

**TSRC CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2020 and 2019**

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

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## Independent Auditors' Review Report

To the Board of Directors of TSRC Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of the TSRC Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of September 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, as well as the changes in equity and cash flows for the nine months then ended and notes to the consolidated financial statements, including a summary of significant accounting policies. The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$3,060,983 thousand and \$3,297,577 thousand, constituting 11% and 10% of the consolidated total assets; and the total liabilities amounting to \$670,124 thousand and \$657,659 thousand, constituting 5% and 4% of the consolidated total liabilities as of September 30, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to \$162,868 thousand, \$(67,116) thousand, \$135,502 thousand and \$17,001 thousand, constituting (46)%, 13%, (28)% and 3% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 30, 2020 and 2019, respectively.



Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of \$1,044,601 thousand and \$1,081,085 thousand as of September 30, 2020 and 2019, respectively, and its equity in net earnings (loss) on these investee companies of \$102,018 thousand, \$(42,538) thousand, \$38,122 thousand and \$141,965 thousand for the three months and nine months ended September 30, 2020 and 2019, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of TSRC Corporation and its subsidiaries as of September 30, 2020 and 2019, and of its consolidated financial performance for the three months and nine months ended September 30, 2020 and 2019, as well as its consolidated cash flows for the nine months ended September 30, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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

