(583,022)	(2,627,637)
Net income	–	–	–	1,495,011	1,495,011	–	–	–	1,495,011	220,471	1,715,482
Other comprehensive income (loss)	–	–	–	2,222	2,222	376,205	111,224	487,429	489,651	32,410	522,061
Total comprehensive income (loss)	–	–	–	1,497,233	1,497,233	376,205	111,224	487,429	1,984,662	252,881	2,237,543
Balance at December 31, 2013	$ 7,863,904	849	3,355,130	3,180,995	6,536,125	1,064,983	109,336	1,174,319	15,575,197	1,979,768	17,554,965

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang　　Manager :Wei-Hua Tu　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2013	2012
Cash flows from operating activities:		
Consolidated net income before tax	$ 2,102,002	3,879,785
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	910,846	787,598
Amortization	188,665	175,142
Reversal of bad debt provision	–	(389)
Interest expenses	184,832	228,157
Interest income	(97,576)	(91,619)
Dividend income	(41,267)	(41,445)
Share of loss (profit) of associates and joint ventures accounted for under equity method	153,909	(1,981)
Losses (gains) on disposal of property, plant and equipment, net	(54)	4,647
Losses on disposal of investments, net	–	9,862
Amortization of long-term prepaid rent	12,111	11,473
Total adjustments to reconcile profit and loss	1,311,466	1,081,445
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	600,745	1,085,176
Accounts receivable	1,206,227	1,643,283
Other receivable	156,050	24,343
Inventories	470,960	783,137
Other current assets	(61,697)	(117,986)
Total changes in operating assets, net	2,372,285	3,417,953
Net changes in operating liabilities:		
Accounts payable	(156,485)	(650,542)
Accounts payable－related parties	(58,134)	(218,436)
Other current liabilities	(8,613)	(346,581)
Accrued pension liabilities	(12,145)	(2,619)
Other non-current liabilities	(136,725)	100,553
Total changes in operating liabilities, net	(372,102)	(1,117,625)
Total changes in operating assets / liabilities, net	2,000,183	2,300,328
Total adjustments	3,311,649	3,381,773
Cash provided by operating activities	5,413,651	7,261,558
Interest income received	82,849	87,694
Interest expense paid	(180,197)	(235,132)
Income tax paid	(1,115,796)	(1,156,944)
Net cash provided by operating activities	4,200,507	5,957,176

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2013	2012
Cash flows from investing activities:		
Increase in available-for-sale financial assets	–	(487,169)
Proceeds from sale of available-for-sale financial assets	–	497,419
Proceeds from capital reduction of available-for-sale financial assets	–	223,961
Increase in long-term investments accounted for under equity method	–	(1,001,507)
Proceeds from capital reduction of long-term investments	–	19,522
Acquisition of property, plant and equipment	(922,538)	(1,832,679)
Proceeds from disposal of property, plant and equipment	2,228	152,306
Increase in intangible assets	(248)	(866)
Decrease in other non-current assets	22,816	100,755
Dividend received	41,267	41,445
Net cash used in investing activities	(856,475)	(2,286,813)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(388,485)	1,092,815
Increase in short-term commercial paper payable	449,415	99,840
Increase in long-term borrowings	689,026	1,126,396
Repayment of long-term borrowings	(1,593,408)	(1,307,396)
Decrease in other non-current liabilities	(5,811)	(6,200)
Cash dividends paid	(2,621,308)	(5,234,669)
Net cash used in financing activities	(3,470,571)	(4,229,214)
Effects of changes in exchange rates	(25,651)	(349,870)
Decrease in cash and cash equivalents	(152,190)	(908,721)
Cash and cash equivalents at beginning of period	5,147,163	6,055,884
Cash and cash equivalents at end of period	$ 4,994,973	5,147,163

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang　　Manager :Wei-Hua Tu　　Chief Accountant :Ming-Huang Chen

(expressed in thousands of New Taiwan dollars, unless otherwise stated)

(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, and the registered address is 18F., No. 95, Sec. 2, Dunhua S. Rd., Taipei City. The consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies and in jointly controlled companies. The Group is mainly engaged in the manufacture, import and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on March 13, 2014.

(3) New Standards and Interpretations Not Yet Adopted

(a) New standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

In November 2009, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"), which was to take effect on January 1, 2013. (In December 2011, the IASB postponed the effective date until January 1, 2015, and later amended it to exclude the mandatory effective date of January 1, 2015, to allow more time for financial statement preparers to adopt to the new standards. The new effective date has not been announced yet.) This standard has been endorsed by the FSC; however, at the end of the reporting period (the reporting date), the effective date had not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 Financial Instruments ("IAS 39"). Upon the adoption of this new standard, it is expected there will be impacts on the classification and measurement of financial instruments in the consolidated financial statements.

(b) New standards and interpretations not yet endorsed by the FSC

The new standards and amendments issued by the IASB which may be relevant to the consolidated financial statements and not yet been endorsed by the FSC are summarized as follows:

Issue date	New standards and amendments	Summary of main changes and the impacts	Effective date per IASB
May 12, 2011 June 28, 2012	• IFRS 10 Consolidated Financial Statements • IFRS 11 Joint Arrangements • IFRS 12 Disclosure of Interests in Other Entities • Amendment to IAS 27 Separate Financial Statements • Amendment to IAS 28 Investments in Associates and Joint Ventures	• On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities) other than the consolidation process, for which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from jointly controlled assets and jointly controlled operations) and joint ventures (concepts from jointly controlled entities), and the new standards remove the proportionate consolidation method. • On June 28, 2012, amendments were issued clarifying the guidance over the transition period. Upon the adoption of the above standards, the determinations of control over the investees could be changed, and it is expected to increase the disclosure of the interest in subsidiaries and associates.	Jan. 1, 2013
May 12, 2011	• IFRS 13 Fair Value Measurement	IFRS 13 replaces fair value measurement guidance in other standards and integrates them as one single guidance. At the adoption of this standard, the Group should analyze the impact on the measurement of assets and liabilities. The amendment could also increase the disclosure of their fair value.	Jan. 1, 2013

Issue date	New standards and amendments	Summary of main changes and the impacts	Effective date per IASB
June 16, 2011	Amendment to IAS 1 Presentation of Financial Statements	Items presented in other comprehensive income shall be expressed based on whether they are subsequently reclassifiable to profit or loss. Upon adoption, this standard could change the disclosure of other comprehensive income in the comprehensive income statement.	July 1, 2012
June 16, 2011	Amendment to IAS 19 Employee Benefits	The amendments eliminate the corridor method and disallow the option to recognize actuarial gain or loss in profit or loss; in addition, the immediate recognition of past service cost is required. Upon adoption, the amendments have no significant effect on the measurement and presentation of the pension liability and actuarial gains or losses.	Jan. 1, 2013
May 29, 2013	Amendment to IAS 36 Impairment of Assets	Before the amendment to IAS 36, an entity is required to disclose the key assumptions of the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant. The narrow-scope amendments require an entity to disclose such information only when the entity has recognized or reversed an impairment loss. In addition, the amendments to IAS 36 require an entity to disclose the level of the fair value hierarchy when the recoverable amount is determined by the fair value less costs of disposal under the circumstances that the key assumptions used in the measurement of fair value are categorized within "Level 2" and "Level 3" of the fair value hierarchy. Upon adoption, it is expected that additional information on the fair value of the intangible assets will be disclosed.	Jan. 1, 2014, early adoption permitted
Dec. 12, 2013	• Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards • Amendments to IFRS 2 Share-based Payment • Amendments to IFRS 3 Business Combinations • Amendments to IFRS 8 Operating Segments • Amendments to IFRS 13 Fair Value Measurement • Amendments to IAS 16 Property, Plant and Equipment • Amendments to IAS 38 Intangible Assets • Amendments to IAS 24 Related Party Disclosures • Amendments to IAS 40 Investment Property	Announced Annual Improvements 2010-2012 cycle and 2011-2013 cycle; major amendments include: • Amends the definitions of "vesting condition" (including "performance condition" and "service condition") • Clarifies the classification and the measurement of the contingent consideration • Requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments • Clarifies the scope of the financial instruments with offsetting positions • Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity • Requires an entity to evaluate, upon obtaining an investment property, whether it constitutes a business. Upon adoption, it is expected that it would impact the scope of the related-party transactions and their presentation.	July 1, 2014, early adoption permitted

(4) Significant Accounting Policies

The 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 financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows. Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently to the balance sheet as of January 1, 2012, which was prepared for the purpose of transitioning to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(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.

These consolidated financial statements are the first annual financial statements that apply the Regulations and the IFRSs endorsed by the FSC. The consolidated financial statements also apply IFRS 1 First-time Adoption of International Financial Reporting Standards. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in note 15.

(b) Basis of preparation

i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following accounts:

i. Available-for-sale financial instruments measured at fair market value.

ii. Pension liabilities measured at the sum of pension asset, unrecognized prior service cost, and unrecognized actuarial loss less unrecognized actuarial gain and the present value of defined benefit obligations.

ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment in which the entity operates. The Group's 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 the subsidiaries.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date of obtaining control until the date control ceases. The comprehensive income from subsidiaries is allocated to TSRC and its non-controlling interests, even if the non-controlling interests have a deficit balance.

Transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

i. Changes in ownership

Changes in the ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

ii. Financial statements of subsidiaries are adjusted as necessary to align their accounting policies with those of the Group.

ii) List of the subsidiaries included in the consolidated financial statements

			Percentage of ownership			
Name investor	Name of investee	Scope of business	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012	Description
TSRC	Trimurti Holding Corporation	Investment	100.00%	100.00%	100.00%	
TSRC	Hardison International Corporation	Investment	100.00%	100.00%	100.00%	
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00%	100.00%	100.00%	(Note)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	Investment	100.00%	100.00%	100.00%	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Investment	100.00%	100.00%	100.00%	

Name investor	Name of investee	Scope of business	Percentage of ownership			Description
			Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012	
TSRC (Hong Kong) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of compounding	100.00%	100.00%	100.00%	
TSRC (Hong Kong) Limited	TSRC (Jinan) Industries Ltd.	Production and sale of compounding	100.00%	100.00%	100.00%	
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.'a.r.l.	International commerce and investment	100.00%	100.00%	100.00%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	Investment	100.00%	100.00%	100.00%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Co,. Ltd.	Production and sale of synthetic rubber products	65.44%	65.44%	65.44%	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00%	55.00%	55.00%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	100.00%	100.00%	100.00%	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of synthetic rubber products	100.00%	100.00%	100.00%	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00%	100.00%	100.00%	
Hardison International Corporation	TSRC Biotech Ltd.	Investment	100.00%	100.00%	100.00%	
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	50.00%	50.00%	50.00%	

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

(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 retranslated 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.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

i) available-for-sale equity investment;

ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

iii) qualifying cash flow hedges to the extent the hedge is 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 for eign 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 entity shall classify an asset as current when:

i. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
ii. It holds the asset primarily for the purpose of trading;
iii. It expects to realize the asset within twelve months after the reporting period; or
iv. 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.

An entity shall classify all other assets as non-current.
ii) An entity shall classify a liability as current when:
i. It expects to settle the liability in its normal operating cycle;
ii. It holds the liability primarily for the purpose of trading;
iii. 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
iv. 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.

An entity shall classify all other liabilities as non-current.

(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

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

i) Financial assets

The Group classifies financial assets into the following categories: receivables and available-for-sale financial assets.

i. Receivables

Receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. The fair value is the amount of expected future cash flows discounted to present value. Cash flows from short-term accounts receivable with high collectibility shall not be discounted.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. However, the reversing amount cannot exceed the amortized balance of the assets assuming no impairment was recognized in prior periods.

ii. Available-for sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency gains or losses which are recognized as current earnings, are recognized in other comprehensive income and presented in the unrealized gain/loss from available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-opera-ting income and expenses. The purchase and disposal of financial assets are recognized using trade-date accounting. Dividend income is recognized in profit or loss 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. Dividend income is recorded under non-operating income and expenses.

If there is any objective evidence of impairment, the accumulated gain or loss recognized as other comprehensive income is reclassified to current earnings. If, in a subsequent period, the amount of the impairment loss of a financial asset decreases, impairment losses recognized on an available-for-sale equity security cannot be reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

iii. Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

ii) Financial liabilities and equity instruments

i. 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.

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.

Interest, gains or losses related to financial liabilities are recognized in profit or loss, and recorded under non-operating income and expenses.

ii. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded under non-operating income and expenses.

iii. Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

iv. 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.

v. 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 contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies.

(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.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. 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 equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

(j) Interest in joint venture

A jointly controlled entity is an entity which is established as the result of a contractual arrangement between the Group and other venturers to jointly control its financial and operating policies. Consensus for all decisions must be obtained from the venturers. The Group uses the equity method to account for a jointly controlled entity.

(k) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

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 when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight-line method over its useful life. Assets are evaluated based on their individually significant components, and if the useful life of a component varies from that of others, then this component should be separately depreciated. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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:

i. Land improvements8~30 years
ii. Buildings3~60 years
iii. Machinery5~40 years
iv. Furniture and fixtures, and other equipment3~8 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.

(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, or to 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 measured under the cost model, and the depreciation expense is calculated using the depreciable amount. The depreciation method, the useful life, and the residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(m) Leases

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 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.

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) Goodwill

Goodwill arises from business combinations in which the acquisition method is adopted, and is recorded at cost less accumulated impairment losses.

ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

iii) 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.

iv) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

i. Computer software3 years

ii. Industrial technology and know-how10~20 years

iii. Patent20 years

iv. Non-compete agreement3 years

v. Customer relationship18 years

vi. Trademark and goodwill

vii. Uncertain useful lives

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(o) Impairment－non-financial assets

With regard to non-financial assets (other than inventories and deferred tax assets), the Group assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the carrying amount of the cash-generating units exceeds the recoverable amount of the units, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(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.

(q) Revenue

i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For export transactions, transfer occurs upon loading the goods onto the relevant carrier at the port; however, for sales in the domestic market, transfer usually occurs when the product is received at the customer's warehouse.

ii) Rendering of services

The Group is engaged in providing management services. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

iii) Rental income

The rental income arising from investment property is recognized in profit or loss on a straight-line basis during the lease term.

(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.

ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yield of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

All actuarial gains and losses at January 1, 2012, the date of transition to the IFRSs endorsed by the FSC, were recognized in retained earnings. The Group recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income, then charges the gains and losses to retained earnings.

iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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 payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

i. levied by the same taxing authority; or

ii. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that I t is no longer probable that the related tax benefit will be realized.

(t) Earnings per share (EPS)

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 EPS are disclosed; otherwise, diluted EPS are disclosed in addition to the basic earnings per share. When computing diluted EPS 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 year's shareholders' meeting, the effect of dilution from these potential shares is taken into consideration.

(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 make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Use of Judgements and Estimates

The preparation of the consolidated financial statements in conformity with 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.

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.

For information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these consolidated financial statements, please refer to the following notes:

(a) Note 6(g)－classification of investment property

(b) Notes 6(j) and 6(k)－classification of leases

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2014, is included in note 6(l)－measurement of defined benefit liabilities.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Cash on hand	$ 496	486	455
Checking and savings deposits	1,144,468	2,584,005	1,464,843
Time deposits	3,720,095	2,302,819	3,236,144
Commercial paper with reverse sell agreements	129,914	259,853	1,354,442
Consolidated cash flow statement cash and cash are listed	$ 4,994,973	5,147,163	6,055,884

The Group's exposure to interest rate risk and the sensitivity analysis on the financial instruments held by the Group are disclosed in note 6(t).

(b) Available-for-sale financial assets－non-current

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Unlisted stocks (domestic or overseas)	$ 1,005,832	893,054	1,363,889

Please refer to note 6(r) for gain or loss on disposal of investments and dividend income. The information of re-measurement gain or loss recognized in other comprehensive income is provided in note 6(s).

If the market price of the available-for-sale financial assets fluctuates (assuming that all other variables remain the same), the impact on other comprehensive income will be as follows:

Fluctuation in market price at reporting date	2013 Other comprehensive income (after tax)	2013 Net income	2012 Other comprehensive income (after tax)	2012 Net income
Increase 10%	$ 100,583	−	89,305	−
Decrease 10%	$ (100,583)	−	(89,305)	−

The significant available-for-sale financial assets denominated in foreign currency were as follows:

	Foreign currency amount	Exchange rate	NTD
Dec. 31, 2013 THB	$ 188,101	0.9135	171,831
Dec. 31, 2012 THB	191,321	0.9535	182,425
Jan. 1, 2012 THB	396,098	0.9647	382,116

As of December 31, 2013 and 2012, and January 1, 2012, the Group did not pledge its available-for-sale financial instruments.

(c) Notes and accounts receivable, and other receivable

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Notes receivable	$ 807,638	1,408,383	2,493,559
Accounts receivable (including related parties)	3,088,031	4,294,258	5,937,541
Other receivable	130,251	280,314	304,657
Less: allowance for impairment	144	140	529
	$ 4,025,776	5,982,815	8,735,228

The Group's aging analysis of overdue notes and accounts receivable, and other receivable was as follows:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Past due 0~30 days	$ 88,909	94,334	84,646
Past due 31~120 days	1,758	746	22,145
Past due 121~180 days	144	207	144
	$ 90,811	95,287	106,935

The movement in the allowance for impairment with respect to notes and accounts receivable during the year was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2013	$ 140	−	140
Effect of changes in exchange rates	4	−	4
Balance at December 31, 2013	$ 144	−	144

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2012	$ 529	−	529
Reversal of impairment loss	(389)	−	(389)
Balance at December 31, 2012	$ 140	−	140

Impairment loss recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Group does not hold any collateral for the collectible amounts.

As of December 31, 2013 and 2012, and January 1, 2012, the discount value of the Group's notes and accounts receivable was $33,138, $79,733, and $0, respectively.
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.

(d) Inventories

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

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Raw materials	$ 1,868,697	2,076,881	2,281,521
Supplies	74,441	55,240	73,328
Work in progress	513,196	445,776	389,937
Finished goods	2,913,206	3,366,768	4,231,692
Merchandise	263,678	159,513	63,728
Total	$ 5,633,218	6,104,178	7,040,206

As of December 31, 2013 and 2012, and January 1, 2012, the Group's inventories were not provided as pledged assets.

The movements of the provision for loss on obsolescence and decline in value of inventory were as follows:

	2013	2012
Balance as of January 1	$ 243,778	286,870
Add: allowance provided	36,243	−
effect of changes in exchange rate	23,198	(6,369)
Less: allowance reversed	−	36,723
Balance as of December 31	$ 303,219	243,778

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

	2012	2012
Loss (gain) on market value of inventory	$ 36,243	(36,723)
Income from sale of scrap	(67,512)	(122,133)
Gain on physical count	(307)	−
Loss on idle capacity	115,161	57,015
Total	$ 83,585	(101,841)

(e) Investments accounted for under equity method

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

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Associate:			
Asia Pacific Energy Development Co., Ltd.	$ 405,873	337,312	309,746
Indian Synthetic Rubber Limited	518,607	574,719	346,246
Joint venture:			
Taiwan Advanced Materials Corp.	705,317	716,650	−
Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd.	149,431	356,931	402,866
	$ 1,779,228	1,985,612	1,058,858

i) Associates

For the years ended December 31, 2013 and 2012, the Group recognized its share of profit from the associates of $ 80,587 thousand and $44,627 thousand, respectively.
A summary of the financial information on the investments in associates is as follows (before being adjusted to the Group's proportionate share):

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Total assets	$ 6,821,785	7,606,945	3,932,491
Total liabilities	$ 4,127,721	4,891,600	2,064,344

	2013	2012
Revenue	$ 303,858	195,806
Net income for the period	$ 212,900	126,424

ii) Joint ventures

For the years ended December 31, 2013 and 2012, the Group recognized its share of loss from the joint ventures of $ 234,496 thousand and $42,646 thousand, respectively.

A summary of the financial information of the investments in joint ventures is as follows (before being adjusted to the Group's proportionate share):

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Current assets	$ 1,545,326	2,341,423	495,934
Non-current assets	2,183,830	1,660,664	984,272
	$ 3,729,156	4,002,087	1,480,206
Current liabilities	$ 1,013,912	862,196	207,834
Non-current liabilities	976,537	968,636	509,896
	$ 1,990,449	1,830,832	717,730

	2013	2012
Income	$ 1,396,348	564,575
Expenses and losses	$ 1,856,195	634,925

iii) Collateral

As of December 31, 2013 and 2012, and January 1, 2012, the Group's investments accounted for under the equity method were not provided as pledged assets.

(f) 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	Prepayments for equipment and construction in progress	Total
Cost or deemed cost:									
Balance at Jan. 1, 2013	$	614,101	79,805	3,622,756	17,058,542	216,558	94,596	1,722,202	23,408,560
Additions		–	–	1,172	63,349	18,385	–	804,293	887,199
Disposals		–	–	–	(95,795)	(29,023)	–	–	(124,818)
Reclassification		–	–	524,817	1,636,162	(17,747)	–	(2,173,435)	(30,203)
Effect of changes in exchange rates		–	616	130,249	358,263	6,571	–	73,036	568,735
Balance at Dec. 31, 2013	$	614,101	80,421	4,278,994	19,020,521	194,744	94,596	426,096	24,709,473
Balance at Jan. 1, 2012	$	614,101	80,678	3,607,530	16,275,751	231,268	94,596	1,051,615	21,955,539
Additions		–	–	–	14,085	2,106	–	2,072,433	2,088,624
Disposals		–	–	(321)	(201,437)	(14,986)	–	–	(216,744)
Reclassification		–	–	97,722	1,221,905	(8,212)	–	(1,420,950)	(109,535)
Effect of changes in exchange rates		–	(873)	(82,175)	(251,762)	6,382	–	19,104	(309,324)
Balance at Dec. 31, 2012	$	614,101	79,805	3,622,756	17,058,542	216,558	94,596	1,722,202	23,408,560

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Depreciation and impairment loss:									
Balance at Jan. 1, 2013	$	–	77,294	1,554,679	11,722,649	132,814	–	–	13,487,436
Depreciation		–	484	137,050	741,261	17,326	–	–	896,121
Disposal		–	–	–	(95,795)	(26,849)	–	–	(122,644)
Reclassification		–	–	–	4,161	(4,161)	–	–	–
Effect of changes in exchange rates		–	591	46,255	137,498	9,109	–	–	193,453
Balance at Dec. 31, 2013	$	–	78,369	1,737,984	12,509,774	128,239	–	–	14,454,366
Balance at Jan. 1, 2012	$	–	77,644	1,513,570	11,269,444	169,676	–	–	13,030,334
Depreciation		–	484	129,919	615,075	27,395	–	–	772,873
Disposal		–	–	(321)	(45,321)	(14,149)	–	–	(59,791)
Reclassification		–	–	–	34,489	(34,489)	–	–	–
Effect of changes in exchange rates		–	(834)	(88,498)	(151,038)	(15,619)	–	–	(255,980)
Balance at Dec. 31, 2012	$	–	77,294	1,554,679	11,722,649	132,814	–	–	13,487,436
Carrying value:									
Dec. 31, 2013	$	614,101	2,052	2,541,010	6,510,747	66,505	94,596	426,096	10,255,107
Dec. 31, 2012	$	614,101	2,511	2,068,077	5,335,893	83,744	94,596	1,722,202	9,921,124
Jan. 1, 2012	$	614,101	3,034	2,093,960	5,006,307	61,592	94,596	1,051,615	8,925,205

TSRC (Jinan) Industries Ltd. 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 information on the pledged property, plant and equipment.

(g) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2013	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2013	$	1,073,579	741,889	1,815,468
Balance as at January 1, 2012	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2012	$	1,073,579	741,889	1,815,468
Depreciation:				
Balance as at January 1, 2013	$	–	130,793	130,793
Depreciation		–	14,725	14,725
Balance as at December 31, 2013	$	–	145,518	145,518
Balance as at January 1, 2012	$	–	116,068	116,068
Depreciation		–	14,725	14,725
Balance as at December 31, 2012	$	–	130,793	130,793
Carrying value:				
Balance as at December 31, 2013	$	1,073,579	596,371	1,669,950
Balance as at December 31, 2012	$	1,073,579	611,096	1,684,675
Balance as at January 1, 2012	$	1,073,579	625,821	1,699,400

	Land	Buildings	Total
Fair value:			
Balance as at December 31, 2013			$ 2,830,216
Balance as at December 31, 2012			$ 2,830,216
Balance as at January 1, 2012			$ 2,830,216

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(k) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The range of yields applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable was as follows:

Region	2013	2012
Da'an Dist., Taipei City	2.55%~2.70%	2.55%~2.70%

The Group has rented a parcel of land, but has decided not to treat this property as investment property because it is 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, 2013 and 2012, and January 1, 2012, the Group's investment properties were not provided as pledged assets.

(h) Intangible assets

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

	Industrial technology and know-how	Computer software	Goodwill	Patent and trademark	Customer relationship	Non-compete agreement	Total
Costs:							
Balance at Jan. 1, 2013	$ 956,565	141,792	200,130	579,806	1,045,983	8,741	2,933,017
Additions	–	248	–	–	–	–	248
Reclassification	–	30,203	–	–	–	–	30,203
Effect of changes in exchange rates	36,968	4,478	5,591	16,002	29,223	244	92,506
Balance at Dec. 31, 2013	$ 993,533	176,721	205,721	595,808	1,075,206	8,985	3,055,974
Balance at Jan. 1, 2012	$ 954,557	74,554	208,057	602,771	1,087,411	9,087	2,936,437
Additions	–	866	–	–	–	–	866
Reclassification	41,755	67,780	–	–	–	–	109,535
Disposals	–	(895)	–	–	–	–	(895)
Effect of changes in exchange rates	(39,747)	(513)	(7,927)	(22,965)	(41,428)	(346)	(112,926)
Balance at Dec. 31, 2012	$ 956,565	141,792	200,130	579,806	1,045,983	8,741	2,933,017

	Industrial technology and know-how	Computer software	Goodwill	Patent and trademark	Customer relationship	Non-compete agreement	Total
Amortization:							
Balance at Jan. 1, 2013	$ 138,110	57,522	–	39,916	101,693	5,099	342,340
Amortization	56,986	46,077	–	23,256	59,369	2,977	188,665
Effect of changes in exchange rates	11,200	2,476	–	1,081	3,205	161	18,123
Balance at Dec. 31, 2013	$ 206,296	106,075	–	64,253	164,267	8,237	549,128
Balance at Jan. 1, 2012	$ 91,054	21,008	–	17,833	43,583	2,272	175,750
Amortization	53,013	37,856	–	23,194	58,110	2,969	175,142
Disposals	–	(895)	–	–	–	–	(895)
Effect of changes in exchange rates	(5,957)	(447)	–	(1,111)	–	(142)	(7,657)
Balance at Dec. 31, 2012	$ 138,110	57,522	–	39,916	101,693	5,099	342,340
Carrying value:							
Dece. 31, 2013	$ 787,237	70,646	205,721	531,555	910,939	748	2,506,846
Dec. 31, 2012	$ 818,455	84,270	200,130	539,890	944,290	3,642	2,590,677
Jan. 1, 2012	$ 863,503	53,546	208,057	584,938	1,043,828	6,815	2,760,687

In 2013 and 2012, the amortization of intangible assets was recorded as follows:

	2013	2012
Operating cost	$ 19,876	26,124
Operating expense	$ 166,455	149,018
Other income and expenses	$ 2,334	–

(i) Prepaid rent

	Land lease prepayment
Cost:	
January 1, 2013	$ 586,624
Effects of changes in exchange rates	31,513
December 31, 2013	$ 618,137
January 1, 2012	$ 603,419
Effects of changes in exchange rates	(16,795)
December 31, 2012	$ 586,624
Amortization:	
January 1, 2013	$ 86,909
Amortization	12,111
Effects of changes in exchange rates	(6,663)
December 31, 2013	$ 92,357
January 1, 2012	$ 77,661
Amortization	11,473
Effects of changes in exchange rates	(2,225)
December 31, 2012	$ 86,909

	Land lease prepayment
Carrying value:	
December 31, 2013	$ 525,780
December 31, 2012	$ 499,715
January 1, 2012	$ 525,758
December 31, 2013	
Current	$ 12,111
Non-current	$ 513,669
	$ 525,780
December 31, 2012	
Current	$ 11,473
Non-current	488,242
	$ 499,715
January 1, 2012	
Current	$ 10,506
Non-current	515,252
	$ 525,758

As of December 31, 2013 and 2012, and January 1, 2012, the Group's prepaid rent was provided as pledged assets for long -term borrowings and credit lines; please refer to note 8.

(j) 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

	Dec. 31, 2013			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	EUR	0.82~2.69	2014	$ 414,254
Unsecured loans	JPY	1.00	2014	10,192
Unsecured loans	NTD	1.14~1.15	2014	950,000
Unsecured loans	RMB	5.60~6.40	2014	308,782
Unsecured loans	USD	0.86~4.01	2014	3,519,183
Secured loans	USD	1.43~1.50	2014	603,283
Total				$ 5,805,694

	Dec. 31, 2012			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	EUR	1.75~1.90	2013	$ 112,160
Unsecured loans	JPY	1.00	2013	1,104
Unsecured loans	NTD	1.15~1.21	2013	950,000
Unsecured loans	RMB	5.60~6.00	2013	368,431
Unsecured loans	USD	0.86~2.64	2013	4,267,172
Secured loans	USD	1.32~1.56	2013	495,312
Total				$ 6,194,179

	Jan. 1, 2012			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	EUR	2.13~2.31	2013	$ 67,040
Unsecured loans	JPY	0.74~2.70	2013	32,674
Unsecured loans	RMB	2.15	2013	521,925
Unsecured loans	USD	1.18~3.07	2013	3,712,883
Mortgage loans	RMB	7.87	2013	9,592
Secured loans	USD	1.18	2013	757,250
Total				$ 5,101,364

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

As of December 31, 2013 and 2012, and January 1, 2012, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $17,061,361 thousand, $14,637,292 thousand, and $10,217,403 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2013		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	TACHING BILLS FINANCE LTD.	1.14	$ 100,000
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	1.14	300,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	1.14	400,000
			800,000
Less: discount			1,144
Total			$ 798,856

	Dec. 31, 2012		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	TACHING BILLS FINANCE LTD.	1.12	$ 50,000
Commercial paper payable	MEGA BILLS FINANCE CO., LTD.	1.12	300,000
			350,000
Less: discount			559
Total			$ 349,441

	Jan. 1, 2012		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	TACHING BILLS FINANCE LTD.	1.20	$ 100,000
Commercial paper payable	MEGA BILLS FINANCE CO., LTD.	1.20	150,000
			250,000
Less: discount			399
Total			$ 249,601

The Group did not pledge assets against the short-term commercial paper payable.

iii) Long-term borrowings

	Dec. 31, 2013			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	1.46~2.49	2015~2017	$ 4,679,839
Unsecured loans	CNY	6.15~6.40	2014~2015	128,705
Unsecured loans	USD	3.95~4.00	2014~2015	46,331
Total				$ 4,854,875
Current				$ 1,200,944
Non-current				3,653,931
Total				$ 4,854,875

	Dec. 31, 2012			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	1.21~1.80	2015	$ 4,574,352
Secured loans	CNY	1.55~2.75	2015~2017	1,091,657
Unsecured loans	CNY	6.15	2014~2015	93,248
Total				$ 5,759,257
Current				$ 1,107,168
Non-current				4,652,089
Total				$ 5,759,257

	Jan. 1, 2012			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	NTD	1.37	2012	$ 100,000
Secured loans	CNY	1.22~6.21	2012	383,458
Secured loans	USD	1.33	2012~2016	5,088,717
Unsecured loans	CNY	1.58~6.76	2012	583,728
Total				$ 6,155,903
Current				$ 1,067,183
Non-current				5,088,720
Total				$ 6,155,903

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

iv) Collateral of loans

The Group has pledged certain assets against the loans; please refer to note 8 for additional information.

v) Special agreements of loan contracts

The Group entered into syndicated loan contracts with Taipei Fubon Bank and seven other banks:

i. Borrower: Trimurti Holding Corporation and TSRC (USA) Investment Corporation.

ii. Amount: USD88,000,000 and USD80,000,000, totaling USD168,000,000.

iii. Duration: 5 years; TSRC (USA) Investment Corporation could extend the maturity for another two years.

iv. Interest rate: 3-month or 6-month LIBOR plus 0.75%, and 3-month or 6-month LIBOR plus 1.30%.

v. Repayment term: Principal that Trimurti Holding Corporation borrowed is repaid semi-annually in 8 installments starting 18 months after the date of initial utilization of the loan. Principal amount of the loan that TSRC (USA) Investment Corporation borrowed is repaid semi-annually in 7 installments starting 24 months from the date of initial utilization of the loan. Each of the first 6 installments is 10% of the principal, and the final installment is 40% of the principal.

vi. Guarantee: Trimurti Holding Corporation did not provide any guarantee, but the Company provided a letter of support. In addition, the Company provided a guarantee for TSRC (USA) Investment Corporation.

vii. Others: During the period of borrowing, the Group should comply with the following covenants:

1) Equity-to-debt ratio should not be higher than 150%.

2) Total tangible net assets at the end of the reporting period should not be less than $10 billion.

3) Current ratio should not be less than 100%.

4) The interest coverage ratio for the reporting period should not be less than 4 times.

As of December 31, 2013 and 2012, the Group was in compliance with the covenants described above.

vi) 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 finance lease liabilities payable were as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2013			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	38,851	5,028	33,823
	$ 74,171	6,158	68,013
December 31, 2012			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	49,915	5,792	40,123
	$ 81,235	6,922	74,313
January 1, 2012			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	52,979	5,944	47,035
	$ 88,299	7,074	81,225

(k) Operating leases

i) Lessee

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

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Less than five years	$ 254,272	283,078	253,481
More than five years	188,895	220,152	259,221
	$ 443,167	503,230	512,702

The Group 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. The lease payment will be adjusted to reflect market price when renewing the contract. For the years ended December 31, 2013 and 2012, lease expenses were $137,067 thousand and $138,378 thousand, respectively.

ii) Lessor

The Group leases out investment properties and buildings under operating leases; please refer to note 6(g). The future minimum lease payment receivables under non-cancellable leases were as follows:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Less than five years	$ 308,359	101,523	155,474

(l) 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:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Present value of unfunded benefit obligation	$ 270,344	284,711	243,713
Present value of funded benefit obligation	387,707	426,440	410,471
Total present value of obligation	658,051	711,151	654,184
Fair value of plan assets	(387,707)	(426,440)	(410,471)
Deficit (surplus) of the plan	270,344	284,711	243,713
Recognized liabilities for defined benefit obligation	$ 270,344	284,711	243,713

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.

i. 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 Labor Pension Fund Supervisory Committee. Minimum annual distributions of the funds by the Committee shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $387,707 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 Labor Pension Fund Supervisory Committee.

ii. 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, 2013 and 2012, were as follows:

	2013	2012
Defined benefit obligation, January 1	$ 711,151	654,184
Benefits paid by the plan	(70,272)	(13,309)
Current service cost and interest	21,839	22,111
Actuarial losses (gains)	(4,667)	48,165
Defined benefit obligation, December 31	$ 658,051	711,151

iii. 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, 2013 and 2012, were as follows:

	2013	2012
Fair value of plan assets, January 1	$ 426,440	410,471
Contributions made	26,401	25,270
Benefits paid by the plan	(70,272)	(13,309)
Expected return on plan assets	7,583	8,392
Actuarial gains (losses)	(2,445)	(4,384)
Fair value of plan assets, December 31	$ 387,707	426,440

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Current service cost	$ 9,498	9,099
Interest on obligation	12,341	13,012
Expected return on plan assets	(7,583)	(8,392)
	$ 14,256	13,719
Cost of sales	$ 8,657	8,317
Operating expenses	4,301	4,214
Other income and expenses	1,298	1,188
	$ 14,256	13,719
Actual return on plan assets	$ 5,138	4,008

v. Actuarial gains (losses) recognized in other comprehensive income

The Group's actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Cumulative amount, January 1	$ (52,549)	−
Recognized during the period	2,222	(52,549)
Cumulative amount, December 31	$ (50,327)	(52,549)

vi. Actuarial assumptions

The following are the Group's principal actuarial assumptions at the reporting dates:

	2013	2012
Discount rate	2.00%	1.75%
Expected return on plan assets	2.00%	1.75%
Future salary increases	1.50%	1.50%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

Vii. Experience adjustments on historical information

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Present value of defined benefit plans	$ 658,051	711,151	654,184
Fair value of plan assets	(387,707)	(426,440)	(410,471)
Net liabilities (assets) of defined benefit obligations	$ 270,344	284,711	243,713
Experience adjustments arising on the present value of defined benefit plans	$ (4,667)	48,165	−
Experience adjustments arising on the fair value of plan assets	$ 2,445	4,384	−

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $27,582 thousand.

viii. When calculating the present value of the defined benefit obligation, the Group uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial state ment date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2013, the present value of the Group's defined benefit obligation was $658,051 thousand. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by $ 16,801 thousand or increased by $17,448 thousand, respectively.

ii) Defined contribution plans

The Group contributes a percentage 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 $87,548 thousand and $67,584 thousand for the years 2013 and 2012, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

iii) Short-term employee benefit liabilities

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Compensated absence liabilities	$ 30,637	26,798	20,468

(m) Income tax

i) Income tax expenses (income)

The amount of the Group's income tax for the years ended December 31, 2013 and 2012, was were as follows:

	2013	2012
Current income tax expense		
Current period	$ 530,570	965,232
10% surtax on undistributed earnings	27,221	87,819
Adjustment for prior periods	(8,261)	(24,464)
	549,530	1,028,587
Deferred tax benefit		
Origination and reversal of temporary differences	(163,010)	(288,703)
Income tax expenses on continuing operations	$ 386,520	739,884

Reconciliations of the Group's income tax expense and the profit before tax for 2013 and 2012 were as follows:

	2013	2012
Income before tax	$ 2,102,002	3,879,785
Income tax calculated on pretax accounting income at statutory rate	$ 357,340	659,563
Effect of tax rates in foreign jurisdiction	297,259	312,428
Dividend income	(7,015)	(8,218)
Previously overestimated income tax	(8,261)	(24,464)
Foreign investment income	(275,858)	(273,175)
R&D tax credits utilized	(12,981)	(16,916)
Withholding tax on foreign dividend	–	17,866
10% surtax on undistributed earnings	27,221	87,819
Others	8,815	(15,019)
Total	$ 386,520	739,884

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 were as follows:

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 Jan. 1, 2013	$ 804,842	99,914	56,683	51,202	1,012,641
Recognized in profit or loss	(157,299)	21,312	–	27,001	(108,986)
Balance at Dec. 31, 2013	$ 647,543	121,226	56,683	78,203	903,655
Balance at Jan.1, 2012	$ 1,110,979	3,854	56,683	24,664	1,196,180
Recognized in profit or loss	(306,137)	96,060	–	26,538	(183,539)
Balance at Dec. 31, 2012	$ 804,842	99,914	56,683	51,202	1,012,641

Deferred tax assets:		Provision for retirement benefit	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at Jan. 1, 2013	$	50,314	66,047	31,766	65,359	213,486
Recognized in profit or loss		(2,089)	(14,499)	18,550	52,062	54,024
Balance at Dec. 31, 2013	$	48,225	51,548	50,316	117,421	267,510
Balance at Jan. 1, 2012	$	42,994	34,732	–	21,663	99,389
Recognized in profit or loss		(1,613)	31,315	31,766	43,696	105,164
Recognized in other comprehensive income		8,933	–	–	–	8,933
Balance at Dec. 31, 2012	$	50,314	66,047	31,766	65,359	213,486

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2011, excluding those from 2008 to 2010.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

		Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Derived from year 1997 and prior years	$	1,637	1,637	1,637
Derived from year 1998 and thereafter		3,179,358	3,984,165	6,356,551
	$	3,180,995	3,985,802	6,358,188

		Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Balance of imputation credit account (ICA)	$	405,975	326,272	369,144

The imputation tax credit ratio of earnings to be distributed in 2014 is estimated at 13.92%. The actual imputation tax credit ratio of earnings distributed in 2013 was 16.54%.

(n) Capital and other equity

As of December 31, 2013 and 2012, and January 1, 2012, the total value of authorized or dinary shares amounted to $9,000,000 thousand, with par value of $10 per share, of which 786,390 thousand shares, 786,390 shares, and 714,900 thousand shares, respectively, were issued.

i) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2013 and 2012, and January 1, 2012, were as follows:

		Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Share premium	$	849	849	849

In accordance with the ROC Company Act amended in 2012, 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.

ii) Retained earnings

i. Legal reserve

The ROC Company Act amended in January 2012 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.

ii. 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.

In accordance with the above Ruling, 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.

iii. Distribution of retained earnings

In accordance with the 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 in the following order:

1) 97% is distributed as stockholders' dividends and bonus.
2) 1% is distributed as directors' and supervisors' emoluments.
3) 2% is distributed as employees' bonuses.

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.

	2012		2011	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	$ 2.60	2,044,615	5.00	3,574,502
Stock	–	–	1.00	714,900
Total		2,044,615		4,289,402

iii) Other equities

	Foreign exchange differences arising from foreign operation	Available-for-sale financial assets
Balance as of January 1, 2013	$ 688,778	(1,888)
Foreign exchange differences (net of tax)－the Group	376,205	－
Unrealized gains (losses) from available-for-sale financial assets －the Group	－	111,224
Balance as of December 31, 2013	$ 1,064,983	109,336
Balance as of January 1, 2012	$ 1,002,365	222,671
Foreign exchange differences (net of tax)－the Group	(313,587)	－
Unrealized gains (losses) from available-for-sale financial assets －the Group	－	(224,559)
Balance as of December 31, 2012	$ 688,778	(1,888)

(o)Earnings per share (EPS)

The calculation of the Group's basic EPS and diluted EPS for the years ended December 31, 2013 and 2012, was as follows:

i) Basic EPS

	2013	2012
Net income attributable to common shareholders of the Company	$ 1,495,011	2,534,808
Weighted-average number of common shares	786,390	786,390
Basic EPS (in NT dollars)	$ 1.90	3.22

ii) Diluted EPS

	2013	2012
Net income attributable to common shareholders of the Company (diluted)	$ 1,495,011	2,534,808
Weighted-average number of common shares (basic) Impact of potential common shares	786,390	786,390
Effect of employees bonuses	1,022	1,241
Weighted-average number of shares outstanding (diluted)	787,412	787,631
Diluted EPS (in NT dollars)	$ 1.90	3.22

(p) Revenue

The details of the Group's revenue for the years ended December 31, 2013 and 2012, are as follows:

	2013	2012
Sale of goods	$ 34,385,523	45,315,260
Service income	37,476	49,115
	$ 34,422,999	45,364,375

(q) Other income and expenses

The components of the Group's other income and expenses for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Rental income	76,614	74,209
Royalty income	31,489	50,074
Net service income (expenses), net	26,642	84,599
Depreciation of investment properties	(14,725)	(14,725)
Net other income (expenses), net	4,836	2,902
	124,856	197,059

(r) Non-operating income and expenses

i) Other gains and losses

The components of the Group's other gains and losses for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Dividend income	$ 41,267	41,445
Foreign exchange gain (loss), net	230,948	(6,608)
Gain (loss) on disposal of property, plant and equipment, net	54	(4,647)
Loss on disposal of investments, net	–	(9,862)
Other	5,966	26,412
	$ 278,235	46,740

ii) Finance costs

The components of the Group's finance costs for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Interest expenses	$ 184,832	288,157

(s) Reclassification of components of other comprehensive income

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

	2013	2012
Available-for-sale financial assets		
Net change in fair value for current period	$ 111,224	(244,671)
Net change in fair value reclassified to profit or loss	–	20,112
Net changes in fair value recognized in other comprehensive income	$ 111,224	(224,559)

(t) Financial instruments

i) Categories of financial instruments

i. Financial assets

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Available-for-sale financial assets	1,005,832	893,054	1,363,889
Cash and cash equivalents	4,994,973	5,147,163	6,055,884
Notes, accounts, and other receivables	4,025,776	5,982,815	8,735,228
Total	$ 10,026,581	12,023,032	16,155,001

ii. Financial liabilities

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Financial liabilities measured at amortized cost:			
Short-term borrowings	5,805,694	6,194,179	5,101,364
Short-term commercial paper payable	798,856	349,441	249,601
Accounts payable (including related parties)	1,527,291	1,741,910	2,610,888
Other payable	1,075,144	1,223,878	1,171,099
Long-term borrowing(including current portion)	4,854,875	5,759,257	6,155,903
Subtotal	14,061,860	15,268,665	15,288,855
Financial guarantee contracts	47,320	53,409	15,993
Total	$ 14,109,180	15,322,074	15,304,848

ii) Credit risk

i. Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2013 and 2012, and January 1, 2012, the maximum credit risk exposure amounted to $10,026,581 thousand, $12,023,032 thousand, and $16,155,001 thousand, respectively.

ii.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.

iii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2013							
Non-derivative financial liabilities							
Short-term borrowings	$ 5,805,694	5,844,600	4,897,085	947,515	−	−	−
Short-term commercial paper payable	798,856	800,000	800,000	−	−	−	−
Accounts payable (including related parties)	1,527,291	1,527,291	1,527,291	−	−	−	−
Other payable	1,075,144	1,075,144	1,075,144	−	−	−	−
Long-term borrowings (including current portion)	4,854,875	4,994,615	597,050	642,112	1,726,503	2,028,950	−
Financial guarantee contracts	47,320	2,402,805	171,955	−	393,040	1,239,409	598,401
	$ 14,109,180	16,644,455	9,068,525	1,589,627	2,119,543	3,268,359	598,401
December 31, 2012							
Non-derivative financial liabilities							
Short-term borrowings	$ 6,194,179	6,222,501	5,449,650	772,851	−	−	−
Short-term commercial paper payable	349,441	350,000	350,000	−	−	−	−
Accounts payable (including related parties)	1,741,910	1,741,910	1,741,910	−	−	−	−
Other payable	1,223,878	1,223,878	1,223,878	−	−	−	−
Long-term borrowings (including current portion)	5,759,257	5,978,517	575,594	575,442	1,239,094	3,588,387	−
Financial guarantee contracts	53,409	2,153,259	−	373,000	−	1,198,121	582,138
	$ 15,322,074	17,670,065	9,341,032	1,721,293	1,239,094	4,786,508	582,138

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
January 31, 2013							
Non-derivative financial liabilities							
Short-term borrowings	$ 5,101,364	5,101,364	5,101,364	−	−	−	−
Short-term commercial paper payable	249,601	250,000	250,000	−	−	−	−
Accounts payable (including related parties)	2,610,888	2,610,888	2,610,888	−	−	−	−
Other payable	1,171,099	1,171,099	1,171,099	−	−	−	−
Long-term borrowings (including current portion)	6,155,903	6,155,903	−	1,067,183	−	5,088,720	−
Financial guarantee contracts	53,409	718,886	−	47,960	−	670,926	−
	$ 15,304,848	16,008,140	9,133,351	1,115,143	−	5,759,646	−

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

iv) Currency risk

i. Risk exposure

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

	Foreign currency	Exchange rate	NTD
December 31, 2013			
Financial assets:			
Monetary assets:			
USD	$ 42,142	29.9500	1,262,156
EUR	$ 2,212	41.0600	90,839
JPY	$ 31,947	0.2831	9,044
CNY	$ 461,458	4.9130	2,267,141
Non-monetary assets:			
INR	$ 1,070,175	0.4846	518,607
CNY	$ 113,027	4.9130	555,304
Financial liabilities:			
Monetary liabilities:			
USD	$ 161,140	29.9500	4,826,156
EUR	$ 8,693	41.0600	356,951
JPY	$ 36,014	0.2831	10,196
December 31, 2012			
Financial assets:			
Monetary assets:			
USD	$ 86,475	29.1360	2,519,536
EUR	$ 32,595	38.2800	1,247,737
JPY	$ 97,392	0.3345	32,578
CNY	$ 54,747	4.6625	255,258
Non-monetary assets:			
INR	$ 1,084,990	0.5297	574,719
CNY	$ 148,899	4.6625	694,243

		Foreign currency	Exchange rate	NTD
Financial liabilities:				
Monetary liabilities:				
USD	$	207,790	29.1360	6,054,169
EUR	$	6,960	38.2800	266,429
JPY	$	44,667	0.3345	14,941
January 1, 2012				
Financial assets:				
Monetary assets:				
USD	$	74,279	30.2900	2,249,911
EUR	$	8,090	38.9900	315,429
JPY	$	150,363	0.3886	58,431
Non-monetary assets:				
INR	$	605,961	0.5714	346,246
CNY	$	148,585	4.7960	712,612
Financial liabilities:				
Monetary liabilities:				
USD	$	153,203	30.2900	4,640,519
EUR	$	4,267	38.9900	166,370
JPY	$	245,535	0.3886	95,415

ii. 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. A 1% appreciation (depreciation) of the NTD against the USD, Euro, CNY and JPY as of December 31, 2013 and 2012, would have increased (decreased) the net income after tax by $12,982 thousand and $18,928 thousand, respectively. The analysis was performed on the same basis for both periods.

v) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates of the non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the floating-rate liabilities as of the reporting date are outstanding for the whole year.