KPMG

Taipei, Taiwan (Republic of China)  
November 3, 2020

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2020 and 2019**

**TSRC CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**September 30, 2020, December 31 and September 30, 2019**

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2020		December 31, 2019		September 30, 2019				September 30, 2020		December 31, 2019		September 30, 2019	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Assets</b>															
<b>Current assets:</b>															
1100	Cash and cash equivalents (note 6(a))	\$ 4,148,487	15	4,695,280	14	4,424,295	14	2100	Short-term borrowings (note 6(l))	\$ 4,248,900	15	4,729,148	15	5,018,077	16
1110	Current financial assets at fair value through profit or loss (note 6(b))	2,622	-	14	-	4,859	-	2120	Current portion of long-term borrowings (notes 6(l) and 8)	1,130,577	4	287,235	1	454,663	1
1150	Notes receivable, net (note 6(d))	599,185	2	866,347	3	731,781	2		Current financial liabilities at fair value through profit or loss (note 6(b))	10,010	-	5,672	-	25	-
1170	Accounts receivable, net (notes 6(d) and 7)	2,340,491	8	2,759,617	8	3,124,035	10	2170	Accounts payable	916,161	3	2,392,346	7	1,147,673	4
1200	Other receivables (notes 6(e) and 7)	177,605	1	136,351	-	161,087	1	2180	Accounts payable—related parties (note 7)	-	-	59,418	-	-	-
1220	Current income tax assets	10,503	-	80	-	9,081	-	2230	Current income tax liabilities	198,384	-	121,726	-	121,202	-
130x	Inventories (note 6(f))	4,137,898	14	6,414,679	20	5,206,936	17	2219	Other payables (notes 6(m), 6(q), 6(s) and 7)	1,031,299	4	1,309,810	4	1,095,968	3
1479	Other current assets	667,266	2	493,550	2	694,688	2	2280	Current lease liabilities (note 6(n))	157,036	1	175,942	-	165,315	1
	<b>Total current assets</b>	<u>12,084,057</u>	<u>42</u>	<u>15,365,918</u>	<u>47</u>	<u>14,356,762</u>	<u>46</u>	2399	Other current liabilities	213,948	1	219,238	1	171,550	1
<b>Non-current assets:</b>															
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	971,685	3	1,137,888	4	1,382,916	4	2541	<b>Total current liabilities</b>	<u>7,906,315</u>	<u>28</u>	<u>9,300,535</u>	<u>28</u>	<u>8,174,473</u>	<u>26</u>
1550	Investments accounted for under equity method (notes 6(g) and 7)	1,044,601	4	1,098,591	3	1,081,085	3	2542	<b>Non-Current liabilities:</b>						
1600	Property, plant and equipment (notes 6(h), 8 and 9)	10,307,120	36	10,037,395	31	9,630,896	31	2570	Long-term bank borrowings (notes 6(l) and 8)	3,433,787	12	4,672,705	15	4,570,660	14
1755	Right-of-use assets (note 6(i))	1,039,121	4	1,331,571	4	1,393,610	4	2580	Other long-term borrowings (note 6(l))	349,910	1	349,287	1	349,890	1
1760	Investment property (note 6(j))	1,570,555	5	1,581,599	5	1,585,280	5	2600	Non-current provision liabilities (note 7)	44,189	-	19,227	-	18,342	-
1780	Intangible assets (note 6(k))	1,058,639	4	1,669,885	5	1,756,923	6		Deferred income tax liabilities	769,086	3	855,481	3	814,274	3
1840	Deferred income tax assets	275,787	1	220,439	1	260,812	1		Non-current lease liabilities (note 6(n))	495,122	2	685,689	2	751,370	2
1900	Other non-current assets (note 8)	219,064	1	71,637	-	101,289	-		Other non-current liabilities	131,369	-	179,276	1	154,278	-
	<b>Total non-current assets</b>	<u>16,486,572</u>	<u>58</u>	<u>17,149,005</u>	<u>53</u>	<u>17,192,811</u>	<u>54</u>		<b>Total non-current liabilities</b>	<u>5,223,463</u>	<u>18</u>	<u>6,761,665</u>	<u>22</u>	<u>6,658,814</u>	<u>20</u>
									<b>Total liabilities</b>	<u>13,129,778</u>	<u>46</u>	<u>16,062,200</u>	<u>50</u>	<u>14,833,287</u>	<u>46</u>
									<b>Equity attributable to shareholders of the Company (note 6(q)):</b>						
								3100	Common stock	8,257,099	29	8,257,099	25	8,257,099	26
								3200	Capital surplus	47,140	-	47,140	-	45,158	-
									Retained earnings:						
								3310	Legal reserve	4,068,862	14	3,977,141	12	3,977,141	13
								3350	Unappropriated earnings	1,230,626	4	1,940,361	6	1,750,136	6
										5,299,488	18	5,917,502	18	5,727,277	19
									Other equity:						
								3410	Financial statement translation differences for foreign operations	(281,122)	(1)	23,383	-	289,540	1
								3420	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	576,762	2	711,094	2	916,825	3
								3450	Gains or losses on hedging instrument	(82,215)	-	(80,526)	-	(83,676)	-
										213,425	1	653,951	2	1,122,689	4
									<b>Total equity attributable to shareholders of the Company</b>	<u>13,817,152</u>	<u>48</u>	<u>14,875,692</u>	<u>45</u>	<u>15,152,223</u>	<u>49</u>
								36xx	<b>Non-controlling interests</b>	1,623,699	6	1,577,031	5	1,564,063	5
									<b>Total equity</b>	<u>15,440,851</u>	<u>54</u>	<u>16,452,723</u>	<u>50</u>	<u>16,716,286</u>	<u>54</u>
									<b>Total liabilities and equity</b>	<u>\$ 28,570,629</u>	<u>100</u>	<u>32,514,923</u>	<u>100</u>	<u>31,549,573</u>	<u>100</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Statements of Comprehensive Income**