If the interest rate had increased / decreased by 1%, the Group's net income would have increased / decreased by $95,113 thousand and $102,114 thousand for the years ended December 31, 2013 and 2012, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

vi) Fair value

i. Fair value and carrying amount

The Group's management believes that the carrying value of the assets and liabilities measured at amortized cost in the consolidated financial statements is close to fair value.

Ii. Interest rate used to determine the fair value

The Group's available-for-sale financial assets are unlisted stocks (domestic or overseas), the fair value of which was estimated by referencing the market multiples derived from quoted prices of companies comparable to the investees.

iii. Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
December 31, 2013				
Available-for-sale financial assets	$ −	1,005,832	−	1,005,832
December 31, 2012				
Available-for-sale financial assets	$ −	893,054	−	893,054
January 1, 2012				
Available-for-sale financial assets	$ −	1,363,889	−	1,363,889

(u) Financial risk management

i) Overview

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

i. Credit risk

ii. Liquidity risk

iii. 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 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 Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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.

i. Trade and other receivables

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. In 2013 and 2012, there was no geographical concentration of credit risk regarding the Group's revenue.

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 of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

ii. 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.

iii. 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, 2013 and 2012, and January 1, 2012, 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.

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.

i. 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 currencies of the Group's entities, primarily the New Taiwan dollar (NTD), US dollar (USD), Euro (EUR), and Chinese Yuan (CNY). The currencies used in these transactions are in NTD, EUR, USD, Japanese Yen (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.

ii. 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.

iii. 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.

(v) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings, and non-controlling interests of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group's target is to achieve a return on capital of between 12% and 15% percent; in 2013 and 2012, the return was 9.77% and 16.21%, respectively. In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.56% and 1.92%, respectively. The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Total liabilities	$ 15,817,399	17,630,019	18,017,761
Less: cash and cash equivalents	4,994,973	5,147,163	6,055,884
Net debt	$ 10,822,426	12,482,856	11,961,877
Total equity	$ 17,554,965	17,945,059	20,782,090
Debt-to-adjusted-capital ratio	62%	70%	58%

(7) Related-party Transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

i) Purchases

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

	2013	2012
Other related parties	$ 409,454	1,161,538

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

ii) Service income and expenses

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

	2013	2012
Associates and joint ventures	$ 181,672	54,032
Other related parties	20,139	30,153
	$ 201,811	84,185

iii) Receivable from related parties

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

Accounts	Type of related parties	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Other receivable	Associates and joint ventures	$ 43,815	55,495	18,128

iv) Payable to related parties

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

Accounts	Type of related parties	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Accounts payable	Other related parties	$ −	58,134	276,570

v) Guarantees

As of December 31, 2013 and 2012, and January 1, 2012, the Group had provided guarantees on the bank loans of associates and joint ventures. The credit limits of the guarantees were $2,402,805 thousand, $2,153,259 thousand, and $718,886 thousand, respectively, and the Group recognized $47,320 thousand, $53,409 thousand, and $15,993 thousand, respectively.

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2013	2012
Short-term employee benefits	$ 71,371	67,148
Post-employment benefits	1,518	1,267
	$ 72,889	68,415

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Property, plant and equipment	Guarantee for bank loans	$ –	319,541	529,976
Prepaid rent	Guarantee for bank loans	–	50,203	52,779
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	7,510	–	–
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production	4,460	5,927	5,755
		$ 11,970	375,671	588,510

(9) Significant Commitments and Contingencies

(a) As of December 31, 2013 and 2012, and January 1, 2012, the Group's unused letters of credit outstanding for purchases of materials were $1,733,819 thousand, $1,643,162 thousand, and $2,444,076 thousand, respectively.

(b) As of December 31, 2013 and 2012, and January 1, 2012, the Group's signed construction and design contracts with several factories totaled $82,994 thousand, $1,102,345 thousand, and $132,065 thousand, respectively, of which $40,971 thousand, $868,136 thousand, and $76,863 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events: None.

(12) Others

The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By function / By nature	2013			2012		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	704,388	554,084	1,258,472	724,329	479,350	1,203,679
Labor and health insurance	68,132	47,930	116,062	53,768	34,585	88,353
Pension (Note 1)	63,073	36,161	99,234	43,515	35,400	78,915
Others (note 2)	113,519	65,912	179,431	118,745	94,715	213,460
Depreciation (Note 3)	727,208	168,913	896,121	628,281	144,592	772,873
Amortization (Note 4)	19,876	166,455	186,331	26,124	149,018	175,142

Note 1: Pension expenses excluded expenses for employees on international assignments amounting to $2,570 thousand and $2,388 thousand for the years 2013 and 2012, respectively.

Note 2: Others personnel expenses included meals, employee welfare, training expenses and employees' bonus.

Note 3: Depreciation expenses for investment property recognized under other income and expenses amounting to $14,725 thousand for both 2013 and 2012 were excluded.

Note 4: Amortization of intangible assets recognized under other income and expenses amounting to $2,334 thousand and $0 thousand for the years 2013 and 2012, respectively, was excluded.

(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 extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 7)	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 (Jinan) Industries Ltd.	Loan	Yes	66,326	31,935	31,935	4%	2	–	Operating capital	–	–	–	– (Note 1)	– (Note 2)
2	Trimurti Holding Corporation	TSRC (Lux.) Corporation S.'a.r.l.	Loan	Yes	410,600	410,600	–	Libor+ 1.%	2	–	Operating capital	–	–	–	1,048,723 (Note 3)	4,194,892 (Note 4)

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 5% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly, by the Company, there is no loan limit.

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 the Company, there is no loan limit.

Note 3: The loan limit extended per party of Trimurti Holding Corporation should not be over 10% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 4: The total loan limit of Trimurti Holding Corporation should not be over 40% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 5: TSRC (Shanghai) Industries Ltd., TSRC (Jinan) Industries Ltd., Trimurti Holding Corporation and TSRC (Lux) Corporation S.'a.r.l are 100.00% owned by the Company.

Note 6: Credit period: The financing period should not be over one year.

Note 7: Nature of financing activities is as follows:

(1) if there are transactions between these two parties, the number is "1".

(2) if it is necessary to loan to other parties, the number is "2".

Note 8: Transactions within the Group were eliminated in the consolidated financial statements.

ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

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 China
		Name	Relationship with the company										
0	TSRC	TSRC (USA) Investment Corporation	3	(Note 2)	3,144,750	3,144,750	2,396,000	–	20.19%	(Note 3)	Y		
0	TSRC	TSRC (Nantong) Industries Ltd.	3	(Note 2)	1,048,250	1,048,250	1,048,250	–	6.73%	(Note 3)	Y		Y
0	TSRC	TSRC (Jinan) Industries Ltd.	3	(Note 2)	67,388	67,388	67,388	–	0.43%	(Note 3)	Y		Y

Unit: thousand dollars

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 China
		Name	Relationship with the company										
0	TSRC	Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,798,510	1,405,470	1,035,557	−	9.02%	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Limited	6	(Note 2)	997,335	997,335	997,335	−	6.40%	(Note 3)			

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) Ordinary business relationship.

(2) A subsidiary whose common stock is more than fifty percent directly owned by the guarantor.

(3) An investee whose common stock is more than fifty percent owned by the parent company and its subsidiary in aggregate.

(4) The parent company owns, directly or indirectly via subsidiaries, more than fifty percent of the guarantor's common stock.

(5) A company in the same trade that is mutually guaranteed pursuant to the covenants of a construction contract upon contracting a project.

(6) A company that is guaranteed proportionately according to the guarantor's ownership percentage due to co-investment by various investors.

Note 2: The guaranteed amount is limited to fifty percent of issued capital, amounting to $3,931,952 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $23,362,796 thousand.

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

iii) Securities held as of December 31, 2013
(excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2013	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC	Taiwan High Speed Rail Corporation	−	Available-for-sale financial assets−non-current	50,000,000	274,000	0.77%	274,000	500,000	
TSRC	Evergreen Steel Corporation	−	Available-for-sale financial assets−non-current	12,148,000	308,559	3.00%	308,559	209,878	
TSRC	Thai Synthetic Rubbers Co., Ltd.	−	Available-for-sale financial assets−non-current	599,999	71,718	5.42%	71,718	65,143	
TSRC	Hsin-Yung Enterprise Corporation	−	Available-for-sale financial assets−non-current	5,657,000	251,442	3.90%	251,442	64,296	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	−	Available-for-sale financial assets−non-current	837,552	100,113	7.57%	100,113	55,625	
TSRC Biotech Ltd.	Pulse Metric Inc.	−	Available-for-sale financial assets−non-current	312,500	−	6.23%	(Note 1)		
TSRC Biotech Ltd.	CytoPharm, Inc.	−	Available-for-sale financial assets−non-current	95,108	−	0.17%	(Note 1)		
					1,005,832		1,005,832	894,942	

Note 1: The securities were written down due to impairment loss.

iv) Accumulated holding amount of a single security in excess of $100 million or 20% of the Company issued share capital: None.

v) Acquisition of real estate in excess of $100 million or 20% of the Company issued share capital: None.

vi) Disposal of real estate in excess of $100 million or 20% of the Company issued share capital: None.

vii) Sales to and purchases from related parties in excess of $100 million or 20% of the Company issued share capital:

Unit: thousand dollars

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	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(207,862)	(1.61)%	70 days	–	–	89,973	6.75%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties	Purchase	207,862	9.93%	70 days	–	–	(89,973)	(22.38)%	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	278,801	3.20%	14 days	–	–	–	– %	
TSRC-UBE (Nantong) Chemical Industries Co. Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Chemical Industries Co. Ltd.	Purchase	130,653	7.80%	14 days	–	–	–	– %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	348,663	79.01%	40 days	–	–	–	– %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	348,663	(10.64)%	40 days	–	–	–	– %	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	1,541,153	73.56%	30 days	–	–	(90,389)	(22.48)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,541,153)	(30.17)%	30 days	–	–	90,389	16.75%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	344,515	16.51%	70 days	–	–	(221,711)	(55.15)%	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(344,515)	(10.52)%	70 days	–	–	221,711	48.47%	

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

viii) Receivables from related parties in excess of $100 million or 20% of the Company issued share capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	221,711	3.11 (Note 3)	–	–	221,711	–

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

Note 2: Until March 13, 2014.

Note 3: The transactions with TSRC (Lux.) Corporation S.' a.r.l. start in 2013.

ix) Derivative financial instrument transactions: None.

x) Business relationships and significant intercompany transactions:

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	84,082	The transaction is not significantly different from normal transactions, and the terms were about two months	0.24%
0	TSRC	Polybus Corporation Pte. Ltd.	1	Sales revenue	68,531	〃	0.20%
0	TSRC	TSRC (Lux.) Corporation S.' a. r. l.	1	Sales revenue	207,862	〃	0.60%
0	TSRC	TSRC (Lux.) Corporation S.' a. r. l.	1	Accounts receivable	89,973	〃	0.27%
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	42,211	The transaction is not significantly different from normal transactions, and the terms were about two months	0.12%
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other receivable	41,182	〃	0.12%
1	TSRC (Nantong) Industries Ltd.	TSRC(Shanghai) Industries Ltd.	3	Sales revenue	87,392	〃	0.25%
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte. Ltd.	3	Sales revenue	348,663	〃	1.01%
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	344,515	〃	1.00%
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	221,711	〃	0.66%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	1,541,153	〃	4.48%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	90,389		0.27%
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Note 4	1,048,250	–	–
0	TSRC	TSRC (USA) Investment Corporation	1	〃	3,144,750	–	–
0	TSRC	TSRC(Jinan) Industries Ltd	1	〃	67,388	–	0.20%
1	TSRC (Nantong) Industries Ltd.	TSRC	2	Purchases	84,082	The transaction is not significantly different from normal transactions, and the terms were about two months	0.24%
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE(Nantong) Chemical Industrial Company Limited	3	Other income and expenses	162,104	〃	0.47%
3	Polybus Corporation Pte Ltd.	TSRC	2	Purchases	68,531	〃	0.20%

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
3	Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	3	Purchases	348,663	〃	1.01%
4	TSRC (Lux.) Corporation S.' a. r. l.	TSRC	2	Purchases	207,862		0.60%
4	TSRC (Lux.) Corporation S.' a. r. l.	TSRC	2	Accounts payable	89,973	〃	0.27%
4	TSRC (Lux.) Corporation S.' a. r. l.	TSRC (Nantong) Industries Ltd.	3	Accounts payable	221,711	〃	0.66%
4	TSRC (Lux.) Corporation S.' a. r. l.	TSRC (Nantong) Industries Ltd.	3	Purchases	344,515		1.00%
4	TSRC (Lux.) Corporation S.' a. r. l.	Dexco Polymers L.P.	3	Purchases	1,541,153	〃	4.48%
4	TSRC (Lux.) Corporation S.' a. r. l.	Dexco Polymers L.P.	3	Accounts payable	90,389	〃	0.26%
5	TSRC(Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Purchases	87,392	〃	0.25%
5	TSRC(Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Bank loans	31,935	〃	0.10%
6	TSRC(Jinan) Industries Ltd	TSRC (Shanghai) Industries Ltd.	3	Entrusted loans	31,935	〃	0.10%

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 sidstream 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: The Company 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 2013 (excluding information on investees in China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2013	Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2013	Dec. 31, 2012	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%	10,495,815	1,005,945	603,761	597,781	Subsi-diary
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%	564,568	109,442	80,323	80,323	Subsi-diary
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%	109,545	38,376	99,087	19,302	Subsi-diary (Note 2)
TSRC	Taiwan Advanced Materials Corp.	26F-2, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	705,317	720,000	(23,611)	(11,333)	–

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2013	Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2013	Dec. 31, 2012	Shares	Percentage of ownership	Book value				
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	9. Temasek Boulevard, 31F Suntec	International commerce and investment corporation	1,949,775 (USD 65,101)	1,949,775 (USD 65,101)	105,830,000	100.00%	6,435,924	1,949,775	524,748	519,703	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited.	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai, HK	Investment corporation	2,331,608 (USD 77,850)	2,331,608 (USD 77,850)	77,850,000	100.00%	2,638,172	2,331,608	80,158	80,158	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	628,651 (USD 20,900)	628,651 (USD 20,900)	105,468,750	30.00%	518,607	628,651	(49,482)	(18,541)	–
TSRC (Hong Kong) Limited.	TSRC (Lux.) Corporation S. ' a. r. L.	34-36 avenue de la Liberte L-1930 Luxembourg	Investment corporation	1,521,460 (EUR 50,800)	1,521,460 (EUR 50,800)	50,800,000	100.00%	2,334,422	1,521,460	55,867	55,867	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	2711Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, USA	Investment corporation	2,097,998 (USD 70,050)	2,097,998 (USD 70,050)	100	100.00%	2,280,586	2,097,998	60,129	60,129	Indirectly owned subsidiary
TSRC(USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston,TX USA	Production and sale of synthetic rubber products	5,768,879 (USD 192,617)	5,768,879 (USD 192,617)	100	100.00%	4,613,428	5,768.879	314,499	147,256	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	1,498 (USD50)	1,498 (USD50)	50,000	100.00%	107,950	1,498	763	763	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	143,730 (USD 4,799)	143,730 (USD 4,799)	4,798,566	80.52%	452,801	143,730	99,087	79,785	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613,George Town, Grand Cayman	Investment corporation	90,449 (USD 3,020)	90,449 (USD 3,020)	3,020,210	100.00%	5	90,449	–	–	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	337,986 (USD 11,285)	337,986 (USD 11,285)	7,522,337	37.78%	405,873	337,986	262,382	99,128	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD29.95).

Note 2: The Company 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.

(c) Information on investment in China:

i) Information on investment in China:

Unit: thousand dollars

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2013	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2013	Net income of investee	Direct / indirect investment holding percentage	Maximum investment in 2013 (Note 6)	Investment income (loss)	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	1,234,539 (USD 41,220)	(2)a.	–	–	–	–	609,754	65.44%	1,234,539	399,023 (Note 2)	2,145,583	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	691,845 (USD 23,100)	(2)c.	114,768 (USD3,832)	–	–	114,768 (USD3,832)	369,498	28.34%	691,845	104,715 (Note 3)	401,978	–
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	164,725 (USD 5,500)	(2)b.	117,404 (USD3,920)	–	–	117,404 (USD3,920)	30,438	100.00%	164,725	30,438 (Note 2)	275,701	–
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	89,850 (USD 3,000)	(2)d.	44,925 (USD1,500)	–	–	44,925 (USD1,500)	1,499	50.00%	89,850	749 (Note 2)	98,494	–
TSRC -UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,198,000 (USD 40,000)	(2)a.	29,950 (USD1,000)	–	–	29,950 (USD1,000)	15,558	55.00%	1,198,000	8,557 (Note 2)	922,722	–
TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	2,070,294 (USD 69,125)	(2)a.	199,108 (USD6,648)	–	–	119,108 (USD6,648)	322,990	100.00%	2,070,294	322,990 (Note 2)	2,959,730	–
TSRC (Jinan) Industries Ltd.	Production and sale of compounding materials	67,388 (USD 2,250)	(2)b.	67,388 (USD2,250)	–	–	67,388 (USD2,250)	(3,916)	100.00%	67,388	(3,916) (Note 2)	(44,461)	–
Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	742,760 (USD 24,800)	(2)a.	–	–	–	–	(436,236)	50.00%	735,816	(223,163) (Note 3)	149,431	–

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

(1) Remittance from third-region companies to invest in China.

(2) Through the establishment of third-region companies then investing in China.

a.Through the establishment of Polybus Corporation Pte. Ltd. then investing in China.

b.Through the establishment of TSRC (Hong Kong) Limited then investing in China.

c.Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in China.

d.Through the establishment of Triton International Holdings Corporation then investing in China.

(3) Through transferring the investment to third-region existing companies then investing in 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 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD 29.95).

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

Note 6: Based on the entire amount stated.

ii) Limitation on investment in Mainland China:

Unit: thousand dollars

Company name	Accumulated investment amount in China as of December 31, 2013	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	573,543(USD19,150)	4,232,983(USD141,335)(Note 2)	−(Note 1)

Note 1: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in 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 November 1, 2012. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in China as of December 31, 2013.

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 NTD 29.95).

iii) Significant transactions with investees in China:

Related information is provided in note 13(a).

(14) Segment Information

(a) General information

There are three products departments which should be reported: synthetic rubber department, non-synthetic rubber department, and others. The synthetic rubber department produces and sells synthetic rubber products. The non-synthetic rubber services department produces and sells compounding products. The others department 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.

(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 Aaccounting 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:

	2013				
	Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 33,647,883	737,640	37,476	−	34,422,999
Inter-segment revenues	2,732,045	19,294	−	(2,751,339)	−
Interest revenue	90,503	3,722	3,463	(112)	97,576
Total revenue	$ 36,470,431	760,656	40,939	(2,751,451)	34,520,575
Interest expenses	$ 180,208	4,736	−	(112)	184,832
Depreciation and amortization	$ 1,003,207	32,055	83,549	(19,300)	1,099,511
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ 374,919	−	99,128	(627,956)	(153,909)
Reportable segment profit or loss	$ 2,337,770	39,125	339,687	(614,578)	2,102,004
Reportable segment assets (note)	$ −	−	−	−	−

	2012				
	Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 44,497,247	818,013	49,115	−	45,364,375
Inter-segment revenues	2,833,188	4,820	−	(2,838,008)	−
Interest revenue	88,181	1,634	3,013	(1,209)	91,619
Total revenue	$ 47,418,616	824,467	52,128	(2,839,217)	45,455,994
Interest expenses	$ 225,168	4,198	−	(1,209)	228,157
Depreciation and amortization	$ 888,492	33,474	57,315	(16,541)	962,740
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ 1,253,723	−	104,398	(1,356,140)	1,981
Reportable segment profit or loss	$ 5,177,536	19,016	163,060	(1,479,827)	3,879,785
Reportable segment assets (note)	$ −	−	−	−	−

note: As the information on segment assets was not provided to the chief operating decision maker, the information on segment assets 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	2013	2012
Revenue from external customers:		
China	$ 15,434,398	21,583,587
United States	4,245,689	5,134,260
Taiwan	2,808,653	4,260,068
Thailand	2,530,272	2,066,445
Japan	1,513,324	2,223,182
Other countries	7,890,663	10,096,833
Total	$ 34,422,999	45,364,375

Geographical information	2013	2012
Non-current assets:		
China	$ 8,409,962	8,360,266
Taiwan	4,848,604	4,832,977
United States	2,618,433	2,665,594
Other countries	926,336	912,207
Total	$ 16,803,335	16,771,044

Non-current assets include investment accounted for under the equity method, property, plant and equipment, 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 2013 and 2012, the Group had no major customer who constituted 10% or more of net sales.

(15) First-time adoption of IFRSs

The consolidated financial statements as of December 31, 2012, were prepared according to the previous ROC GAAP. As explained in note 4(a), these consolidated financial statements are the first annual consolidated financial statements prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" and the IFRSs endorsed by the FSC, and are in accordance with IFRS 1 "First-Time Adoption of International Financial Reporting Standards" (endorsed by the FSC).

The accounting policies described in note 4 were applied in preparing the comparative consolidated financial statements for the year ended December 31, 2012, and the opening consolidated balance sheet as of January 1, 2012 (the Group's date of adoption of IFRSs).

When preparing the related financial statements of 2012, the Group converted the amounts in the financial statements prepared in accordance with the previous ROC GAAP to amounts in conformity with IFRSs endorsed by the FSC. Below are the adjustments and related descriptions of the balance sheet and statements of comprehensive income and of cash flows due to conversion.