For the three months and nine months ended September 30, 2020 and 2019

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

	For the three months ended September 30				For the nine months ended September 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Revenue (notes 6(t) and 7)	\$ 5,607,360	100	6,918,366	100	17,636,545	100	22,067,331	100
5000 Operating costs (notes 6(f), 6(h), 6(i), 6(k), 6(m), 6(n), 6(o), 6(s) and 7)	4,843,241	86	6,222,345	90	15,496,814	88	19,491,042	88
5910 Gross profit	764,119	14	696,021	10	2,139,731	12	2,576,289	12
6000 Operating expenses (notes 6(d), 6(h), 6(i), 6(k), 6(n), 6(o), 6(s) and 7):								
6100 Selling expenses	235,656	4	237,779	4	681,714	4	745,939	3
6200 General and administrative expenses	244,722	4	276,864	4	773,413	4	824,062	4
6300 Research and development expenses	86,050	2	97,368	1	265,767	2	279,329	1
6450 Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(12)	-	(28)	-	1,419	-	(1,021)	-
<b>Total operating expenses</b>	<b>566,416</b>	<b>10</b>	<b>611,983</b>	<b>9</b>	<b>1,722,313</b>	<b>10</b>	<b>1,848,309</b>	<b>8</b>
6500 Other income and expenses, net (notes 6(j), 6(u) and 7)	39,979	-	34,149	-	122,428	1	124,214	-
6900 Operating profit	237,682	4	118,187	1	539,846	3	852,194	4
Non-operating income and expenses (notes 6(g), 6(k), 6(n), 6(v) and 7):								
7100 Interest income	9,176	-	21,653	-	39,073	-	72,047	-
7010 Other income	34,054	-	46,862	1	62,339	-	69,490	-
7020 Other gains and losses	(500,998)	(9)	(6,970)	-	(492,830)	(3)	8,817	-
7050 Finance costs	(23,300)	-	(46,541)	(1)	(95,911)	-	(146,993)	-
7370 Share of gain (loss) of associates and joint ventures accounted for under equity method	102,018	2	(42,538)	-	38,122	-	141,965	-
<b>Total non-operating income and expenses</b>	<b>(379,050)</b>	<b>(7)</b>	<b>(27,534)</b>	<b>-</b>	<b>(449,207)</b>	<b>(3)</b>	<b>145,326</b>	<b>-</b>
7900 Net income (loss) before tax	(141,368)	(3)	90,653	1	90,639	-	997,520	4
7950 Less: tax expenses (note 6(p))	12,423	-	72,635	1	197,506	1	307,784	1
Net income (loss)	(153,791)	(3)	18,018	-	(106,867)	(1)	689,736	3
8300 Other comprehensive income:								
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss								
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(304,811)	(5)	(146,991)	(2)	(50,009)	-	206,084	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>	<b>(304,811)</b>	<b>(5)</b>	<b>(146,991)</b>	<b>(2)</b>	<b>(50,009)</b>	<b>-</b>	<b>206,084</b>	<b>1</b>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	51,825	1	(383,944)	(6)	(328,156)	(2)	(210,675)	(1)
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	50,494	1	(19,439)	-	3,935	-	(41,505)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<b>102,319</b>	<b>2</b>	<b>(403,383)</b>	<b>(6)</b>	<b>(324,221)</b>	<b>(2)</b>	<b>(252,180)</b>	<b>(1)</b>
8300 Other comprehensive income	(202,492)	(3)	(550,374)	(8)	(374,230)	(2)	(46,096)	-
<b>Total comprehensive income</b>	<b>\$ (356,283)</b>	<b>(6)</b>	<b>(532,356)</b>	<b>(8)</b>	<b>(481,097)</b>	<b>(3)</b>	<b>643,640</b>	<b>3</b>
Net income (loss) attributable to:								
8610 Shareholders of parent	\$ (231,268)	(4)	18,779	-	(289,482)	(2)	635,922	3
8620 Non-controlling interests	77,477	1	(761)	-	182,615	1	53,814	-
	<b>\$ (153,791)</b>	<b>(3)</b>	<b>18,018</b>	<b>-</b>	<b>(106,867)</b>	<b>(1)</b>	<b>689,736</b>	<b>3</b>
<b>Total comprehensive income attributable to:</b>								
8710 Shareholders of parent	\$ (463,997)	(8)	(454,276)	(7)	(645,685)	(4)	650,415	3
8720 Non-controlling interests	107,714	2	(78,080)	(1)	164,588	1	(6,775)	-
	<b>\$ (356,283)</b>	<b>(6)</b>	<b>(532,356)</b>	<b>(8)</b>	<b>(481,097)</b>	<b>(3)</b>	<b>643,640</b>	<b>3</b>
9710 Basic earnings (losses) per share (diluted earnings (losses) per share) (New Taiwan Dollars) (note 6(r))	<b>\$ (0.28)</b>		<b>0.02</b>		<b>(0.35)</b>		<b>0.77</b>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
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**TSRC CORPORATION AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the nine months ended September 30, 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent					Total other equity interest				Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Retained earnings		Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total			
				Unappropriated retained earnings	Total							
<b>Balance at January 1, 2019</b>	\$ 8,257,099	45,158	3,857,922	1,951,564	5,809,486	465,589	801,805	(68,134)	1,199,260	15,311,003	1,570,838	16,881,841
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	119,219	(119,219)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(809,195)	(809,195)	-	-	-	-	(809,195)	-	(809,195)
Net income	-	-	-	635,922	635,922	-	-	-	-	635,922	53,814	689,736
Other comprehensive income (loss)	-	-	-	-	-	(176,049)	206,084	(15,542)	14,493	14,493	(60,589)	(46,096)
Total comprehensive income (loss)	-	-	-	635,922	635,922	(176,049)	206,084	(15,542)	14,493	650,415	(6,775)	643,640
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	91,064	91,064	-	(91,064)	-	(91,064)	-	-	-
<b>Balance at September 30, 2019</b>	\$ 8,257,099	45,158	3,977,141	1,750,136	5,727,277	289,540	916,825	(83,676)	1,122,689	15,152,223	1,564,063	16,716,286
<b>Balance at January 1, 2020</b>	\$ 8,257,099	47,140	3,977,141	1,940,361	5,917,502	23,383	711,094	(80,526)	653,951	14,875,692	1,577,031	16,452,723
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	91,721	(91,721)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(412,855)	(412,855)	-	-	-	-	(412,855)	(117,920)	(530,775)
Net income (loss)	-	-	-	(289,482)	(289,482)	-	-	-	-	(289,482)	182,615	(106,867)
Other comprehensive income (loss)	-	-	-	-	-	(304,505)	(50,009)	(1,689)	(356,203)	(356,203)	(18,027)	(374,230)
Total comprehensive income (loss)	-	-	-	(289,482)	(289,482)	(304,505)	(50,009)	(1,689)	(356,203)	(645,685)	164,588	(481,097)
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	84,323	84,323	-	(84,323)	-	(84,323)	-	-	-
<b>Balance at September 30, 2020</b>	\$ 8,257,099	47,140	4,068,862	1,230,626	5,299,488	(281,122)	576,762	(82,215)	213,425	13,817,152	1,623,699	15,440,851