(a) Reconciliation for consolidated balance sheet

	Dec. 31, 2012			Jan. 1, 2012		
	ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Assets						
Cash and cash equivalents	$ 5,147,163	-	5,147,163	6,055,884	-	6,055,884
Notes receivable	1,408,383	-	1,408,383	2,493,559	-	2,493,559
Accounts receivable	4,294,118	-	4,294,118	5,937,012	-	5,937,012
Other receivable	280,314	-	280,314	304,657	-	304,657
Inventories	6,104,178	-	6,104,178	7,040,206	-	7,040,206
Other current assets	544,665	(81,327)	463,338	379,875	(34,523)	345,352
Total current assets	17,778,821	(81,327)	17,697,494	22,211,193	(34,523)	22,176,670
Available-for-sale financial assets —non-current	-	893,054	893,054	-	1,363,889	1,363,889
Investments accounted for under equity method	1,939,833	45,779	1,985,612	1,005,468	53,390	1,058,858
Financial assets carried at cost —non-current	894,942	(894,942)	-	1,141,218	(1,141,218)	-
Property, plant and equipment	9,719,459	201,665	9,921,124	8,723,540	201,665	8,925,205
Investment property, net	-	1,684,675	1,684,675	-	1,699,400	1,699,400
Intangible assets	3,213,218	(622,541)	2,590,677	3,356,446	(595,759)	2,760,687
Deferred income tax assets	37,614	175,872	213,486	13,649	85,740	99,389
Other non-current assets	1,975,581	(1,386,625)	588,956	2,091,060	(1,375,307)	715,753
Total non-current assets	17,780,647	96,937	17,877,584	16,331,381	291,800	16,623,181
Total assets	$ 35,559,468	15,610	35,575,078	38,542,574	257,277	38,799,851

	Dec. 31, 2012			Jan. 1, 2012		
	ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Liabilities						
Short-term borrowings	$ 6,194,179	–	6,194,179	5,101,364	–	5,101,364
Current portion of long-term borrowings	466,176	–	466,176	1,067,183	–	1,067,183
Notes and accounts payable	349,441	–	349,441	249,601	–	249,601
Accounts payable	1,683,776	–	1,683,776	2,334,318	–	2,334,318
Accounts payable－related parties	58,134	–	58,134	276,570	–	276,570
Current income tax liabilities	577,933	–	577,933	834,521	–	834,521
Other current liabilities	1,291,220	–	1,291,220	1,338,632	–	1,338,632
Total current liabilities	10,620,859	–	10,620,859	11,202,189	–	11,202,189
Long-term borrowings	5,293,081	–	5,293,081	5,088,720	–	5,088,720
Deferred income tax liabilities	914,976	97,665	1,012,641	1,124,831	71,349	1,196,180
Other non-current liabilities	610,876	92,562	703,438	433,900	96,772	530,672
Total non-current liabilities	6,818,933	190,227	7,009,160	6,647,451	168,121	6,815,572
Total liabilities	17,439,792	190,227	17,630,019	17,849,640	168,121	18,017,761
Equity attributable to shareholders of the parent						
Common stock	7,863,904	–	7,863,904	7,149,004	–	7,149,004
Capital surplus	69,003	(68,154)	849	69,003	(68,154)	849
Retained earnings	7,269,598	(186,091)	7,083,507	8,984,752	(103,035)	8,881,717
Other equity	607,263	79,628	686,890	964,691	260,345	1,225,036
Total shareholders' equity	15,809,767	(174,617)	15,635,150	17,167,450	89,156	17,256,606
Non-controlling interests	2,309,909	–	2,309,909	3,525,484	–	3,525,484
Total equity	18,119,676	(174,617)	17,945,059	20,692,934	89,156	20,782,090
Total liabilities and shareholders' equity	$ 35,559,468	15,610	35,575,078	38,542,574	257,277	38,799,851

(b) Reconciliation for consolidated statements of comprehensive income

	2012		
	ROC GAAP	Difference	IFRSs
Revenue	$ 45,364,375	–	45,364,375
Operating costs	39,334,266	(6,382)	39,327,884
Gross profit	6,030,109	6,382	6,036,491
Operating expenses			
Selling expenses	944,670	57,501	1,002,171
General and administrative expenses	896,784	15,754	912,538
Research and development expenses	352,376	(1,137)	351,239
Total operating expenses	2,193,830	72,118	2,265,948
Other income and expenses	210,986	(13,927)	197,059
Operating profit	4,047,265	(79,663)	3,967,602
Non-operating income and expenses:			
Interest income	84,008	7,611	91,619
Finance costs	14,596	32,144	46,740
Other gains and losses	(228,157)	–	(228,157)
Share of profit of associates and joint ventures accounted for under equity method	9,592	(7,611)	1,981
Income before income tax	3,927,304	(47,519)	3,879,785
Income tax expenses	747,962	(8,078)	739,884
Net income	3,179,342	(39,441)	3,139,901
Other comprehensive income (loss):			
Financial statement translation differences for foreign operations	(423,889)	–	(423,889)
Unrealized loss on valuation of available-for sale financial assets	–	(224,559)	(224,559)
Actuarial losses of defined benefit plans	–	(52,549)	(52,549)
Less: Income tax relating to components of other comprehensive income (loss)	–	8,933	8,933
Other comprehensive income (loss) after tax	(423,889)	(268,175)	(692,064)
Total comprehensive income	$ 2,755,453	(307,616)	2,447,837
Net income attributable to:			
Shareholders of the parent	$ 2,574,249	(39,441)	2,534,808
Non-controlling interests	605,093	–	605,093
Net income	$ 3,179,342	(39,441)	3,139,901
Total comprehensive income attributable to:			
Shareholders of the parent	$ 2,260,662	(307,616)	1,953,046
Non-controlling interests	494,791	–	494,791
Total comprehensive income	$ 2,755,453	(307,616)	2,447,837
EPS			
Basic EPS (in NT dollars)	$ 3.27	(0.05)	3.22
Diluted EPS (in NT dollars)	$ 3.27	(0.05)	3.22

(c) Significant adjustments for statement of cash flows

There was no significant difference between the consolidated statements of cash flows prepared in accordance with the IFRSs endorsed by FSC and those prepared in accordance with the previous ROC GAAP.

(d) Notes for the reconciliations

i) Under ROC GAAP, when an investee issues new shares and an investor does not increase the investment proportionately, the resulting changes in net equity are recognized under capital surplus. Upon conversion to the IFRSs endorsed by the FSC, the Group should retrospectively adjust such changes. If such changes cannot be computed in practice, the Group may reclassify the amount previously recognized under capital surplus in accordance with ROC GAAP to retained earnings. As of December 31 and January 1, 2012, the Group reclassified related capital surplus amounting to $68,154 to retained earnings.

ii) The stock investments held by the Group for which there were no publicly quoted market values in an active market were measured at cost in accordance with the previous ROC GAAP. When the Group changed its accounting principles to the IFRSs endorsed by the FSC, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the Group changed the measuring of financial assets carried at cost to measuring at fair value, and reclassified such investments to available-for-sale financial assets－non-current.

A summary of the effects of the aforementioned changes is as follows:

	2012
Consolidated statement of comprehensive income	
Unrealized loss on valuation of available-for-sale financial assets	$ (244,671)
Unrealized gain on valuation of available-for-sale financial assets reclassified to net income	20,112
Adjustments before tax	$ (224,559)

	Dec. 31, 2012	Jan. 1, 2012
Consolidated balance sheets		
Available-for-sale financial assets	$ 893,054	1,363,889
Financial assets carried at cost	(894,942)	(1,141,218)
Other comprehensive income	1,888	(222,671)
Adjustment to retained earnings	$ －	－

iii) Under the regulations, the Group recorded the provision for reserve for land revaluation increment tax and unrealized increment from revaluation as other liabilities and other adjustment under shareholders' equity. Upon transitioning to the IFRSs endorsed by the FSC, the Group elected the exemption for deemed costs. In accordance with IAS 12 "Income Tax" and IAS 16 "Property, Plant and Equipment", as of both December 31 and January 1, 2012, the Group reclassified the reserve for land revaluation increment tax and unrealized increment from revaluation as deferred income tax liabilities－non-current and retained earnings, respectively, amounting to $56,683 thousand and $7,266 thousand, respectively.

iv) In accordance with the previous ROC GAAP, the Group recorded the rental assets and idle assets as other assets. When transitioning to the IFRSs endorsed by the FSC, the Group chose to apply the exemption, and reclassified the assets mentioned above to property, plant and equipment and investment property, respectively, in accordance with IAS 16 "Property, Plant and Equipment" and IAS 40 "Investment Property".

A summary of the effects resulting from the aforementioned changes is as follows:

	Dec. 31, 2012	Jan. 1, 2012
Consolidated balance sheets		
Reclassification to investment property	$ 1,684,675	1,699,400
Reclassification to property, plant and equipment	201,665	201,665
Originally recorded as other assets	$ 1,886,340	1,901,065

In 2012, the depreciation expenses for the assets mentioned above were recorded as non-operating gain and loss, amounting to $32,144 thousand, and were reclassified to operating expenses when transitioning to the IFRSs endorsed by the FSC.

v) In accordance with the previous ROC GAAP, the land lease prepayments were recorded as intangible assets. When transitioning to the IFRSs endorsed by the FSC, the land lease prepayments were reclassified to other assets in accordance with their nature, and the balance as of December 31 and January 1, 2012, was $525,758 thousand and $499,715 thousand, respectively.

vi) The Group recorded the unidentifiable premium from acquisition as goodwill in accordance with the previous ROC GAAP. Upon transitioning to the IFRSs endorsed by the FSC, the Group should allocate a portion of the acquisition premium to customer relationship in accordance with IFRS 3 "Business Combination", and retrospectively adjust at the acquisition date.

A summary of the effects of the aforementioned changes is as follows:

	2012
Consolidated statement of comprehensive income	
Selling expenses:	
Amortization of customer relationship	$ (58,110)
Adjustments before tax	$ (58,110)

	Dec. 31, 2012	Jan. 1, 2012
Consolidated balance sheets		
Customer relationship	$ (101,693)	(43,583)
Tax effect	17,288	7,409
Adjustment to retained earnings	$ (84,405)	(36,174)

vii) According to the previous ROC GAAP, it was unnecessary to recognize the amount of financial guarantee contracts provided for associates and joint ventures. When transitioning to the IFRSs endorsed by the FSC, the Group should measure the financial guarantee contracts at fair value, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". This change increased the investments accounted for under the equity method and other liabilities by $ 15,993 thousand and $53,409 thousand as of January 1 and December 31, 2012, respectively, and the interest income and investment loss accounted for under the equity method were increased by $3,926 thousand for the year 2012.

viii) In accordance with the IFRSs endorsed by the FSC, the Group recognizes all actuarial gains and losses under other comprehensive income. Under the previous ROC GAAP, the Group recognized actuarial gains and losses as gains and losses over the employee's remaining period of service. On the date of transitioning to IFRSs, all previous unrecognized accumulated actuarial gains and losses were recognized under retained earnings and reversed in the comprehensive income statement of prior years.

A summary of the effects of the aforementioned changes is as follows:

	2012
Consolidated statement of comprehensive income	
Operating cost	$ (6,382)
Selling expenses	(609)
General and administrative expenses	(1,664)
Research and development expenses	(1,137)
Other income and expenses, net	(798)
Other comprehensive income	(52,549)
Adjustments before tax	$ (63,139)

	Dec. 31, 2012	Jan. 1, 2012
Consolidated balance sheets		
Intangible assets	$ (21,133)	(26,418)
Other non-current liabilities	(103,466)	(100,065)
Other equity	(88,782)	(44,940)
Tax effect	36,275	29,142
Adjustment to retained earnings	$ (177,106)	(142,281)

ix) In accordance with the previous ROC GAAP, deferred income tax assets and liabilities were classified to current and non-current by nature, and reported in net amount. When transitioning to the IFRSs endorsed by the FSC, all of the deferred income tax assets and liabilities should be reclassified to non-current in accordance with IAS 12 "Income Tax".
A summary of the effects of the aforementioned changes is as follows:

	Dec. 31, 2012	Jan. 1, 2012
Consolidated balance sheets		
Deferred income tax assets－current	$ (81,327)	(34,523)
Deferred income tax assets－non-current	153,636	70,450
Deferred income tax liabilities－non-current	(72,309)	(35,927)
Adjustment to retained earnings	$ －	－

x) The changes in deferred income tax assets and liabilities due to the transitions mentioned above were as follows:

	Dec. 31, 2012	Jan. 1, 2012
Employee benefits	$ 22,236	15,290
Gross amount of deferred income tax assets and liabilities	153,636	70,450
Increase in deferred income tax assets	$ 175,872	85,740

	Dec. 31, 2012	Jan. 1, 2012
Reserve for land revaluation increment tax	$ 56,683	56,683
Customer relationship	(17,288)	(7,409)
Employee benefits	(14,039)	(13,852)
Gross amount of deferred income tax assets and liabilities	72,309	35,927
Increase in deferred income tax liabilities	$ 97,665	71,349

The net effect on the consolidated statement of comprehensive income for the year 2012 was a reduction in income tax expenses of $8,078 thousand.
The adjustment for actuarial gains and losses under other comprehensive income decreased income tax expense recognized under other comprehensive income by $8,933 thousand.

xi) The increase (decrease) in retained earnings in relation to the changes mentioned above were as follows:

	Dec. 31, 2012	Jan. 1, 2012
Reclassification of other equity	$ 68,154	68,154
Reclassification of revaluation gains	7,266	7,266
Customer relationship	(84,405)	(36,174)
Employee benefits	(177,106)	(142,281)
Decrease in retained earnings	$ (186,091)	(103,035)

V. Individual financial statement

Independent Auditors' Report

The Board of Directors

TSRC Corporation:

We have audited the accompanying balance sheets of TSRC Corporation (the Company) as of December 31, 2013 and 2012, and January 1, 2012, and the related statements of comprehensive income as well as the statements of changes in stockholders' equity and of cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by CPA" and generally accepted auditing standards. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial positions of the Company as of December 31, 2013 and 2012, and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

KPMG
Hung Po Shu
Yu Ann Tine
March 13, 2014

TSRC CORPORATION

Balance Sheets

December 31, 2013 and 2012, and January 1, 2012

(expressed in thousands of New Taiwan dollar)

Unit: NT$1,000

	Dec.31, 2013			Dec.31, 2012		Jan. 1, 2012	
Assets		**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Current assets:							
Cash and cash equivalents (note 6(a))	$	394,152	2	605,301	3	1,432,954	6
Notes receivable, net (note 6(c))		1,183	－	1,071	－	8,138	－
Accounts receivable, net (note 6(c))		1,224,852	6	2,095,984	10	2,876,356	13
Accounts receivable－related-parties (note 6(c) and 7)		106,119	1	12,695	－	96,796	－
Other receivable (note 6(c) and 7)		174,547	1	203,352	1	135,959	1
Current income tax assets		88,265	1	－	－	－	－
Inventories (note 6(d))		1,739,355	8	2,210,612	10	2,308,278	10
Other current assets		107,587	－	118,276	1	99,708	－
Total current assets		3,836,060	19	5,247,291	25	6,958,189	30
Non-current assets:							
Available-for-sale financial assets －non-current (note 6(b))		905,719	4	786,769	4	1,141,259	5
Investments accounted for under equity method (note 6(e))		11,875,245	57	10,842,323	51	10,655,155	47
Property, plant and equipment (note 6(f),6(g) and 8)		2,429,360	12	2,461,725	12	2,289,272	10
Investment property (note 6(g) and 8)		1,669,950	8	1,684,675	8	1,699,400	8
Intangible assets (note 6(h))		79,310	－	79,012	－	45,024	－
Deferred income tax assets (note 6(m)		102,875	－	84,458	－	77,228	－
Other non-current assets (note 6(i) and 8)		5,360	－	5,332	－	4,258	－
Total non-current assets		17,067,819	81	15,944,294	75	15,911,596	70
Total assets	$	20,903,879	100	21,191,585	100	22,869,785	100

See accompanying notes to these financial Statements (Continued)

Unit: NT$1,000

Liabilities and Stockholders' Equity	Dec.31, 2013 Amount	%	Dec.31, 2012 Amount	%	Jan. 1, 2012 Amount	%
Current liabilities:						
Short-term borrowings (note 6(i))	$ 1,923,071	9	2,017,077	10	1,141,667	5
Current portion of long-term borrowings (note 6(i) and 8)	−	−	−	−	100,000	−
Short-term commercial paper payable (note 6(i))	798,856	4	349,441	2	249,601	1
Accounts payable	730,196	3	715,982	3	1,222,069	5
Other payable (note 7)	525,656	3	596,483	3	762,890	4
Current income tax liabilities	36,483	−	370,073	2	442,430	2
Other current liabilities (note 6(i))	28,895	−	57,586	−	37,257	−
Total current liabilities	4,043,157	19	4,106,642	20	3,955,914	17
Non-current liabilities:						
Provision-non current (note 7)	47,320	−	53,409	−	15,993	−
Deferred income tax liabilities (note 6(l))	746,659	4	904,320	4	1,210,032	5
Other non-current liabilities (note 6(i) and 6(k))	491,546	2	492,064	2	431,240	2
Total non-current liabilities	1,285,525	6	1,449,793	6	1,657,265	7
Total liabilities	5,328,682	25	5,556,435	26	5,613,179	24
Shareholders' equity (note 6(b), 6(l), 6(m) and 6(q)):						
Common stock	7,863,904	38	7,863,904	37	7,149,004	31
Capital surplus	849	−	849	−	849	−
Retained earnings:						
Legal reserve	3,355,130	16	3,097,705	15	2,523,529	11
Unappropriated earnings	3,180,995	16	3,985,802	19	6,358,188	28
	6,536,125	32	7,083,507	34	8,881,717	39
Other equities:						
Financial statements translation differences for foreign operations	1,064,983	5	688,778	3	1,002,365	5
Unrealized gain (loss) on valuation of available-for-sale financial assets	109,336	−	(1,888)	−	222,671	1
Total equity	1,174,319	5	686,890	3	1,225,036	6
	15,575,197	75	15,635,150	74	17,256,606	76
Total liabilities and stockholders' equity	$ 20,903,879	100	21,191,585	100	22,869,785	100

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang Manager :Wei-Hua Tu Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2013		2012	
	Amount	**%**	**Amount**	**%**
Revenue (note 7)	$ 12,934,484	100	17,056,436	100
Operating costs (note 6(d), 6(f), 6(h), 6(j) and 6(k))	11,311,552	87	14,737,700	86
Gross profit	1,622,932	13	2,318,736	14
Less: Unrealized gain on affiliated transactions	24,280	−	20,027	−
Gross profit, net	1,598,652	13	2,298,709	14
Operating expenses (note 6(f), 6(g), 6(h), 6(j), 6(k) and 7):				
Selling expenses	371,167	3	400,727	2
General and administrative expenses	375,017	3	449,093	3
Research and development expenses	281,953	2	259,417	2
Total operating expenses	1,028,137	8	1,109,237	7
Other income and expenses, net (note 6(h), 6(o) and 7)	159,977	1	177,081	1
Operating profit	730,492	6	1,366,553	8
Non-operating income and expenses (note 6(p)):				
Interest income	15,871	−	8,799	−
Other gains and losses	76,089	1	50,031	−
Finance costs	(29,769)	−	(29,577)	−
Share of profit from the subsidiaries, the associates and the joint ventures	686,073	5	1,303,171	8
Total non-operating income and expenses	748,264	6	1,332,424	8
Net income before tax	1,478,756	12	2,698,977	16
Less: income tax expenses (note 6(l))	(16,255)	−	164,169	1
Net income	1,495,011	12	2,534,808	15
Other comprehensive income (loss) (note 6(m) and 6(q)):				
Financial statement translation differences for foreign operations	376,205	3	(313,587)	(2)
Unrealized gain (loss) on valuation of available-for-sale financial assets	111,224	1	(224,559)	(1)
Actuarial gains (losses) on defined benefit plans	2,222	−	(52,549)	−
Less: income tax expense relating to components of other comprehensive income (loss)	−	−	(8,933)	−
Other comprehensive income (loss), net of tax	489,651	4	(581,762)	(3)
Total comprehensive income	$ 1,984,662	16	1,953,046	12
Basic EPS (in New Taiwan dollars) (note 6(n))				
EPS (in New Taiwan dollars)	$ 1.90		3.22	

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang　　Manager :Wei-Hua Tu　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION
Statements of Changes in Equity
For the years ended December 31, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings			Other equity adjustments			Total
			Legal reserve	Unappropriated earnings	Total	Financial statement translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Total	
Balance at January 1, 2012	$ 7,149,004	849	2,523,529	6,358,188	8,881,717	1,002,365	222,671	1,225,036	17,256,606
Appropriations and distributions:									
Legal reserve	–	–	574,176	(574,176)	–	–	–	–	–
Cash dividends	–	–	–	(3,574,502)	(3,574,502)	–	–	–	(3,574,502)
Stock dividends	714,900	–	–	(714,900)	(714,900)	–	–	–	–
Net income	–	–	–	2,534,808	2,534,808	–	–	–	2,534,808
Other comprehensive income (loss)	–	–	–	(43,616)	(43,616)	(313,587)	(224,559)	(538,146)	(581,762)
Total comprehensive income (loss)	–	–	–	2,491,192	2,491,192	(313,587)	(224,559)	(538,146)	1,953,046
Balance at December 31, 2012	$ 7,863,904	849	3,097,705	3,985,802	7,083,507	688,778	(1,888)	686,890	15,635,150
Appropriations and distributions:									
Legal reserve	–	–	257,425	(257,425)	–	–	–	–	–
Cash dividends	–	–	–	(2,044,615)	(2,044,615)	–	–	–	(2,044,615)
Net income	–	–	–	1,495,011	1,495,011	–	–	–	1,495,011
Other comprehensive income (loss)	–	–	–	2,222	2,222	376,205	111,224	487,429	489,651
Total comprehensive income (loss)	–	–	–	1,497,233	1,497,233	376,205	111,224	487,429	1,984,662
Balance at December 31, 2013	$ 7,863,904	849	3,355,130	3,180,995	6,536,125	1,064,983	109,336	1,174,319	15,575,197

Supplemental disclosure:

1: Directors' and supervisors' enumeration and employee bonuses amounting to $44,221 and $10,509, respectively, were deducted from profit and loss of 2011.

2: Directors' and supervisors' enumeration and employee bonuses amounting to $21,078 and $42,157, respectively, were deducted from profit and loss of 2012.

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang　　Manager :Wei-Hua Tu　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

		2013	2012
Cash flows from operating activities:			
Net income before tax	$	1,478,756	2,698,977
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		255,054	209,677
Amortization		27,951	19,925
Interest expenses		29,769	29,577
Interest income		(15,871)	(8,799)
Dividend income		(41,267)	(41,445)
Share of profit from the subsidiaries, the associates and the joint ventures		(686,073)	(1,303,171)
Losses (gains) on disposal of property, plant and equipment, net		–	292
Losses on disposal of investments, net		–	9,862
Unrealized gain on affiliated transactions		24,280	20,027
Uearned revenue from technology provided to investee		(17,646)	(16,540)
Total adjustments to reconcile profit and loss		(423,803)	(1,080,595)
Changes in assets / liabilities relating to operating activities:			
Net changes in operating assets:			
Notes receivable		(112)	7,067
Accounts receivable		871,132	780,372
Accounts receivable－related-parties		(93,424)	84,101
Other receivable		28,782	(72,938)
Inventories		471,257	97,666
Other current assets		10,689	(18,568)
Total changes in operating assets, net		1,288,324	877,700
Net changes in operating liabilities:			
Accounts payable		14,214	(506,087)
Other current liabilities		(71,918)	(223,005)
Accrued pension liabilities		(12,145)	(11,551)
Other non-current liabilities		37,457	(45,335)
Total changes in operating liabilities, net		(32,392)	(785,978)
Total changes in operating assets / liabilities, net		1,255,932	91,722
Total adjustments		832,129	(988,873)
Cash provided by operating activities		2,310,885	1,710,104
Interest income received		7,153	5,069
Interest paid		(28,583)	(29,280)
Income tax paid		(581,678)	(452,716)
Net cash provided by operating activities		1,707,777	1,233,177

TSRC CORPORATION

Statements of Cash Flows-continued

For the years ended December 31, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2013	2012
Cash flows from investing activities:		
Increase in available-for-sale financial assets	–	(487,169)
Proceeds from sale of available-for-sale financial assets	–	497,419
Proceeds from capital reduction of available-for-sale financial assets	–	223,961
Increase in long-term investments	–	(720,000)
Proceeds from capital reduction of long-term investments	–	19,494
Acquisition of property, plant and equipment	(271,552)	(345,025)
Proceeds from disposal of property, plant and equipment	–	45
Increase in other non-current assets	(28)	(1,074)
Dividend received	41,267	1,451,539
Net cash provided by (used in) investing activities	(230,313)	639,190
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	(94,006)	875,410
Increase in short-term commercial paper payable	449,415	99,840
Repayment of long-term borrowings	–	(100,000)
Increase (decrease) in refundable deposits	–	82
Decrease in finance lease liabilities	(5,736)	(6,200)
Cash dividends paid	(2,038,286)	(3,569,152)
Net cash used in financing activities	(1,688,613)	(2,700,020)
Decrease in cash and cash equivalents	(211,149)	(827,653)
Cash and cash equivalents at beginning of period	605,301	1,432,954
Cash and cash equivalents at end of period	$ 394,152	605,301

See accompanying notes to these financial Statements

Chairman :Shao Yu Wang　　Manager :Wei-Hua Tu　　Chief Accountant :Ming-Huang Chen

(expressed in thousands of New Taiwan dollars unless otherwise stated)

(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, and the registered address is 18F., No. 95, Sec. 2, Dunhua S. Rd., Taipei City. The Company is mainly engaged in the manufacture, import, and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials.

(2) Financial Statements Authorization Date and Authorization Process

The financial statements were approved by the Board of Directors and published on March 13, 2014.

(3) New Standards and Interpretations Not Yet Adopted

(a) New standards and interpretations endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

In November 2009, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"), which was to take effect on January 1, 2013. (In December 2011, the IASB postponed the effective date until January 1, 2015, and later amended it to exclude the mandatory effective date of January 1, 2015, to allow more time for financial statement preparers to adopt to the new standards. The new effective date has not been announced yet.) This standard has been endorsed by the FSC; however, at the end of the reporting period (the reporting date), the effective date had not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 Financial Instruments ("IAS 39"). Upon the adoption of this new standard, it is expected there will be impacts on the classification and measurement of financial instruments in the financial statements.

(b) New standards and interpretations not yet endorsed by the FSC

The new standards and amendments issued by the IASB which may be relevant to the consolidated financial statements and not yet been endorsed by the FSC are summarized as follows:

Issue date	New standards and amendments	Summary of main changes and the impacts	Effective date per IASB
May 12, 2011 June 28, 2012	• IFRS 10 Financial Statements • IFRS 11 Joint Arrangements • IFRS 12 Disclosure of Interests in Other Entities • Amendment to IAS 27 Separate Financial Statements • Amendment to IAS 28 Investments in Associates and Joint Ventures	• On May 12, 2011, the IASB issued a series of standards and amendments related to consolidation, joint arrangements, and investments. The new standards provide a single model in determining whether an entity has control over an investee (including special purpose entities) other than the consolidation process, for which the original guidance and method applies. In addition, joint arrangements are separated into joint operations (concepts from jointly controlled assets and jointly controlled operations) and joint ventures (concepts from jointly controlled entities), and the new standards remove the proportionate consolidation method. • On June 28, 2012, amendments were issued clarifying the guidance over the transition period. Upon the adoption of the above standards, the determinations of control over the investees could be changed, and it is expected to increase the disclosure of the interest in subsidiaries and associates.	Jan. 1, 2013
May 12, 2011	• IFRS 13 Fair Value Measurement	IFRS 13 replaces fair value measurement guidance in other standards and integrates them as one single guidance. At the adoption of this standard, the Company should analyze the impact on the measurement of assets and liabilities. The amendment could also increase the disclosure of their fair value.	Jan. 1, 2013

Issue date	New standards and amendments	Summary of main changes and the impacts	Effective date per IASB
June 16, 2011	Amendment to IAS 1 Presentation of Financial Statements	Items presented in other comprehensive income shall be expressed based on whether they are subsequently reclassifiable to profit or loss. Upon adoption, this standard could change the disclosure of other comprehensive income in the comprehensive income statement.	July 1, 2012
June 16, 2011	Amendment to IAS 19 Employee Benefits	The amendments eliminate the corridor method and disallow the option to recognize actuarial gain or loss in profit or loss; in addition, the immediate recognition of past service cost is required. Upon adoption, the amendments have no significant effect on the measurement and presentation of the pension liability and actuarial gains or losses.	Jan. 1, 2013
May 29, 2013	Amendment to IAS 36 Impairment of Assets	Before the amendment to IAS 36, an entity is required to disclose the key assumptions of the recoverable amount of each cash-generating unit (group of units) for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit (group of units) is significant. The narrow-scope amendments require an entity to disclose such information only when the entity has recognized or reversed an impairment loss. In addition, the amendments to IAS 36 require an entity to disclose the level of the fair value hierarchy when the recoverable amount is determined by the fair value less costs of disposal under the circumstances that the key assumptions used in the measurement of fair value are categorized within "Level 2" and "Level 3" of the fair value hierarchy. Upon adoption, it is expected that additional information on the fair value of the intangible assets will be disclosed.	Jan. 1, 2014, early adoption permitted
Dec. 12, 2013	• Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards • Amendments to IFRS 2 Share-based Payment • Amendments to IFRS 3 Business Combinations • Amendments to IFRS 8 Operating Segments • Amendments to IFRS 13 Fair Value Measurement • Amendments to IAS 16 Property, Plant and Equipment • Amendments to IAS 38 Intangible Assets • Amendments to IAS 24 Related Party Disclosures • Amendments to IAS 40 Investment Property	Announced Annual Improvements 2010-2012 cycle and 2011-2013 cycle; major amendments include: • Amends the definitions of "vesting condition" (including "performance condition" and "service condition") • Clarifies the classification and the measurement of the contingent consideration • Requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments • Clarifies the scope of the financial instruments with offsetting positions • Clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity • Requires an entity to evaluate, upon obtaining an investment property, whether it constitutes a business. Upon adoption, it is expected that it will impact the scope of related-party transactions and their presentation.	July 1, 2014, early adoption permitted

(4) Significant Accounting Policies

The 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 financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized as follows.

Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these financial statements, and have been applied consistently to the balance sheet as of January 1, 2012, which was prepared for the purpose of transitioning to the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC).

(a) Statement of compliance

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

(b) Basis of preparation

i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following accounts:

i. Available-for-sale financial instruments measured at fair market value.

ii. Pension liabilities measured at the sum of pension asset, unrecognized prior service cost, and unrecognized actuarial loss less unrecognized actuarial gain and the present value of defined benefit obligations.

ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company's financial statements are presented in New Taiwan dollars, which is the Company's functional currency. The assets and liabilities of foreign operations are translated to the Company's functional currency at the prevailing exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Company'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) Foreign currency

Transactions in foreign currencies are translated to the functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated 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.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income arising on the retranslation:

i) available-for-sale equity investment;

ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or

iii) qualifying cash flow hedges to the extent the hedge is 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 opera-tion and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

i) An entity shall classify an asset as current when:

i. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

ii. It holds the asset primarily for the purpose of trading;

iii. It expects to realize the asset within twelve months after the reporting period; or

iv. 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.

An entity shall classify all other assets as non-current.

ii) An entity shall classify a liability as current when:

i. It expects to settle the liability in its normal operating cycle;

ii. It holds the liability primarily for the purpose of trading;

iii. 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

iv . 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.

An entity shall classify all other liabilities as non-current.

(e) 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.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

i) Financial assets

The Company classifies financial assets into the following categories: receivables and available-for-sale financial assets.

i. Receivables

Receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. The fair value is the amount of expected future cash flows discounted to present value. Cash flows from short-term accounts receivable with high collectibility shall not be discounted.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. However, the reversing amount cannot exceed the amortized balance of the assets assuming no impairment was recognized in prior periods.

ii. Available-for sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency gains or losses which are recognized as current earnings, are recognized in other comprehensive income and presented in the unrealized gain/loss from available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses. The purchase and disposal of financial assets are recognized using trade-date accounting.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Dividend income is recorded under non-operating income and expenses.

If there is any objective evidence of impairment, the accumulated gain or loss recognized as other comprehensive income is reclassified to current earnings. If, in a subsequent period, the amount of the impairment loss of a financial asset decreases, impairment losses recognized on an available-for-sale equity security cannot be reversed through profit or loss.

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

iii. Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

ii) Financial liabilities and equity instruments

i. Classification of debt or equity

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

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.

Interest, gains or losses related to financial liabilities are recognized in profit or loss, and recorded under non-operating income and expenses.

ii. Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded under non-operating income and expenses.

iii. Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

iv. Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company 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.

v. 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 Company is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies.

(g) 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.

In ventories 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 re duction of cost of goods sold.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity.

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 financial statements include the Company's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

(i) Investment in subsidiaries

The Company accounts the investments in entities which the Company has control using the equity method in preparing its financial statements. Under the equity method, the net income, other comprehensive income equity in the financial statements are equivalent to those attributable to the shareholders of the parent company in the consolidated financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

(J) Interest in joint ventures

A jointly controlled entity is an entity which is established as the result of a contractual arrangement between the Company and other venturers to jointly control its financial and operating policies. Consensus for all decisions must be obtained from the venturers. The Company uses the equity method to account for a jointly controlled entity.

(k) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

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 when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight-line method over its useful life. Assets are evaluated based on their individually significant components, and if the useful life of a component varies from that of others, then this component should be separately depreciated. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

i. Land improvements8~30 years
ii. Buildings3~60 years
iii. Machinery5~40 years
iv. Furniture and fixtures, and other equipment3~8 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.

(l) Investment property

In vestment 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 or to 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 measured under the cost model, and depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(m) Leases

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 Company assumes substantially all of the risks and rewards of ownership 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.

Other leases are operating leases and are not recognized in the Company'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

Intangible assets comprise computer software and industrial technology and know-how, and are measured at cost less accumulated amortization and accumulated impairment losses.

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.

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are as follows:

I) Computer software3 years
ii) Industrial technology and know-how10~20 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(o) Impairment－non-financial assets

With regard to non-financial assets (other than inventories and deferred tax assets), the Company assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized the impairment loss.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company 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.

(q) Revenue

i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For export transactions, transfer occurs upon loading the goods onto the relevant carrier at the port; however, for sales in the domestic market, transfer usually occurs when the product is received at the customer's warehouse.

ii) Rendering of services

The Company is engaged in providing management services. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

iii) Rental income

The rental income arising from investment property is recognized in profit or loss on a straight-line basis during the lease term.

(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.

ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date (market yield of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and 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. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

All actuarial gains and losses at January 1, 2012, the date of transition to the IFRSs endorsed by the FSC, were recognized in retained earnings. The Company recognizes all actuarial gains and losses arising subsequently from defined benefit plans in other comprehensive income, then charges the gains and losses to retained earnings.

iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company 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 payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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 arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

i. levied by the same taxing authority; or

ii. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(t) Earnings per share (EPS)

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 EPS are disclosed; otherwise, diluted EPS are disclosed in addition to the basic EPS. When computing diluted EPS 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 year's shareholders' meeting, the effect of dilution from these potential shares is taken into consideration.

(u) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the financial statements.

(5) Use of Judgements and Estimates

The preparation of the financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers 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.

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.

For information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in these financial statements, please refer to the following notes:

(a) Note 6(g)－classification of investment property

(b) Notes 6(i) and 6(j)－classification of leases

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending December 31, 2014, is included in note 6(k)－employee benefits.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

		102.12.31	101.12.31	101.01.01
Checking and savings deposits	$	264,238	345,448	78,512
Commercial paper with reverse sell agreements		129,914	259,853	1,354,442
Consolidated cash flow statement cash and cash are listed	$	394,152	605,301	1,432,954

The Company's exposure to interest rate risk and the sensitivity analysis on the financial instruments held by the Company are disclosed in note 6(r).

(b) Available-for-sale financial assets－non-current

		102.12.31	101.12.31	101.01.01
Unlisted stocks (domestic or overseas)	$	905,719	786,769	1,141,259

Please refer to note 6(p) for gain or loss on disposal of investments and dividend income. The information of re-measurement gain or loss recognized in other comprehensive income is provided in note 6(q).
If the market price of the available-for-sale financial assets fluctuates (assuming that all other variables remain the same), the impact on other comprehensive income will be as follows:

	2103		2102	
Fluctuation in market price at reporting date	Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$ 90,572	－	78,677	－
Decrease 10%	$ (90,572)	－	(78,677)	－

The significant available-for-sale financial assets denominated in foreign currency were as follows:

	Foreign currency amount	Exchange rate	NTD
Dec. 31, 2013 THB	$ 78,509	0.9135	71,718
Dec. 31, 2012 THB	79,853	0.9535	76,140
Jan. 1, 2012 THB	165,322	0.9647	159,486

As of December 31, 2013 and 2012, and January 1, 2012, the Company did not pledge its available-for-sale financial instruments.

(c) Notes and accounts receivable and other receivable (including related parties)

		Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Notes receivable	$	1,183	1,071	8,138
Accounts receivable		1,224,852	2,095,984	2,876,356
Accounts receivable－related parties		106,119	12,695	96,796
Other receivable		59,756	93,673	63,037
Other receivable－related parties		114,791	109,679	72,922
	$	1,506,701	2,313,102	3,117,249

The Company's aging analysis of overdue notes and accounts receivable, and other receivable was as follows:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Past due 0~30 days	$ 8,496	70,143	26,575
Past due 31~120 days	−	−	20
Past due over 365 days	2,507	2,507	−
	$ 11,003	72,650	26,595

No allowance was provided for the aforementioned notes receivable, accounts receivable, and other receivable.
Impairment loss recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Company does not hold any collateral for the collectible amounts.
As of December 31, 2013 and 2012, and January 1, 2012, the discount value of the Company's notes and accounts receivable was $33,138 thousand, $79,733 thousand, and $0, respectively.
The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amounts approximate their fair value.

(d) Inventories

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

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Raw materials	$ 543,630	576,326	514,817
Supplies	29,097	22,784	24,946
Work in progress	234,185	221,932	207,659
Finished goods	932,443	1,389,570	1,560,856
Total	$ 1,739,355	2,210,612	2,308,278

As of December 31, 2013 and 2012, and January 1, 2012, the Company's inventories were not provided as pledged assets.

The movements of the provision for loss on obsolescence and decline in value of inventory were as follows:

	2013	2012
Balance as of January 1	$ 65,479	66,133
Add: allowance provided	79,459	−
Less: allowance reversed	−	654
Balance as of December 31	$ 144,938	65,479

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

	2013	2012
Loss (gain) on market value of inventory	$ 79,459	(654)
Income from sale of scrap	(35,485)	(59,882)
Total	$ 43,974	(60,536)

(e) Investments accounted for under the equity method

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

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Subsidiaries:			
Trimurti Holding Corporation	$ 10,495,815	9,564,986	10,005,834
Hardison International Corporation	564,568	472,124	543,398
Dymas Corporation	109,545	88,563	105,923
Joint venture:			
Taiwan Advanced Materials Corp.	705,317	716,650	−
	$ 11,875,245	10,842,323	10,655,155

i) Subsidiaries

Please refer to the consolidated financial statements.

ii) Joint ventures

On January 31, 2012, the Company invested in Taiwan Advanced Materials Corp. amounting to $720,000 thousand, respresenting 48% of the ownership. A summary of the financial information of the investments in joint ventures is as follows (before being adjusted to the Company's proportionate shares):

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Current assets	$ 853,738	1,403,534	–
Non-current assets	656,536	131,748	–
	$ 1,510,274	1,535,282	–
Current liabilities	$ 40,865	42,450	–
Non-current liabilities	–	–	–
	$ 40,865	42,450	–

	2013	2012
Income	$ 6,574	6,736
Expenses and losses	$ 30,185	13,715

iii) Collateral

As of December 31, 2013 and 2012, and January 1, 2012, the Company's investments accounted for under the equity method were not provided as pledged assets.

(f) Property, plant and equipment

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

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Cost or deemed cost:								
Balance at Jan. 1, 2013	$ 614,101	57,769	1,162,175	7,558,961	62,751	94,596	326,988	9,877,341
Additions	–	–	–	1,183	–	–	235,030	236,213
Disposals	–	–	–	(49,275)	(11,660)	–	–	(60,935)
Reclassification	–	–	2,310	382,496	313	–	(413,368)	(28,249)
Balance at Dec. 31, 2013	$ 614,101	57,769	1,164,485	7,893,365	51,404	94,596	148,650	10,024,370
Balance at Jan. 1, 2012	$ 614,101	57,769	1,132,625	7,074,362	63,752	94,596	521,794	9,558,999
Additions	–	–	–	1,574	–	–	420,081	421,655
Disposals	–	–	(322)	(41,179)	(7,899)	–	–	(49,400)
Reclassification	–	–	29,872	524,204	6,898	–	(614,887)	(53,913)
Balance at Dec. 31, 2012	$ 614,101	57,769	1,162,175	7,558,961	62,751	94,596	326,988	9,877,341

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Depreciation and impairment loss:									
Balance at Jan. 1, 2013	$	–	56,173	708,367	6,601,169	49,907	–	–	7,415,616
Depreciation		–	352	35,142	200,852	3,983	–	–	240,329
Disposal		–	–	–	(49,275)	(11,660)	–	–	(60,935)
Balance at Dec. 31, 2013	$	–	56,525	743,509	6,752,746	42,230	–	–	7,595,010
Balance at Jan. 1, 2012	$	–	55,821	666,333	6,492,741	54,832	–	–	7,269,727
Depreciation		–	352	42,355	149,271	2,974	–	–	194,952
Disposal		–		(321)	(40,843)	(7,899)	–	–	(49,063)
Balance at Dec. 31, 2012	$	–	56,173	708,367	6,601,169	49,907	–	–	7,415,616
Carrying value:									
Dec. 31, 2013	$	614,101	1,244	420,976	1,140,619	9,174	94,596	148,650	2,429,360
Dec. 31, 2012	$	614,101	1,596	453,808	957,792	12,844	94,596	326,988	2,461,725
Jan. 1, 2012	$	614,101	1,948	466,292	581,621	8,920	94,596	521,794	2,289,272

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

(g) Investment property

		Land	Buildings	Total
Balance as at January 1, 2013	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2013	$	1,073,579	741,889	1,815,468
Balance as at January 1, 2012	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2012	$	1,073,579	741,889	1,815,468
Depreciation:				
Balance as at January 1, 2013	$	–	130,793	130,793
Depreciation		–	14,725	14,725
Balance as at December 31, 2013	$	–	145,518	145,518
Balance as at January 1, 2012	$	–	116,068	116,068
Depreciation		–	14,725	14,725
Balance as at December 31, 2012	$	–	130,793	130,793
Carrying value:				
Balance as at December 31, 2013	$	1,073,579	596,371	1,669,950
Balance as at December 31, 2012	$	1,073,579	611,096	1,684,675
Balance as at January 1, 2012	$	1,073,579	625,821	1,699,400

	Land	Buildings	Total
Fair value:			
Balance as at December 31, 2013			$ 2,830,216
Balance as at December 31, 2012			$ 2,830,216
Balance as at January 1, 2012			$ 2,830,216

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(k) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The range of yields applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable was as follows:

Region	2013	2102
Da'an Dist., Taipei City	2.55%~2.70%	2.55%~2.70%

The Company has rented a parcel of land, but has decided not to treat this property as investment property because it is not the Company'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, 2013 and 2012, and January 1, 2012, the Company's investment properties were not provided as pledged assets.

(h) Intangible assets

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

	Industrial technology and know-how	Computer software	Total
Costs:			
Balance at January 1, 2013	$ 41,756	66,753	108,509
Reclassification	−	28,249	28,249
Balance at December 31, 2013	$ 41,756	95,002	136,758
Balance at January 1, 2012	$ −	54,596	54,596
Reclassification	41,756	12,157	53,913
Balance at December 31, 2012	$ 41,756	66,753	108,509
Amortization:			
Balance at January 1, 2013	$ 1,044	28,453	29,497
Amortization	4,176	23,775	27,951
Balance at December 31, 2013	$ 5,220	52,228	57,448
Balance at January 1, 2012	$ −	9,572	9,572
Amortization	1,044	18,881	19,925
Balance at December 31, 2012	$ 1,044	28,453	29,497
Carrying value:			
December 31, 2013	$ 36,536	42,774	79,310
December 31, 2012	$ 40,712	38,300	79,012
January 1, 2012	$ −	45,024	45,024

In 2013 and 2012, the amortization of intangible assets was recorded as follows:

	2013	2012
Operating costs	$ 40	10
Operating expenses	$ 25,577	19,915
Other income and expenses	$ 2,334	−

(i) Short-term and long-term borrowings

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

i) Short-term borrowings

	Dec. 31, 2013			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	0.86~1.16	103	$ 829,475
Unsecured loans	NTD	1.14~1.15	103	950,000
Unsecured loans	EUR	0.82~1.59	103	133,404
Unsecured loans	JPY	1.00	103	10,192
Total				$ 1,923,071

	Dec. 31, 2012			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	0.86~1.07	102	$ 953,813
Unsecured loans	NTD	1.15~1.21	102	950,000
Unsecured loans	EUR	1.75~1.90	102	112,160
Unsecured loans	JPY	1.00	102	1,104
Total				$ 2,017,077

	Jan. 1, 2012			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	USD	0.18~1.66	101	$ 1,063,818
Unsecured loans	EUR	2.13~2.31	101	70,077
Unsecured loans	JPY	0.74~0.98	101	7,772
Total				$ 1,141,667

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

As of December 31, 2013 and 2012, and January 1, 2012, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $4,730,580 thousand, $4,965,905 thousand, and $3,303,576 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2013		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	TACHING BILLS FINANCE LTD.	1.14	$ 100,000
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	1.14	300,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	1.14	400,000
			800,000
Less: discount			1,144
Total			$ 798,856

	Dec. 31, 2012		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	TACHING BILLS FINANCE LTD.	1.12	$ 50,000
Commercial paper payable	MEGA BILLS FINANCE CO., LTD.	1.12	300,000
			350,000
Less: discount			559
Total			$ 349,441

	Jan. 1, 2012		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	TACHING BILLS FINANCE LTD.	1.2	$ 100,000
Commercial paper payable	MEGA BILLS FINANCE CO., LTD.	1.2	150,000
			250,000
Less: discount			399
Total			$ 249,601

The Company did not pledge assets against the short-term commercial paper payable.

iii) Long-term borrowings

	Jan. 1, 2012			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans Current	NTD	1.37	2012	$ 100,000

The Company has disclosed related risk exposure to the financial instruments in note 6(r).

iv) Collateral of loans

The Company has pledged certain assets against the loans; please refer to note 8 for additional information.

v) Finance lease liabilities

The Company 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 Company 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 Company intends to purchase the rented land after the contract expires. The finance lease liabilities payable were as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2013			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	38,851	5,028	33,823
	$ 74,171	6,158	68,013
December 31, 2012			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	49,915	5,792	40,123
	$ 81,235	6,922	74,313
January 1, 2012			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	52,979	5,944	47,035
	$ 88,299	7,074	81,225

(j) Operating leases

i) Lessee

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

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Less than five years	$ 51,540	64,986	7,910

The Company leases offices and factory facilities under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the years ended December 31, 2013 and 2012, lease expenses were $13,209 thousand and $14,211 thousand, respectively.

ii) Lessor

The Company leases out investment properties and buildings under operating leases; please refer to note 6(g). The future minimum lease payment receivables under non-cancellable leases were as follows:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Less than five years	$ 259,177	52,416	102,964

(k) 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:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Present value of unfunded benefit obligation	$ 270,344	284,711	243,713
Present value of funded benefit obligation	387,707	426,440	410,471
Total present value of obligation	658,051	711,151	654,184
Fair value of plan assets	(387,707)	(426,440)	(410,471)
Deficit of the plan	270,344	284,711	243,713
Recognized liabilities for defined benefit obligation	$ 270,344	284,711	243,713

The Company 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.

i. Composition of plan assets

The Company 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 Labor Pension Fund Supervisory Committee. Minimum annual distributions of the funds by the Committee shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $387,707 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 Labor Pension Fund Supervisory Committee.

ii. Movements in present value of defined benefit obligation

The movements in present value of the Company's defined benefit obligation for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Defined benefit obligation, January 1	$ 711,151	654,184
Benefits paid by the plan	(70,272)	(13,309)
Current service cost and interest	21,839	22,111
Actuarial losses (gains)	(4,667)	48,165
Defined benefit obligation, December 31	$ 658,051	711,151

iii. Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Fair value of plan assets, January 1	$ 426,440	410,471
Contributions made	26,401	25,270
Benefits paid by the plan	(70,272)	(13,309)
Expected return on plan assets	7,583	8,392
Actuarial gains (losses)	(2,445)	(4,384)
Fair value of plan assets, December 31	$ 387,707	426,440

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2013 and 2012, were as follows:

	2013	2102
Current service cost	$ 9,498	9,099
Interest on obligation	12,341	13,012
Expected return on plan assets	(7,583)	(8,392)
	$ 14,256	13,719
Operating costs	$ 8,657	8,317
Operating expenses	4,301	4,214
Other income and expenses	1,298	1,188
	$ 14,256	13,719
Actual return on plan assets	$ 5,138	4,008

v. Actuarial gains (losses) recognized in other comprehensive income

The Company's actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Cumulative amount, January 1	$ (52,549)	–
Recognized during the period	2,222	(52,549)
Cumulative amount, December 31	$ (50,327)	(52,549)

vi. Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	2013	2012
Discount rate	2.00%	1.75%
Expected return on plan assets	2.00%	1.75%
Future salary increases	1.50%	1.50%

The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

vii. Experience adjustments on historical information

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Present value of defined benefit plans	$ 658,051	711,151	654,184
Fair value of plan assets	(387,707)	(426,440)	(410,471)
Net liabilities (assets) of defined benefit obligations	$ 270,344	284,711	243,713
Experience adjustments arising on the present value of defined benefit plans	$ (4,667)	48,165	–
Experience adjustments arising on the fair value of plan assets	$ 2,445	4,384	–

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $27,582 thousand.

viii. When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the actuarial assumptions, including employee turnover rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2013, the present value of the Company's defined benefit obligation was $658,051 thousand. If the discount rate had increased or decreased by 0.25%, the Company's accrued pension liabilities would have decreased by $16,801 thousand or increased by $17,448 thousand, respectively.

ii) Defined contribution plans

The Company contributes a percentage 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 Company contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan were $18,873 thousand and $18,283 thousand for the years 2013 and 2012, respectively. Payments were made to the Bureau of Labor Insurance.

iii) Short-term employee benefit liabilities

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Compensated absence liabilities	$ 22,441	20,332	20,332

(l) Income tax

i) Income tax expenses (income)

The amount of the Company's income tax for the years ended December 31, 2013 and 2012, was as follows:

	2013	2012
Current income tax expense		
Current period	$ 137,057	391,877
10% surtax on undistributed earnings	27,221	87,819
Adjustment for prior periods	(4,455)	(11,518)
	159,823	468,178
Deferred tax benefit		
Origination and reversal of temporary differences	(176,078)	(304,009)
Income tax expenses (benefits) on continuing operations	$ (16,255)	164,169

Reconciliations of the Company's income tax expenses (benefit) and the profit before tax for 2013 and 2012 were as follows:

	2013	2012
Income before tax	$ 1,478,756	2,698,977
Income tax calculated on pretax accounting income at statutory rate	$ 251,388	458,826
Dividend income	(7,015)	(8,218)
Previously overestimated income tax	(4,455)	(11,518)
Foreign investment income	(275,858)	(273,175)
R&D tax credits utilized	(12,981)	(16,916)
Credit of withholding tax on foreign dividend	–	(74,215)
10% surtax on undistributed earnings	27,221	87,819
Others	5,445	1,566
Total	$ (16,255)	164,169

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2013 and 2012 were as follows:

Deferred tax liabilities:

		Foreign investment income accounted for under equity method	Capitalization of interest expense	Land value increment tax	Others	Total
Balance at Jan. 1, 2013	$	804,842	34,766	56,683	8,029	904,320
Recognized in profit or loss		(157,299)	(655)	–	293	(157,661)
Balance at Dec. 31, 2013	$	647,543	34,111	56,683	8,322	746,659
Balance at Jan. 1, 2012	$	1,110,979	36,357	56,683	6,013	1,210,032
Recognized in profit or loss		(306,137)	(1,591)	–	2,016	(305,712)
Balance at Dec. 31, 2012	$	804,842	34,766	56,683	8,029	904,320

Deferred tax assets:

		Provision for retirement benefit	Allowance for inventory valuation	Deferred credits	Other	Total
Balance at Jan. 1, 2013	$	50,314	11,131	11,894	11,119	84,458
Recognized in profit or loss		(2,089)	13,508	(2,812)	9,810	18,417
Balance at Dec. 31, 2013	$	48,225	24,639	9,082	20,929	102,875
Balance at Jan. 1, 2012	$	42,994	11,243	14,707	8,284	77,228
Recognized in profit or loss		(1,613)	(112)	(2,813)	2,835	(1,703)
Recognized in other comprehensive income		8,933	–	–	–	8,933
Balance at Dec. 31, 2012	$	50,314	11,131	11,894	11,119	84,458

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2011, excluding those from 2008 to 2010.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

		Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Derived from year 1997 and prior years	$	1,637	1,637	1,637
Derived from year 1998 and thereafter		3,179,358	3,984,165	6,356,551
	$	3,180,995	3,985,802	6,358,188

		Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Balance of imputation credit account (ICA)	$	405,975	326,272	369,144

The imputation tax credit ratio of earnings to be distributed in 2014 is estimated at 13.92%. The actual imputation tax credit ratio of earnings distributed in 2013 was 16.54%.

(m) Capital and other equity

i) As of December 31, 2013 and 2012, and January 1, 2012, the total value of authorized ordinary shares amounted to $9,000,000 thousand, with par value of $10 per share, of which 786,390 thousand shares, 786,390 thousand shares, and 714,900 thousand shares, respectively, were issued.

ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2013 and 2012, and January 1, 2012, were as follows:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Share premium	$ 849	849	849

In accordance with the ROC Company Act amended in 2012, 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.

iii) Retained earnings

i. Legal reserve

The ROC Company Act amended in January 2012 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.

ii. 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.

In accordance with the above Ruling, 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.

iii. Distribution of retained earnings

In accordance with the 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 in the following order:

1) 97% is distributed as stockholders' dividends and bonus.
2) 1% is distributed as directors' and supervisors' emoluments.
3) 2% is distributed as employees' bonuses.

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.

For the years 2013 and 2012, the estimated amounts of employees' bonuses were $30,321 thousand and $42,157 thousand, respectively, and the estimated amounts of directors' and supervisors' emoluments were $15,160 thousand and $21,078 thousand, respectively. Such amounts were estimated by multiplying after-tax income by the percentage of distribution of employees' bonuses and directors' and supervisors' emoluments, and recorded as cost of sales or operating expenses in the respective periods. The employees' bonuses and directors' and supervisors' emoluments for the year 2013 were prepared by the board of directors and are subject to the resolutions of the shareholders' meeting. The relevant information can be obtained from the Market Observation Post System after the shareholders' meeting. The difference between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, shall be accounted for as a change in accounting estimates and recognized in profit or loss in 2014.

For the years 2012 and 2011, the estimated amounts of employees' bonuses were $42,157 thousand and $88,441 thousand, respectively, and the estimated amounts of directors' and supervisors' emoluments were $21,078 thousand and $ 44,221 thousand, respectively. The estimated amounts were consistent with the resolutions approved by the shareholders' meeting of the Company, and related information can be accessed through the Market Observation Post System.

The appropriations of 2012 and 2011 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 18, 2013, and June 6, 2012, respectively, were as follows:

	2012		2011	
	Amount per share (Ntdollars)	Total amount	Amount per share (Ntdollars)	Total amount
Dividends distributed to common shareholders:				
Cash	$ 2.60	2,044,615	5.00	3,574,502
Stock	–	–	1.00	714,900
Total		2,044,615		4,289,402

iv) Other equities

	Foreign exchange differences arising from foreign operation	Available-for-sale financial assets
Balance as of January 1, 2013	$ 688,778	(1,888)
Foreign exchange differences (net of tax) —the Company	376,205	–
Unrealized gains (losses) from available-for-sale financial assets:		
The Company	–	118,950
Subsidiary	–	(7,726)
Balance as of December 31, 2013	$ 1,064,983	109,336
Balance as of January 1, 2012	$ 1,002,365	222,671
Foreign exchange differences (net of tax) —the Company	(313,587)	–
Unrealized gains (losses) from available-for-sale financial assets:		
The Company	–	(110,417)
Subsidiary	–	(114,142)
Balance as of December 31, 2012	$ 688,778	(1,888)

(n) Earnings per share (EPS)

The calculation of the Company's basic EPS and diluted EPS for the years ended December 31, 2013 and 2012, was as follows:

i) Basic EPS

	2013	2012
Net income attributable to common shareholders of the Company	$ 1,495,011	2,534,808
Weighted-average number of common shares	786,390	786,390
Basic EPS (in NT dollars)	$ 1.90	3.22

ii) Diluted EPS

	2013	2012
Net income attributable to common shareholders of the Company (diluted)	$ 1,495,011	2,534,808
Weighted-average number of common shares (basic)	786,390	786,390
Impact of potential common shares Effect of employees' bonuses	1,022	1,241
Weighted-average number of shares outstanding (diluted)	787,412	787,631
Diluted EPS (in NT dollars)	$ 1.90	3.22

(o) Other income and expenses

The components of the Company's other income and expenses for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Rental income	73,784	74,209
Royalty income	56,576	39,048
Net service income (expenses)	27,868	54,534
Indemnification	-	6,568
Depreciation of investment properties	(14,725)	(14,725)
Net other income (expenses)	16,474	17,447
	159,977	177,081

(p) Non-operating income and expenses

i) Other gains and losses

The components of the Company's other gains and losses for the years ended December 31, 2013 and 2012, were as f ollows:

	2013	2012
Dividend income	$ 41,267	41,445
Foreign exchange gain (loss), net	35,890	(2,699)
Gain (loss) on disposal of property, plant and equipment, net	-	(292)
Gain on reversal of impairment loss	-	(9,862)
Loss on disposal of investments, net	-	17,417
Other	(1,068)	4,022
	$ 76,089	50,031

ii) Finance costs

The components of the Company's finance costs for the years ended December 31, 2013 and 2012, were as follows:

	2013	2012
Interest expenses	$ 29,769	29,577

(q) Reclassification of components of other comprehensive income

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

	2013	2012
Available-for-sale financial assets		
Net change in fair value for current period	$ 111,224	(244,671)
Net change in fair value reclassified to profit or loss	-	20,112
Net changes in fair value recognized in other comprehensive income	$ 111,224	(224,559)

(r) Financial instruments

i) Categories of financial instruments

i. Financial assets

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Available-for-sale financial assets	905,719	786,769	1,141,259
Cash and cash equivalents	394,152	605,301	1,432,954
Notes, accounts, and other receivable	1,506,701	2,313,102	3,117,249
Total	$ 2,806,572	3,705,172	5,691,462

ii. Financial liabilities

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Financial liabilities measured at amortized cost:			
Short-term borrowings	1,923,071	2,017,077	1,141,667
Short-term commercial paper payable	798,856	349,441	249,601
Accounts payable (including related parties)	730,196	715,982	1,222,069
Other payable	525,656	596,483	762,890
Long-term borrowing (including current portion)	–	–	100,000
Subtotal	3,977,779	3,678,983	3,476,227
Financial guarantee contracts	47,320	53,409	15,993
Total	$ 4,025,099	3,732,392	3,492,220

ii) Credit risk

i. Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount. As of December 31, 2013 and 2012, and January 1, 2012, the maximum credit risk exposure amounted to $2,806,572 thousand, $ 3,705,172 thousand and $5,691,462 thousand, respectively.

ii. Concentration of credit risk

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

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

iii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2013							
Non-derivative financial liabilities							
Short-term borrowings	$ 1,923,071	1,926,582	1,926,582	–	–	–	–
Short-term commercial paper payable	798,856	800,000	800,000	–	–	–	–
Accounts payable	730,196	730,196	730,196	–	–	–	–
Other payable	525,656	525,656	525,656	–	–	–	–
Financial guarantee contracts	47,320	2,402,805	171,955	–	393,040	1,239,409	598,401
	$ 4,025,099	6,385,239	4,154,389	–	393,040	1,239,409	598,401

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2012							
Non-derivative financial liabilities							
Short-term borrowings	$ 2,017,077	2,019,403	2,019,403	−	−	−	−
Short-term commercial paper payable	349,441	350,000	350,000	−	−	−	−
Accounts payable	715,982	715,982	715,982	−	−	−	−
Other payable	596,483	596,483	596,483	−	−	−	−
Financial guarantee contracts	53,409	2,153,259	−	373,000	−	1,198,121	582,138
	$ 3,732,392	5,835,127	3,681,868	373,000	−	1,198,121	582,138
January 1, 2012							
Non-derivative financial liabilities							
Short-term borrowings	$ 1,141,667	1,143,695	1,143,695	−	−	−	−
Short-term commercial paper payable	249,601	250,000	250,000	−	−	−	−
Accounts payable	1,222,069	1,222,069	1,222,069	−	−	−	−
Other payable	762,890	762,890	762,890	−	−	−	−
Long-term borrowings (including current portion)	100,000	100,000	−	100,000	−	−	−
Financial guarantee contracts	15,993	718,886	−	47,960	−	670,926	−
	$ 3,492,220	4,197,540	3,378,654	147,960	−	670,926	−

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

iv) Currency risk

i. Risk exposure

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

		Foreign currency	Exchange rate	NTD
December 31, 2013				
Financial assets:				
Monetary assets:				
USD	$	33,527	29.9500	1,004,134
EUR	$	3,281	41.0600	134,718
JPY	$	18,225	0.2831	5,159
CNY	$	11,637	4.9130	57,173
Non-monetary assets:				
USD	$	372,952	29.9500	11,169,928
Financial liabilities:				
Monetary liabilities:				
USD	$	27,810	29.9500	832,910
EUR	$	3,252	41.0600	133,527
JPY	$	37,335	0.2831	10,570
December 31, 2012				
Financial assets:				
Monetary assets:				
USD	$	55,844	29.1360	1,627,071
EUR	$	3,350	38.2800	128,238
JPY	$	23,791	0.3345	7,958
Non-monetary assets:				
USD	$	347,531	29.1360	10,125,673

		Foreign currency	Exchange rate	NTD
Financial liabilities:				
Monetary liabilities:				
USD	$	51,691	29.1360	1,506,069
EUR	$	3,063	38.2800	117,252
JPY	$	3,822	0.3345	1,278
January 1, 2012				
Financial assets:				
Monetary assets:				
USD	$	59,459	30.2900	1,801,013
EUR	$	3,739	38.9900	145,784
JPY	$	22,029	0.3886	8,560
Non-monetary assets:				
USD	$	351,771	30.2900	10,655,155
Financial liabilities:				
Monetary liabilities:				
USD	$	37,259	30.2900	1,128,575
EUR	$	1,903	38.9900	74,198
JPY	$	20,010	0.3886	7,776

ii. Sensitivity analysis

The Company'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. A 1% appreciation (depreciation) of the NTD against the USD, Euro, CNY and JPY as of December 31, 2013 and 2012, would have increased (decreased) the net income after tax by $1,861 thousand and $1,151 thousand, respectively. The analysis was performed on the same basis for both periods.

v) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates of the non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the floating-rate liabilities as of the reporting date are outstanding for the whole year.

If the interest rate had increased / decreased by 1%, the Company's net income would have increased / decreased by $ 22,592 thousand and $19,642 thousand for the years ended December 31, 2013 and 2012, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

vi) Fair value

i. Fair value and carrying amount

The Company's management believes that the carrying value of the assets and liabilities measured at amortized cost in the financial statements is close to fair value.

ii. Interest rate used to determine the fair value

The Company's available-for-sale financial assets are unlisted stocks (domestic or overseas), the fair value of which was estimated by referencing the market multiples derived from quoted prices of companies comparable to the investees.

iii. Fair value hierarchy

The table below analyzes financial instruments carried at fair value by the levels in the fair value hierarchy. The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities
2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
3) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

		Level 1	Level 2	Level 3	Total
December 31, 2013					
Available-for-sale financial assets	$	−	905,719	−	905,719
December 31, 2012					
Available-for-sale financial assets	$	−	786,769	−	786,769
January 1, 2012					
Available-for-sale financial assets	$	−	1,141,259	−	1,141,259

(s) Financial risk management

i) Overview

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

i. Credit risk

ii. Liquidity risk

iii. Market risk

This note discloses information about the Company'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 Company's finance department is responsible for the establishment and management of the Company'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 Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, 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 Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

iii) Credit risk

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

i .Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company'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. In 2013 and 2012, there was no geographical concentration of credit risk regarding the Company's revenue.

The sales department and the finance department of the Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company'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 Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

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

The Company has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer Companys.

ii. Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since those who transact with the Company 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.

iii. Guarantees

The Company'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 to subsidiaries, associates, and jointly controlled entities by the Company as of December 31, 2013 and 2012, and January 1, 2012, are disclosed in note 7 "Related-party Transactions."

iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

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 Company'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.

i. Currency risk

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

Foreign exchange gains and losses resulting from account and trade receivables held by the Company 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 Company'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 Company's operating cash flow, primarily consisting of NTD, USD, and JPY.

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

The Company does not hedge against investments in subsidiaries.

ii. Interest rate risk

The interest rates of the Company'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 Company's finance department monitors and measures potential changes in market conditions, entering into interest rate swaps to achieve a fixed interest rate on the Company's loans.

iii. Other market price risk

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

(t) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company's target is to achieve a return on capital of between 12% and 15% percent; in 2013 and 2012, the return was 9.60% and 16.21%, respectively. In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.21% and 1.29%, respectively. The Company's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Total liabilities	$ 5,328,682	5,556,435	5,613,179
Less: cash and cash equivalents	394,152	605,301	1,432,954
Net debt	$ 4,934,530	4,951,134	4,180,225
Total equity	$ 15,575,197	15,635,150	17,256,606
Debt-to-adjusted-capital ratio	32%	32%	24%

(7) Related-party Transactions

(a) List of subsidiaries

	Location	Percentage of ownership Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Trimurti Holding Corporation	B.V.I	100.00	100.00	100.00
Hardison International Corporation	B.V.I	100.00	100.00	100.00
Dymas Corporation	B.V.I	100.00	100.00	100.00
TSRC (Hong Kong) Limited	Hong Kong	100.00	100.00	100.00
TSRC (Shanghai) Industries Ltd.	China	100.00	100.00	100.00
TSRC (Jinan) Industries Ltd.	China	100.00	100.00	100.00
TSRC (Lux.) Corporation S.'a.r.l.	Luxemburg	100.00	100.00	100.00
TSRC (USA) Investment Corporation	USA	100.00	100.00	100.00
Dexco Polymers L.P.	USA	100.00	100.00	100.00
Polybus Corporation Pte Ltd.	Singapore	100.00	100.00	100.00
Shen Hua Chemical	China	65.44	65.44	65.44
TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	China	55.00	55.00	55.00
TSRC (Nantong) Industries Ltd.	China	100.00	100.00	100.00
Triton International Holdings Corporation	B.V.I	100.00	100.00	100.00
TSRC Biotech Ltd.	Cayman	100.00	100.00	100.00
Nantong Qix Storage Co., Ltd.	China	50.00	50.00	50.00

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the subsidiaries.

(c) Significant transactions with related parties

i) Revenue

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

	2013	2012
Subsidiaries	$ 373,782	194,673

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

ii) Service income and expenses

i. The Company provided management, technologies and IT services to its subsidiaries, associates, and joint ventures. The amounts recognized as other income and expenses were as follows:

	2013	2012
Subsidiaries	$ 122,634	99,245
Associates and joint ventures	36,728	10,242
	$ 159,362	109,487

ii. The Company received consulting services such as marketing, financing and research services from its subsidiaries. In 2013 and 2012, the services amounted to $22,343 thousand and $13,688 thousand, respectively, and were recorded under operating expenses.

iii) Receivable from related parties

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

Accounts	Type of related parties	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Accounts receivable －related parties	Subsidiaries	$ 106,119	12,695	96,796
Other receivable	Associates and joint ventures	32,253	43,257	849
Other receivable	Subsidiaries	82,538	66,422	72,046
		$ 220,910	122,374	169,691

iv) Payable to related parties

As the result of the aforementioned transactions, the details of the Company's payable to related parties were as follows:

Accounts	Type of related parties	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Other payable	Subsidiaries	$ 12,082	13,521	－

v) Guarantees

As of December 31, 2013 and 2012, and January 1, 2012, the Company had provided guarantees on the bank loans of its subsidiaries, associates and joint ventures. The credit limits of the guarantees were $6,663,193 thousand, $6,297,855 thousand, and $5,391,119 thousand, respectively, and the Company recognized $47,320 thousand, $53,409 thousand, and $ 15,993 thousand, respectively.

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2013	2012
Short-term employee benefits	$ 46,558	46,649
Post-employment benefits	3681	493
	$ 47,239	47,142

(8)Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Property, plant and equipment	Guarantee for bank loans	$ －	313,614	524,221

(9) Significant Commitments and Contingencies

(a) As of December 31, 2013 and 2012, and January 1, 2012, the Company's unused letters of credit outstanding for purchases of materials were $899,599 thousand, $1,091,898 thousand, and $1,939,649 thousand, respectively.

(b) As of December 31, 2013 and 2012, and January 1, 2012, the Company's signed construction and design contracts with several factories totaled $25,369 thousand, $105,603 thousand, and $99,547 thousand, respectively, of which $18,923 thousand, $70,439 thousand, and $54,284 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events: None.

(12) Others

The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By function / By nature	2013			2012		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	342,076	276,995	619,071	342,345	241,633	583,978
Labor and health insurance	25,375	24,520	49,895	23,819	20,825	44,644
Pension (Note 1)	17,434	13,125	30,559	16,893	12,721	29,614
Others (note 2)	40,227	42,442	82,669	56,861	57,252	114,113
Depreciation (Note 3)	189,321	51,008	240,329	152,488	42,464	194,952
Amortization (Note 4)	40	25,577	25,617	10	19,915	19,925

Note 1: Pension expenses excluded expenses for employees on international assignments amounting to $2,570 thousand and $2,388 thousand for the years 2013 and 2012, respectively.

Note 2: Others personnel expenses included meals, employee welfare, training expenses and employees' bonus.

Note 3: Depreciation expenses for investment property recognized under other income and expenses amounting to $14,725 thousand for both 2013 and 2012 were excluded.

Note 4: Amortization of intangible assets recognized under other income and expenses amounting to $2,334 thousand and $0 thousand for the years 2013 and 2012, respectively, was excluded.

(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 Company:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 7)	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 (Jinan) Industries Ltd.	Loan	Yes	66,326	31,935	31,935	4%	2	–	Operating capital	–	–	–	– (Note 1)	– (Note 2)
2	Trimurti Holding Corporation	TSRC (Lux.) Corporation S.'a.r.l.	Loan	Yes	410,600	410,600	–	Libor+ 1.%	2	–	Operating capital	–	–	–	1,048,723 (Note 3)	4,194,892 (Note 4)

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 5% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly, by the Company, there is no loan limit.

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 the Company, there is no loan limit.

Note 3: The loan limit extended per party of Trimurti Holding Corporation should not be over 10% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 4: The total loan limit of Trimurti Holding Corporation should not be over 40% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 5: TSRC (Shanghai) Industries Ltd., TSRC (Jinan) Industries Ltd., Trimurti Holding Corporation and TSRC (Lux) Corporation S.'a.r.l are 100.00% owned by the Company.

Note 6: Credit period: The financing period should not be over one year.

Note 7: Nature of financing activities is as follows:

(1) if there are transactions between these two parties, the number is “1” .

(2) if it is necessary to loan to other parties, the number is “2” .

ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

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 China
		Name	Relationship with the company										
0	TSRC	TSRC (USA) Investment Corporation	3	(Note 2)	3,144,750	3,144,750	2,396,000	–	20.19%	(Note 3)	Y		
0	TSRC	TSRC (Nantong) Industries Ltd.	3	(Note 2)	1,048,250	1,048,250	1,048,250	–	6.73%	(Note 3)	Y		Y
0	TSRC	TSRC (Jinan) Industries Ltd.	3	(Note 2)	67,388	67,388	67,388	–	0.43%	(Note 3)	Y		Y
0	TSRC	Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,798,510	1,405,470	1,035,557	–	9.02%	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Limited	6	(Note 2)	997,335	997,335	997,335	–	6.40%	(Note 3)			

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) Ordinary business relationship.

(2) A subsidiary whose common stock is more than fifty percent directly owned by the guarantor.

(3) An investee whose common stock is more than fifty percent owned by the parent company and its subsidiary in aggregate.

(4) The parent company owns, directly or indirectly via subsidiaries, more than fifty percent of the guarantor's common stock.

(5) A company in the same trade that is mutually guaranteed pursuant to the covenants of a construction contract upon contracting a project.

(6) A company that is guaranteed proportionately according to the guarantor's ownership percentage due to co-investment by various investors.

Note 2: The guaranteed amount is limited to fifty percent of issued capital, amounting to $3,931,952 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $23,362,796 thousand.

iii) Securities held as of December 31, 2013
(excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Taiwan High Speed Rail Corporation	–	Available-for-sale financial assets–non-current	50,000,000	274,000	0.77%	274,000	
TSRC	Evergreen Steel Corporation	–	Available-for-sale financial assets–non-current	12,148,000	308,559	3.00%	308,559	
TSRC	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets–non-current	599,999	71,718	5.42%	71,718	
TSRC	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets–non-current	5,657,000	251,442	3.90%	251,442	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets–non-current	837,552	100,113	7.57%	100,113	
TSRC Biotech Ltd.	Pulse Metric Inc.	–	Available-for-sale financial assets–non-current	312,500	–	6.23%	(Note 1)	
TSRC Biotech Ltd.	CytoPharm, Inc.	–	Available-for-sale financial assets–non-current	95,108	–	0.17%	(Note 1)	
					1,005,832		1,005,832	

Note 1:The securities were written down due to impairment loss.

iv) Accumulated holding amount of a single security in excess of $100 million or 20% of TSRC's issued share capital: None.
v) Acquisition of real estate in excess of $100 million or 20% of the Company's issued share capital: None.
vi) Disposal of real estate in excess of $100 million or 20% of the Company's issued share capital: None.
vii) Sales to and purchases from related parties in excess of $100 million or 20% of the Company's issued share capital:

Unit: thousand dollars

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	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(207,862)	(1.61)%	70 days	–	–	89,973	6.75%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties	Purchase	207,862	9.93%	70 days	–	–	(89,973)	(22.38)%	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	278,801	3.20%	14 days	–	–	–	– %	

Unit: thousand dollars

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-UBE (Nantong) Chemical Industries Co. Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Chemical Industries Co. Ltd.	Purchase	130,653	7.80%	14 days	—	—	—	— %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	348,663	79.01%	40 days	—	—	—	— %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	348,663	(10.64)%	40 days	—	—	—	— %	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	1,541,153	73.56%	30 days	—	—	(90,389)	(22.48)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,541,153)	(30.17)%	30 days	—	—	90,389	16.75%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	344,515	16.51%	70 days	—	—	(221,711)	(55.15)%	
TSRC (Namtong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(344,515)	(10.52)%	70 days	—	—	221,711	48.47%	

viii) Receivables from related parties in excess of $100 million or 20% of the Company's issued share capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	221,711	3.11 (Note 3)	—	—	221,711	—

Note 1: The transactions with TSRC (Lux.) Corporation S.' a.r.l. start in 2013.
Note 2: Until March 13, 2014.

ix) Derivative financial instrument transactions: None.

(b)Information on investees:

The following is the information on investees for the year 2013 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2013	Dec. 31, 2012	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%	10,495,815	603,761	597,781	Subsi-diary
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%	564,568	80,323	80,323	Subsi-diary
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%	109,545	99,087	19,302	Subsi-diary (Note 2)
TSRC	Taiwam Advanced Material Corp.	26F-2, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	705,317	(23,611)	(11,333)	−
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	9. Temasek Boulevard, 31F Suntec	Investment corporation	1,949,775 (USD 65,101)	1,949,775 (USD 65,101)	105,830,000	100.00%	6,435,924	524,748	519,703	Indire-ctly owned subsi-diary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited.	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai, HK	Investment corporation	2,331,608 (USD 77,850)	2,331,608 (USD 77,850)	77,850,000	100.00%	2,638,172	80,158	80,158	Indire-ctly owned subsi-diary
Trimurti Holding Corporation	Indian Synthetic Rubber Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	628,651 (USD 20,900)	628,651 (USD 20,900)	105,468,750	30.00%	518,607	(49,482)	(18,541)	−
TSRC (Hong Kong) Limited.	TSRC (Lux.) Corporation S. ' a. r. L.	34-36 avenue de la Liberte L-1930 Luxembourg	Investment corporation	1,521,460 (EUR 50,800)	1,521,460 (EUR 50,800)	50,800,000	100.00%	2,334,422	55,867	55,867	Indire-ctly owned subsi-diary
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	2711Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, USA	Investment corporation	2,097,998 (USD 70,050)	2,097,998 (USD 70,050)	100	100.00%	2,280,586	60,129	60,129	Indire-ctly owned subsi-diary
TSRC(USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston,TX USA	Production and sale of synthetic rubber products	5,768,879 (USD 192,617)	5,768,879 (USD 192,617)	100	100.00%	4,613,428	314,499	147,256	Indire-ctly owned subsi-diary
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	1,498 (USD50)	1,498 (USD50)	50,000	100.00%	107,950	763	763	Indire-ctly owned subsi-diary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	143,730 (USD 4,799)	143,730 (USD 4,799)	4,798,566	80.52%	452,801	99,087	79,785	Indire-ctly owned subsi-diary
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613,George Town, Grand Cayman	Investment corporation	90,449 (USD 3,020)	90,449 (USD 3,020)	3,020,210	100.00%	5	−	−	Indire-ctly owned subsi-diary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	337,986 (USD 11,285)	337,986 (USD 11,285)	7,522,337	37.78%	405,873	262,382	99,128	−

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD 29.95).

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

(c) Information on investment in China:

i) Information on investment in China:

Unit: thousand dollars

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2013	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2013	Net income of investee	Direct / indirect investment holding percentage	Investment income (loss)	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	1,234,539 (USD 41,220)	(2)a.	–	–	–	–	609,754	65.44%	399,023 (Note 2)	2,143,583	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	691,845 (USD 23,100)	(2)c.	114,768 (USD3,832)	–	–	114,768 (USD3,832)	369,498	28.34%	104,715 (Note 3)	401,978	–
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	164,725 (USD 5,500)	(2)b.	117,404 (USD3,920)	–	–	117,404 (USD3,920)	30,438	100.00%	30,438 (Note 2)	275,701	–
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	89,850 (USD 3,000)	(2)d.	44,925 (USD1,500)	–	–	44,925 (USD1,500)	1,499	50.00%	749 (Note 2)	98,494	–
TSRC -UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,198,000 (USD 40,000)	(2)a.	29,950 (USD1,000)	–	–	29,950 (USD1,000)	15,558	55.00%	8,557 (Note 2)	922,722	–
TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	2,070,294 (USD 69,125)	(2)a.	119,108 (USD6,648)	–	–	119,108 (USD6,648)	322,990	100.00%	322,990 (Note 2)	2,959,730	–
TSRC (Jinan) Industries Ltd.	Production and sale of compounding materials	67,388 (USD 2,250)	(2)b.	67,388 (USD2,250)	–	–	67,388 (USD2,250)	(3,916)	100.00%	(3,916) (Note 2)	(44,461)	–
Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	742,760 (USD 24,800)	(2)a.	–	–	–	–	(436,236)	50.00%	(223,163) (Note 3)	149,431	–

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

(1) Remittance from third-region companies to invest in China.

(2) Through the establishment of third-region companies then investing in China.

a. Through the establishment of Polybus Corporation Pte. Ltd. then investing in China.

b. Through the establishment of TSRC (Hong Kong) Limited then investing in China.

c. Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in China.

d. Through the establishment of Triton International Holdings Corporation then investing in China.

(3) Through transferring the investment to third-region existing companies then investing in 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 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD 29.95).

ii) Limitation on investment in China:

Unit: thousand dollars

Accumulated investment amount in China as of December 31, 2013	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
557,543(USD19,150)	4,232,983(USD141,335)(Note 2)	(Note 1)

Note 1: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in 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 November 1, 2012. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in China as of December 31, 2013.

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 NTD 29.95).

iii) Significant transactions with investees in China:

i. Sales and accounts receivable

Sales to related parties in China are summarized as follows:

	2013
TSRC (Shanghai) Industries Ltd.	$ 13,276
TSRC (Nantong) Industries Ltd.	84,082
	$ 97,358

The related accounts receivable resulting from the above transactions as of December 31, 2013 as follows:

	Dec. 31, 2013
TSRC (Shanghai) Industries Ltd.	$ 3,991
TSRC (Nantong) Industries Ltd.	12,155
	$ 16,146

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

ii. Service income

Nature	Name	Service income in 2013 2013	Accounts receivable as of December 31, 2013 Dec. 31, 2013
Management and technology services	Shen Hua Chemical Industrial Co., Ltd.	$ 31,725	24,895
Management and technology services	TSRC (Nantong) Industries Ltd.	42,211	41,182
Management and technology services	TSRC-UBE (Nantong) Chemical Industrial Corporation Limited	8,752	7,249
Management and technology services & trademark rights	TSRC (Shanghai) Industries Ltd.	9,820	4,523
Management and technology services & trademark rights	TSRC (Jinan) Industries Ltd.	2,604	2,177
Management and technology services	Lanxess-TSRC (Nantong) Chemical Industrial Corporation Limited	12,996	9,692
		$ 108,108	89,718

iii. Service revenue

As of December 31, 2013, guarantees provided by the Company for the bank loans of investees in China were as follows:

	2013
TSRC (Nantong) Industries Ltd.	$ 1,048,250
Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd.	1,405,470
TSRC (Jinan) Industries Ltd.	67,388
	$ 2,521,108

(14) Segment information

Please refer to the consolidated financial statements.

(15) First-time adoption of IFRSs

The financial statements as of December 31, 2012, were prepared according to the previous ROC GAAP. As explained in note 4(a), these financial statements are the first annual financial statements prepared in accordance with the “Regulations Governing the Preparation of Financial Statements by Securities Issuers” and the IFRSs endorsed by the FSC, and are in accordance with IFRS 1 "First-Time Adoption of International Financial Reporting Standards" (endorsed by the FSC).

The accounting policies described in note 4 were applied in preparing the comparative financial statements for the year ended December 31, 2012, and the opening balance sheet as of January 1, 2012 (the Company's date of adoption of IFRSs).

When preparing the related financial statements of 2012, the Company converted the amounts in the financial statements prepared in accordance with the previous ROC GAAP to amounts in conformity with IFRSs endorsed by the FSC. Below are the adjustments and related descriptions of the balance sheet and statements of comprehensive income and of cash flows due to conversion.

(a) Reconciliation for the balance sheets

	Dec. 31, 2012			Jan. 1, 2012		
	ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Assets						
Cash and cash equivalents	$ 605,301	-	605,301	1,432,954	-	1,432,954
Notes receivable	1,071	-	1,071	8,138	-	8,138
Accounts receivable	2,095,984	-	2,095,984	2,876,356	-	2,876,356
Accounts receivable－related parties	12,695	-	12,695	96,796	-	96,796
Other receivable	203,352	-	203,352	135,959	-	135,959
Inventories	2,210,612	-	2,210,612	2,308,278	-	2,308,278
Other current assets	128,364	(10,088)	118,276	111,867	(12,159)	99,708
Total current assets	5,257,379	(10,088)	5,247,291	6,970,348	(12,159)	6,958,189
Available-for-sale financial assets －non-current	-	786,769	786,769	-	1,141,259	1,141,259
Investments accounted for under equity method	10,839,947	2,376	10,842,323	10,517,943	137,212	10,655,155
Financial assets carried at cost －non-current	839,317	(839,317)	-	1,083,390	(1,083,390)	-
Property, plant and equipment	2,260,060	201,665	2,461,725	2,087,607	201,665	2,289,272
Investment property, net	-	1,684,675	1,684,675	-	1,699,400	1,699,400
Intangible assets	100,145	(21,133)	79,012	71,442	(26,418)	45,024
Deferred income tax assets	-	84,458	84,458	-	77,228	77,228
Other non-current assets	1,891,672	(1,886,340)	5,332	1,905,323	(1,901,065)	4,258
Total non-current assets	15,931,141	13,153	15,944,294	15,665,705	245,891	15,911,596
Total assets	$ 21,188,520	3,065	21,191,585	22,636,053	233,732	22,869,785

	Dec. 31, 2012			Jan. 1, 2012		
	ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Liabilities						
Short-term borrowings	$ 2,017,077	-	2,017,077	1,141,667	-	1,141,667
Current portion of long-term borrowings	-	-	-	100,000	-	100,000
Notes and accounts payable	349,441	-	349,441	249,601	-	249,601
Accounts payable	715,982	-	715,982	1,222,069	-	1,222,069
Other payable	596,483	-	596,483	762,890	-	762,890
Current income tax liabilities	370,073	-	370,073	442,430	-	442,430
Other current liabilities	57,586	-	57,586	37,257	-	37,257
Total current liabilities	4,106,642	-	4,106,642	3,955,914	-	3,955,914
Reserve for land value in crement tax	56,683	(56,683)	-	56,683	(56,683)	-
Provision－non current	-	53,409	53,409	-	15,993	15,993
Deferred income tax liabilities	826,829	77,491	904,320	1,124,831	85,201	1,210,032
Other non-current liabilities	388,598	103,466	492,064	331,175	100,065	431,240
Total non-current liabilities	1,272,110	177,683	1,449,793	1,512,689	144,576	1,657,265
Total liabilities	5,378,752	177,683	5,556,435	5,468,603	144,576	5,613,179
Equity attributable to shareholders of the parent						
Common stock	7,863,904	-	7,863,904	7,149,004	-	7,149,004
Capital surplus	69,003	(68,154)	849	69,003	(68,154)	849
Retained earnings	7,269,598	(186,091)	7,083,507	8,984,752	(103,035)	8,881,717
Other equity	607,263	79,627	686,890	964,691	260,345	1,225,036
Total shareholders' equity	15,809,768	(174,618)	15,635,150	17,167,450	89,156	17,256,606
Total liabilities and shareholders' equity	$ 21,188,520	3,065	21,191,585	22,636,053	233,732	22,869,785

(b) Reconciliation for the statement of comprehensive income

	2012		
	ROC GAAP	Difference	IFRSs
Revenue	$ 17,056,436	–	17,056,436
Cost of sale	14,744,081	(6,381)	14,737,700
Gross profit	2,312,355	6,381	2,318,736
Less: Unrealized gain on affiliated transactions	20,027	–	20,027
Gross profit, net	2,292,328	6,381	2,298,709
Operating expenses			
Selling expenses	401,336	(609)	400,727
General and administrative expenses	433,339	15,754	449,093
Research and development expenses	260,554	(1,137)	259,417
Total operating expenses	1,095,229	14,008	1,109,237
Other income and expenses	191,008	(13,927)	177,081
Operating profit	1,388,107	(21,554)	1,366,553
Non-operating income and expenses:			
Interest income	4,873	3,926	8,799
Other gains and losses	17,887	32,144	50,031
Finance costs	(29,577)	–	(29,577)
Share of profit of associates and joint ventures accounted for under equity method	1,365,206	(62,035)	1,303,171
Income before income tax	2,746,496	(47,519)	2,698,977
Income tax expenses	172,247	(8,078)	164,169
Net income	2,574,249	(39,441)	2,534,808
Other comprehensive income (loss):			
Financial statement translation differences for foreign operations	(313,587)	–	(313,587)
Unrealized loss on valuation of available-for sale financial assets	–	(224,559)	(224,559)
Actuarial losses of defined benefit plans	–	(52,549)	(52,549)
Less: Income tax relating to components of other comprehensive income (loss)	–	8,933	8,933
Other comprehensive income (loss) after tax	(313,587)	(268,175)	(581,762)
Total comprehensive income	$ 2,260,662	(307,616)	1,953,046
EPS			
Basic EPS (in NT dollars)	$ 3.27	(0.05)	3.22
Diluted EPS (in NT dollars)	$ 3.27	(0.05)	3.22

(c) Significant adjustments for statement of cash flows

There was no significant difference between the statements of cash flows prepared in accordance with the IFRSs endorsed by FSC and those prepared in accordance with the previous ROC GAAP.

(d) Notes for the reconciliations

i) Under ROC GAAP, when an investee issues new shares and an investor does not increase the investment proportionately, the resulting changes in net equity are recognized under capital surplus. Upon conversion to the IFRSs endorsed by the FSC, the Company should retrospectively adjust such changes. If such changes cannot be computed in practice, the Company may reclassify the amount previously recognized under capital surplus in accordance with ROC GAAP to retained earnings. As of December 31 and January 1, 2012, the Company reclassified related capital surplus amounting to $68,154 to retained earnings.

ii) The stock investments held by the Company and the subsidiaries for which there were no publicly quoted market values in an active market were measured at cost in accordance with the previous ROC GAAP. When the Company and the subsidiaries changed the accounting principles to the IFRSs endorsed by the FSC, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the Company and the subsidiaries changed the measuring of financial assets carried at cost to measuring at fair value, and reclassified such investments to available-for-sale financial assets－non-current.

A summary of the effects of the aforementioned changes is as follows:

		2012
Statement of comprehensive income		
Unrealized loss on valuation of available-for-sale financial assets	$	(244,671)
Unrealized gain on valuation of available-for-sale financial assets reclassified to net income		20,112
Adjustments before tax	$	(224,559)

		Dec. 31, 2012	Jan. 1, 2012
Balance sheets			
Available-for-sale financial assets	$	786,769	1,141,259
Financial assets carried at cost		(839,317)	(1,083,390)
Investments accounted for under equity method		50,660	164,802
Other comprehensive income		1,888	(222,671)
Adjustment to retained earnings	$	－	－

iii) Under the regulations, the Company recorded the provision for reserve for land revaluation increment tax and unrealized increment from revaluation as other liabilities and other adjustment under shareholders' equity. Upon transitioning to the IFRSs endorsed by the FSC, the Company elected the exemption for deemed costs. In accordance with IAS 12 "Income Tax" and IAS 16 "Property, Plant and Equipment", as of both December 31 and January 1, 2012, the Company reclassified the reserve for land revaluation increment tax and unrealized increment from revaluation as deferred income tax liabilities－non-current and retained earnings, respectively, amounting to $56,683 thousand and $7,266 thousand, respectively.

iv) In accordance with the previous ROC GAAP, the Company recorded the rental assets and idle assets as other assets. When transitioning to the IFRSs endorsed by the FSC, the Company chose to apply the exemption, and reclassified the assets mentioned above to property, plant and equipment and investment property, respectively, in accordance with IAS 16 "Property, Plant and Equipment" and IAS 40 "Investment Property".

A summary of the effects resulting from the aforementioned changes is as follows:

		Dec. 31, 2012	Jan. 1, 2012
Balance sheets			
Reclassification to investment property	$	1,684,675	1,699,400
Reclassification to property, plant and equipment		201,665	201,665
Originally recorded as other assets	$	1,886,340	1,901,065

In 2012, the depreciation expenses for the assets mentioned above were recorded as non-operating gain and loss, amounting to $32,144 thousand, and were reclassified to operating expenses when transitioning to the IFRSs endorsed by the FSC.

v) The Company recorded the unidentifiable premium from acquisition as goodwill in accordance with the previous ROC GAAP. Upon transitioning to the IFRSs endorsed by the FSC, the Company should allocate a portion of the acquisition premium to customer relationship in accordance with IFRS 3 "Business Combination", and retrospectively adjust at the acquisition date.

A summary of the effects of the aforementioned changes is as follows:

	2012
Statement of comprehensive income	
Share of profit of subsidiaries, associates and joint ventures	$ (58,110)
Adjustments before tax	$ (58,110)

	Dec. 31, 2012	Jan. 1, 2012
Balance sheets		
Investment accounted for under equity method	$ (101,693)	(43,583)
Tax effect	17,288	7,409
Adjustment to retained earnings	$ (84,405)	(36,174)

vi) According to the previous ROC GAAP, it was unnecessary to recognize the amount of financial guarantee contracts provided for associates and joint ventures. When transitioning to the IFRSs endorsed by the FSC, the Company should measure the financial guarantee contracts at fair value, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The change increased the investments accounted for under the equity method and other liabilities by $ 15,993 thousand and $53,409 thousand as of January 1 and December 31, 2012, respectively, and the interest income and investment loss accounted for under the equity method were increased by $3,926 thousand for the year 2012.

vii) In accordance with the IFRSs endorsed by the FSC, the Company recognizes all actuarial gains and losses under other comprehensive income. Under the previous ROC GAAP, the Company recognized actuarial gains and losses as gains and losses over the employee's remaining period of service. On the date of transitioning to IFRSs, all previous unrecognized accumulated actuarial gains and losses were recognized under retained earnings and reversed in the comprehensive income statement of prior years.

A summary of the effects of the aforementioned changes is as follows:

	2012
Statement of comprehensive income	
Operating costs	$ (6,381)
Selling expenses	(609)
General and administrative expenses	(1,665)
Research and development expenses	(1,137)
Other income and expenses, net	(798)
Other comprehensive income	(52,549)
Adjustments before tax	$ (63,139)

	Dec. 31, 2012	Jan. 1, 2012
Balance sheets		
Intangible assets	$ (21,133)	(26,418)
Other non-current liabilities	(103,466)	(100,065)
Other equity	(88,782)	(44,940)
Tax effect	36,275	29,142
Adjustment to retained earnings	$ (177,106)	(142,281)

viii) In accordance with the previous ROC GAAP, deferred income tax assets and liabilities were classified to current and non-current by nature, and reported in net amount. When transitioning to the IFRSs endorsed by the FSC, all of the deferred income tax assets and liabilities should be reclassified to non-current in accordance with IAS 12 "Income Tax".

A summary of the effects of the aforementioned changes is as follows:

	Dec. 31, 2012	Jan. 1, 2012
Balance sheets		
Deferred income tax assets－current	$ (10,088)	(12,159)
Deferred income tax assets－non-current	48,183	48,086
Deferred income tax liabilities－non-current	(38,095)	(35,927)
Adjustment to retained earnings	$ －	－

ix) The increase (decrease) in retained earnings in relation to the changes mentioned above were as follows:

	Dec. 31, 2012	Jan. 1, 2012
Reclassification of other equity	$ 68,154	68,154
Reclassification of revaluation gains	7,266	7,266
Investment accounted for under equity method	(84,405)	(36,174)
Employee benefits	(177,106)	(142,281)
Decrease in retained earnings	$ (186,091)	(103,035)

6. Any financial difficulty experienced by the Company or its affiliates, and the effect brought by the difficulty upon The Company's financial situation - None.

Review and analysis of the Company's financial condition and business performance, and risk management

Review and analysis of the Company's financial condition and business performance, and risk management

TSRC Corporation and subsidiaries

I. Financial condition:

Unit: thousand dollars

Item \ Fiscal year	2012	2011	Variation	
			Amount	%
Current assets	15,295,687	17,697,494	(2,401,807)	-13.57%
Property, plant and equipment	10,255,107	9,921,124	333,983	3.37%
Intangible assets	2,506,846	2,590,677	(83,831)	-3.24%
Other assets	5,314,724	5,365,783	(51,059)	0.95%
Total assets	33,372,364	35,575,078	(2,202,714)	-6.19%
Current liabilities	10,719,593	11,261,851	(542,258)	-4.81%
Non-current liabilities	5,097,806	6,368,168	(1,270,362)	-19.95%
Total liabilities	15,817,399	17,630,019	(1,812,620)	-10.28%
Capital stock	7,863,904	7,863,904	0	0.00%
Capital Surplus	849	849	0	0.00%
Retained earnings	6,536,127	7,083,507	(547,380)	-7.73%
Total shareholders' equity	17,554,965	17,945,059	(390,094)	-2.17%

Notes to changes exceeding 20% of the ratio and amounted over NT$10 million:None.

II. Business performance:

(1) Analysis and Comparison of business performance

Unit: thousand dollars

Fiscal year / Item	2012	2011	Amount change	Percentage change (%)
Cost of sale	34,422,999	45,364,375	(10,941,376)	-24.12%
Cost of operation	30,155,898	39,327,884	(9,171,986)	-23.32%
Gross profit	4,267,101	6,036,491	(1,769,390)	-29.31%
Operating expenses	2,327,025	2,265,948	61,077	2.70%
Other income and expenses	124,856	197,059	(72,203)	-36.64%
Operating profit	2,064,932	3,967,602	(1,902,670)	-47.96%
Non-operating income and expenses:	37,070	(87,817)	124,887	-142.21%
Net profit before tax	2,102,002	3,879,785	(1,777,783)	-45.82%
Less: income tax expenses	386,520	739,884	(353,364)	-47.76%
Net income	1,715,482	3,139,901	(1,424,419)	-45.37%

Notes to changes:

1. For analysis of the change in gross profit, please refer to the “Analysis of the change in gross profit”.
2. The decrease in other income and net expenses and losses is mostly caused by a decrease in management service revenue.
3. The increase in non-operating income and expenses is mostly caused by an increase in exchange gains this year.

Expected sales volume and the projection standards

Unit: ton

Name of product	2014	
	Expected sales volume	Projection standard
SBR、BR、TPE	511,953	Subject to the requirement of the market and customers
TPR	10,000	Subject to the requirement of the market and customers Forecast growth
Total	521,953	

(2) Analysis of the change in gross profit

Unit: thousand dollars

Product	Change	Causes for changes			
		Difference in selling price	Difference in cost price	Difference in sale portfolio	Difference in quantity
Rubber products	(1,773,386)	(9,777,353)	8,162,640	(10,143)	(148,530)
Others	3,996				
Total	(1,769,390)				

Explanation: The reduced in gross profit this year over last year is a result of an reduced in the selling price more than that in the cost of raw materials.

III. Cash flow:

Unit: thousand dollars

Cash balance at the beginning	Net cash flow from operating activities of the year	Cash inflow (outflow) of the year	Remainder (deficit) of cash	Remedy for insufficient cash	
				Investment plan	Financial plan
5,147,163	4,200,507	(4,352,697)	4,994,973	–	–

(1) Analysis of change in cash flow in the current year:

1. Operating activities: Mainly generated from the cash inflow of the income generated from operating activities at NT$ 2,200,324,000 of assets, liabilities net cash inflow arising from changes in NT$2,000,183.
2. Investing activities: The net cash inflow from investing activities amounting to NT$856,475,000, the main changes are the $922,538,000 for the acquisition of property, plant, and equipment, and the increase of $41,267,000 in dividends received.
3. Financing activities: Net cash flow from finances amounting to NT$3,470,571,000, the main changes are the $388,485 thousand decrease in short-term loans, $449,415,000 increase in short-term notes payable, long-term borrowing of $689,026,000, paying back $1,593,408,000 in long-term borrowing, and distributing $2,621,308,000 in cash dividends.

(2) Remedy for insufficient cash and analysis on volume: None

(3) Analysis of cash flow in the following year:

Unit: thousand dollars

Cash balance at the beginning(1)	Projected cash flow from operation of the year (2)	Projected cash outflow of the year(3)	Projected remainder (deficit) of cash (1)+(2)-(3)	Remedy for insufficient cash	
				Investment plan	Financial plan
4,994,973	2,896,000	(2,878,000)	5,012,973	–	–

IV. Effect upon financial operations of any major capital expenditure: 2013 year not significant capital plan

V. The Company's reinvestment policy, the main reasons for profit/loss generated thereby the plan for improving re-investment profitability, and investment plans for the following year:

The Company’ s major subsidiaries are in China. Due to intense competition in the synthetic rubber market in China in 2013, the Company’ s revenue and profit declined slightly. To remain as a leader in the synthetic rubber market, our Company is expanding the production capacity in the general rubber and aggressively entering the market of special rubber in our investment policy. Our orientation is developing products with high profit margin and added value, so that we can maintain the overall operating performance of our Company.

VI. Analysis and assessment of risk management

(1) The effect of interest rate and exchange rate fluctuation and inflation on the profit of the Company and the countermeasures

Impact on the net income of the Company:

Item	Year 2013 (NT$ thousands; %)
Net interest income (expense)	(87,256)
Net exchange gain (loss)	230,948
Net interest income as a percentage of net revenue	0.25%
Net interest income as a percentage of pre-tax net income	4.15%
Net exchange gain as a percentage of net revenue	0.67%
Net exchange gain as a percentage of pre-tax net income	10.99%

Interest rate

The interest rate in the credit market remained at a low level for the past year. In terms of financing, our Company made full use of this advantage to plan for the short-term financing. At the same time, our Company closely monitored the change and trends in various interest rates to hedge risks of interest rate fluctuations on long-term liabilities with floating interest fate. Our Company also assessed the possible interest rate risks that could be encountered on positions of all interest -bearing liabilities in a timely manner. Our Company adjusted the positions of our liabilities to hedge the interest rate risks that could be generated by liabilities positions.

Exchange rate:

Our Company manages foreign exchange of the net position after the accounts receivable denominated in foreign currencies are offset with short-term borrowing denominated in foreign currencies. Exchange rates risks are contained in this manner. In the future, our Company will continue to manage the net position, monitor fluctuation in exchange rates, and take necessary hedging measures.

Inflation:

The Company monitors the supply and demand of all types of raw material and stays informed over the price trends of all products and raw material as our basis for decision-making. The Company also improves its ability in inventory management to hedge the risk of inflation. Judged by current management measures and control, inflation has limited impact on the operations of our Company.

(2) Policy on high risk and high leverage investments, loans to a third party, guarantee and endorsement and derivative trade, and the main cause for profit or loss, and countermeasures

The undertaking of high-risk and high-leverage activities and lending to a third party: The Company only acts in favor of investees appraised under the equity method in guarantees and endorsements, and engaged in derivative trade only for the control of exchange rate fluctuation through hedging as dictated by business needs. The Company will handle the said trades according to the existing "Procedure for asset acquisition and disposition", "Procedure for granting loan to others" and "Procedure for making endorsement/guarantee".

(3) R&D spending in the future

Unit: thousand dollars

Project name	Expected R&D spending
High Performance SSBR Development for Green Tire	30,000
Developing automotive and consumer NBR products	10,000
Improving the product quality of SBS and SIS	20,000
Developing HSBC products with high added-value	30,000

(4) Major change in government policies and laws domestically and overseas. The effect on the financial position and operation of the company, and countermeasures

The company has always complied with government's laws and regulations and monitored the change in government policies and laws in domestic and overseas. The change in government policies and laws in the country and overseas in the recent year did not cause any effect to the company's finance and operations.

(5) The effect of the changes in technologies and industry on the financial position and operation of the company, and countermeasures: No

(6) The effect of change in corporate image on corporate crisis management and countermeasures:

The Company adheres to the value highlighting honesty and integrity, reward for innovation and teamwork, namely, take social responsibility and continue innovation and development, cherish resources on the earth and enhance welfare for humans, fulfill business performance and become leading enterprise. Meanwhile, the Company is dedicated to providing high value-added products and systematic resolutions through the production process respecting environmental protection and, therefore, becomes the first priority of high polymer material suppliers.

The Company will work with customers to create the competitive strength and complete the mission successfully. The Company's corporate identity highlighting the creation of fine-quality life for the social public remains unchanged. Also, no corporate risk took place in the Company.

(7) Expected benefits from mergers and acquisitions, possible risk, and countermeasures: No

(8) Expected benefits from capacity and plant expansion, possible risk, and countermeasures: No

(9) Risk deriving from over concentration of purchase or sales:

Purchase:Capacity of the suppliers of butadiene, the company's major raw materials, is limited. In order to stabilize the source of raw materials and in consideration of the acquisition cost, the company entered into the supply contract with the domestic major suppliers to concentrate the supply. If the domestic suppliers suffer force majeure, the company still can acquire the raw materials from foreign suppliers. Therefore, there is no likelihood of short supply of the raw materials. Sales: The Company's major customers are domestic and foreign tire suppliers. The company's financial structure is well-established, and the sales department will control the credit line of customers. The credit investigation on customers is conducted on an on-going basis. There are not likely to have credit risk.

(10) The effect and risk from massive transfer of equity by or replacement of directors, supervisors or shareholders holdings more than 10% of the capital stock, and countermeasures: No

(11) The effect and the risk deriving from the change in management on the company, and countermeasures: No

(12) Litigious and non-litigious matters between the Company and the Company's directors, supervisors, presidents, responsible persons and top ten shareholders with more than 10% shareholding, and subsidiaries: No

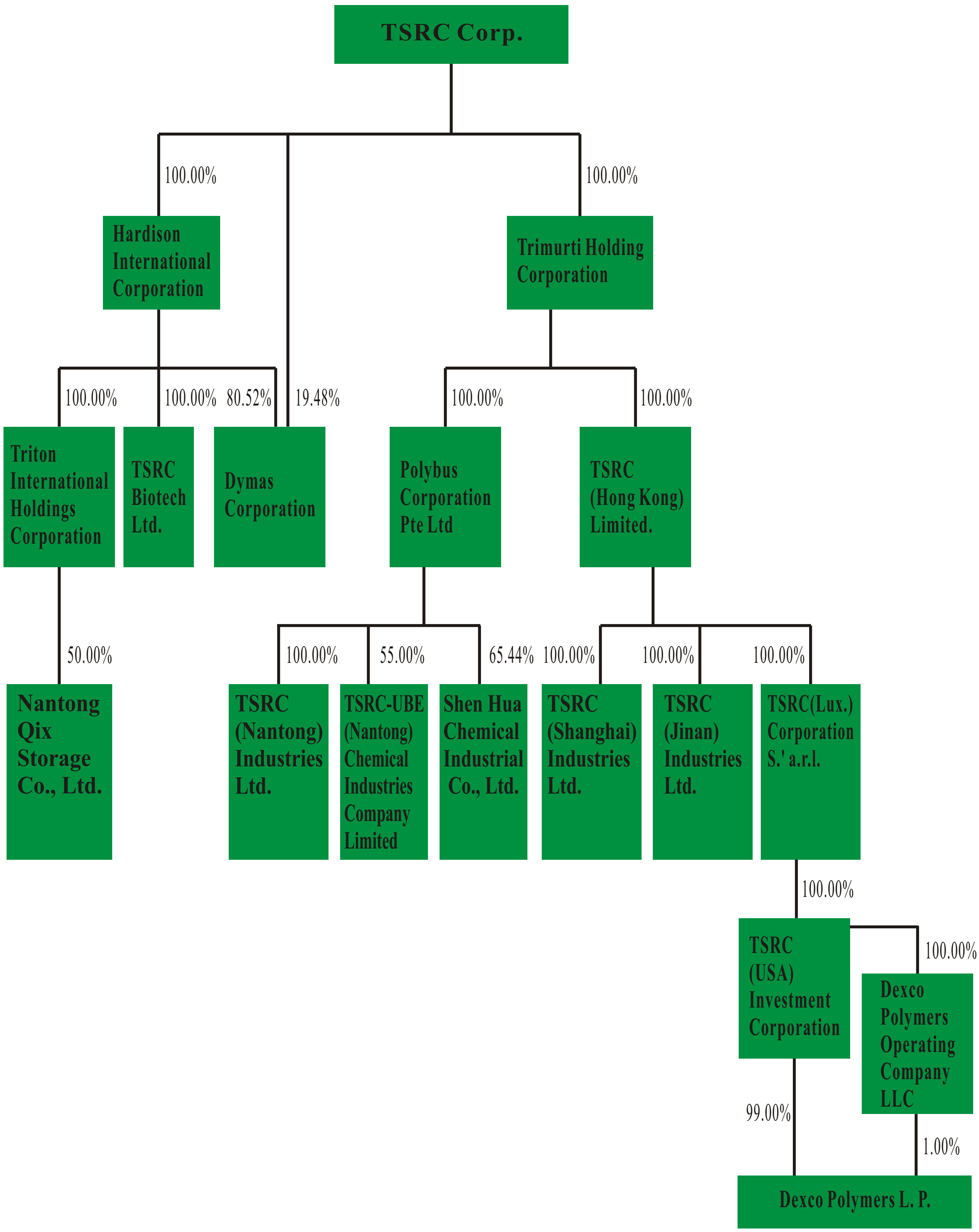
(13) Other major risk and countermeasures: No

VII. Others important matters: No

Special Notices

I. Information about the Company's affiliates

(1) Organizational chart of affiliates



(2) Profiles of the Company's affiliates

Name of enterprise	Date of establishment	Address	Paid-in capital	Principal business
Trimurti Holding Corporation	1994.03.10	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD86,920,000	Investment corporation
Hardison International Corporation	1994.03.11	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD3,896,000	Investment corporation
Dymas Corporation	1991.03.19	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD5,960,000	Investment corporation
Polybus Corporation Pte Ltd	1995.02.25	9 Temasek Boulevard, 31F Suntec Tower 2, Singapore 038989	SGD105,830,000	Trading and investment corporation
TSRC (Hong Kong) Limited	2008.03.19	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai HK	USD77,850,000	Investment corporation
Triton International Holdings Corporation	1993.05.24	Palm Grove House P.O. Box 438, Road Town, Tortola, B.V.I.	USD50,000	Investment corporation
TSRC Biotech Ltd.	1997.08.07	4th Fl.,Harbour Centre, P.O.BOX613, George Town, Grand Cayman	USD3,020,000	Investment corporation
TSRC (Lux.) Corporation S.' a. r. l.	2011.07.26	34-36 Avenue de la Liberte L-1930	EUR50,800,000	Trading and investment corporation
TSRC (USA)Investment Corporation	2011.01.27	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808	USD70,050,000	Investment corporation
Dexco Polymers L. P.	2002.02.02	12012 Wickchester Lane, Suite 280, Houston, TX 77079	Note	Production and sale of synthetic rubber products
TSRC (Shanghai) Industries Ltd.	2001.02.22	No. 1406, Yu Shu Road, Hi-tech Park Songjiang Zone, Shanghai, P.R.C.	USD5,500,000	Production and sale of compounding materials
TSRC (Jinan) Industries Ltd.	2006.09.15	No. 666 LinGang St., Yao Qiang Town, Li Cheng Zone, Jinan City, Shan Dong, PRC.	USD2,250,000	Production and sale of compounding materials
Shen Hua Chemical Industrial Co., Ltd.	1996.03.29	NO.1 Shen Hua Road, Nantong Economic & Technology Development Area, Nantong Jiangsu, P.R.C.	USD41,220,000	Production and sale of synthetic rubber products
TSRC (Nantong) Industries Ltd.	2006.09.05	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD69,125,000	Production and sale of synthetic rubber products
TSRC-UBE (Nantong) Chemical Industries Company Limited	2006.12.06	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD40,000,000	Production and sale of synthetic rubber products
Nantong Qix Storage Co., Ltd.	2004.04.28	No. 111 He Xing Road, Nantong Economic & Technological Development Area, Nantong, Jiangsu, P.R.C.	USD3,000,000	Storehouse for chemicals

Note: TSRC (USA) Investment Corporation Dexco Polymers Operating Company LLC and Dexco Polymers L.P., a limited partner; another investment Dexco Polymers Operating Company LLC (Dexco LLC) as of the Dexco Polymers L.P. partner, and not an operating company, Thus, no information related to Dexco LLC is further disclosed.

(3) Ruled as holdings by the same shareholders of the subsidiaries: No

(4) The business covered by all group enterprises and breakdown thereof:

Name of enterprise	Business covered	Affiliation with business	Breakdown
Trimurti Holding Corporation	Investment corporation, reinvestment in Polybus Corporation Pte Ltd. and TSRC (Hong Kong) Limited.	No	Recognized as the Company's offshore investee
Hardison International Corporation	Investment corporation, reinvestment in Dymas Corporation-Triton International Holdings Corporation and TSRC Biotech Ltd.	No	Recognized as the Company's offshore investee
Dymas Corporation	Investment Corporation	No	Recognized as the Company's offshore investee
Polybus Corporation Pte Ltd	Trading and investment corporation, reinvestment in Shen Hua Chemical Industrial, TSRC (Nantong) Industries Ltd. and TSRC-UBE (Nantong) Chemical Industries Company Limited	Yes	Recognized as the Company's offshore investee; responsible for the part of sales activities of the Company, TSRC (Nantong) Industries Ltd. and Shen Hua Chemical Industrial Co., Ltd.
TSRC (Hong Kong) Limited.	Investment corporation, reinvestment in TSRC (Shanghai) Industries Ltd. and TSRC (Jinan) Industries Ltd. and TSRC(Lux.) Corporation S.' a. r. l.	No	Recognized as the Company's offshore investee
Triton International Holdings Corporation	Investment corporation, reinvestment in Nantong Qix Storage Co., Ltd. in Nantong	No	Recognized as the Company's offshore investee
TSRC Biotech Ltd.	Investment corporation	No	Recognized as the Company's offshore investee
TSRC (Lux.) Corporation S.' a. r. l.	Trading and investment corporation, reinvestment in TSRC (USA) Investment Corporation	Yes	Recognized as the Company's offshore investee; responsible for certain sales activities of Dexco Polymers L.P. to which and TSRC (Nantong) Industries Ltd.
TSRC (USA) Investment Corporation	Investment corporation, reinvestment in Dexco Polymers L. P. and Dexco Polymers Operating Company LLC	No	Recognized as the Company's offshore investee
Dexco Polymers L. P.	Production and sale of synthetic rubber products	Yes	Recognized as the company's offshore investee. The Company provides financial, IT and R&D services of this company
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	Yes	Recognized as the Company's offshore investee. The Company sells certain products and provides management and technical services to this company.
TSRC (Jinan) Industries Ltd.	Production and sale of compounding materials	Yes	Recognized as the Company's offshore investee. The Company sells certain products and provides management and technical services to this company.
Shen Hua Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	Yes	Recognized as the Company's offshore investee. The Company provides management and technical services to this company.
TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	Yes	Recognized as the Company's offshore investee; The Company sold a part of the products and provided the management and technical service.
TSRC-UBE (Nantong) Chemical Industries Company Limited	Production and sale of synthetic rubber products	Yes	Recognized as the Company's offshore investee. The Company provides management and technical services to this company.
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	No	Recognized as the Company's offshore investee

(5) Profiles of Directors, Supervisors and Presidents of the Company's affiliates:

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
Trimurti Holding Corporation	Director	Wei-Hua Tu	–	–
	Director	Hendrick Lam	–	–
	Director	Michael Kung	–	–
Hardison International Corporation	Director	Hendrick Lam	–	–
	Director	Wei-Hua Tu	–	–
Dymas Corporation	Director	Hendrick Lam	–	–
	Director	Wei-Hua Tu	–	–
Polybus Corporation Pte. Ltd.	Director	Michael Kung	–	–
	Director	George Kiang	–	–
	Director	Wei-Hua Tu	–	–
	Director	Teh Kwang Hwee	–	–
TSRC (Hong Kong) Limited	Director	Wei-Hua Tu	–	–
	Director	Hendrick Lam	–	–
	Director	Michael Kung	–	–
Triton International Holdings Corporation	Director	Wei-Hua Tu	–	–
	Director	Michael Kung	–	–
TSRC Biotech Ltd.	Director	Wei-Hua Tu	–	–
	Director	Hendrick Lam	–	–
Dexco Polymers L.P.	President	Christopher J. Mudd	–	–
TSRC (Lux.) Corporation S.' a. r. l.	Director	Wei-Hua Tu	–	–
	Director	Hendrick Lam	–	–
	Director	Michael Kung	–	–
	Director	Christopher J. Mudd	–	–
	Director	David Maria	–	–
	President	Juergen Schneider	–	–
TSRC (USA) Investment Corporation	Director	Wei-Hua Tu	–	–
	Director	Hendrick Lam	–	–
	Director	Michael Kung	–	–
	Director	Richard C Yeh	–	–
	President	Wei-Hua Tu	–	–
TSRC (Shanghai) Industries Ltd.	Chairman	Wei-Hua Tu	–	–
	Director	Kuo Huang-Cheng	–	–
	Director	Hendrick Lam	–	–
	Supervisor	Michael Kung	–	–
	President	David Huang (Agent)	–	–
TSRC (Jinan) Industries Ltd.	Chairman	Wei-Hua Tu	–	–
	Director	Kuo Huang-Cheng	–	–
	Director	Hendrick Lam	–	–
	Supervisor	Michael Kung	–	–
	President	Sean Cheng	–	–
Shen Hua Chemical Industrial Co., Ltd.	Chairman	Wei-Hua Tu	–	–
	Director	Michael Kung	–	–
	Director	Gino C. Y. Chen	–	–
	Director	George Kiang	–	–
	Director	Chao Yang Jiang	–	–
	Director	Qiang Xin Lu	–	–
	Director	Yagi Takeshi	–	–
	President	Chao Yang Jiang	–	–

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
TSRC (Nantong) Industries Ltd.	Chairman	Wei-Hua Tu	–	–
	Director	Hendrick Lam	–	–
	Director	Chin-Bao Lu	–	–
	Supervisor	Michael Kung	–	–
	President	Chin-Bao Lu	–	–
TSRC-UBE (Nantong) Chemical Industries Company Limited	Chairman	Wei-Hua Tu	–	–
	Director	Gino C. Y. Chen	–	–
	Director	Michael Kung	–	–
	Director	Watanabe Shinobu	–	–
	Director	Yagi Takeshi	–	–
	Supervisor	Homma Yoshitomo	–	–
	President	Jim Chien	–	–
Nantong Qix Storage Co., Ltd.	Chairman	Wei-Hua Tu	–	–
	Director	Jiang Chao Yang	–	–
	Director	Luo Delong	–	–
	Director	Ben Xuebing	–	–

(6) Operation in Review of Affiliated Enterprises

Unit: thousand dollars

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Gain/loss current period (after tax)	EPS after tax (NTD)
Trimurti Holding Corporation	2,599,615	12,227,088	1,739,858	10,487,230	0	-55,003	603,761	6.95
Hardison International Corporation	116,694	564,568	0	564,568	0	-225	80,323	18.18
Dymas Corporation	178,489	562,346	0	562,346	0	-73	99,087	14.99
Polybus Corporation Pte. Ltd.	2,156,400	6,534,976	116,533	6,418,443	759,194	-30,667	524,748	4.96
TSRC (Hong Kong) Limited.	2,331,608	2,640,686	2,514	2,638,172	0	-496	80,158	10.28
Triton International Holdings Corporation	1,498	107,950	0	107,950	0	-35	763	15.26
TSRC Biotech Ltd.	90,455	5	0	5	0	0	0	0
TSRC (Lux.) Corporation S.' a. r. l.	2,130,406	2,948,038	613,616	2,334,422	1,817,172	3,386	55,867	69.83
TSRC (USA) Investment Corporation	2,097,998	4,839,468	2,558,801	2,280,586	0	-37,284	60,129	0
Dexco Polymers L.P.	0	2,683,255	436,116	2,247,140	5,108,950	319,462	314,499	0
TSRC (Shanghai) Industries Ltd.	164,725	400,237	124,535	275,701	435,753	29,388	30,438	0
TSRC (Jinan) Industries Ltd.	67,388	107,314	151,775	-44,461	78,544	-11,214	-3,916	0
Shen Hua Chemical Industrial Co., Ltd.	1,234,539	4,925,467	1,646,764	3,278,703	10,340,306	707,592	609,754	0
TSRC (Nantong) Industries Ltd.	2,070,294	5,504,407	2,544,663	2,959,730	3,273,659	451,593	322,990	0
TSRC-UBE (Nantong) Chemical Industries Company Limited	1,198,000	2,787,049	1,109,373	1,677,676	2,388,799	21,040	15,558	0
Nantong Qix Storage Co., Ltd.	89,850	204,327	7,339	196,988	37,476	1,964	1,499	0

(Note) Spot exchange rate on the balance sheet date under the title of assets=USD1:NTD 29.95.
Spot exchange rate on the balance sheet date under the title of income=USD1:NTD 29.7673.

II. State of the Company's private placement of marketable securities: No.

III. Holding or disposal of the Company's shares by the Company's subsidiaries: No.

IV. Other matters to be supplemented: No.

Other disclosures

Other disclosures

I. The relevant license acquired by the personnel related to transparency of financial information as specified by the competent authority

Basic proficiency test of enterprise internal control held by Securities and Futures Institute (SFI): 4 persons in Accounting Department
The R.O.C. Qualified Internal Auditors: 2 persons in Audit Office
License for Share Registration Personnel from Securities and Futures Institute: 5 persons in Accounting Department
CPA license: 1 persons in Finance Division

II. Employees' ethics

The Company published the "Code of Dutiful Conduct" for the employees in 2002, followed by 5 amendments which clearly specifying that, in performing relevant internal and external company tasks under their duties in the company, employees must comply with the regulations about the effective utilization of resources and assets, the protection of trade secrets, the prohibition of insider trading, anti-trust rules, fair trade, avoidance of conflict between the company and personal interests, avoidance of private benefits, the prohibition of bribery, and regulations for network use and second jobs. Corresponding sanctions are also put in place.

III. Protection measures for working environment and employees' safety

The company holds emergency response actions, disaster prevention and safety training, annual health inspection, health symposiums and metal philosophy consultations to ensure the working environment and employees' safety. Meanwhile, according to the update Safety Policy in 2005, the company also discloses that its core value focuses on human beings and pursues the zero disaster through the operations of technology, safety culture, responsibility and communication.

Any circumstances referred to in Paragraph 2(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Any circumstances referred to in Paragraph 2(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities-No.

TSRC Corporation

Chairman:Shao Yu Wang

TSRC CORPORATION

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