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

**TSRC CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the nine months ended September 30, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
<b>Consolidated net income before tax</b>	\$ 90,639	997,520
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	749,000	750,842
Amortization	107,253	116,354
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	1,419	(1,021)
Interest expense	95,911	146,993
Interest income	(39,073)	(72,047)
Dividend income	(62,339)	(69,490)
Share of profit of associates and joint ventures accounted for under equity method	(38,122)	(141,965)
Loss on disposal of property, plant and equipment	27,848	12,523
Impairment loss on non-financial assets	500,247	-
Amortization to operating costs and inventories	62,037	63,752
Gain on lease modification	(8,860)	-
Total adjustments to reconcile profit and loss	<u>1,395,321</u>	<u>805,941</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(2,608)	(4,180)
Notes receivable	267,162	(172,837)
Accounts receivable	417,707	(249,121)
Other receivables	(58,144)	(39,573)
Inventories	2,276,781	1,242,427
Other current assets	(173,716)	(368,647)
Total changes in operating assets, net	<u>2,727,182</u>	<u>408,069</u>
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	4,338	(2,041)
Accounts payable	(1,476,185)	(366,849)
Accounts payable—related parties	(59,418)	-
Other payables	(323,239)	(220,851)
Other current liabilities	(5,290)	(16,012)
Net defined benefit liability	(55,929)	(49,793)
Other non-current liabilities	8,022	630
Total changes in operating liabilities, net	<u>(1,907,701)</u>	<u>(654,916)</u>
Total changes in operating assets and liabilities, net	<u>819,481</u>	<u>(246,847)</u>
Total adjustments	<u>2,214,802</u>	<u>559,094</u>
Cash provided by operating activities	2,305,441	1,556,614
Interest income received	34,882	79,289
Interest paid	(94,283)	(137,064)
Income taxes paid	(273,014)	(204,960)
<b>Net cash provided by operating activities</b>	<u>1,973,026</u>	<u>1,293,879</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	135,404	123,564
Acquisition of property, plant and equipment	(975,540)	(1,782,087)
Proceeds from disposal of property, plant and equipment	386	403
Acquisition of intangible assets	(25,448)	-
Decrease (increase) in other non-current assets	(142,062)	20,585
Dividends received	100,680	121,489
<b>Net cash used in investing activities</b>	<u>(906,580)</u>	<u>(1,516,046)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	26,889,758	15,709,239
Decrease in short-term borrowings	(27,443,666)	(14,774,989)
Proceeds from long-term borrowings	217,986	1,117,623
Repayments of long-term borrowings	(582,209)	(643,301)
Decrease in other long-term borrowings	-	(153,932)
Repayments of lease liabilities	(129,799)	(147,632)
Cash dividends paid	(530,286)	(806,375)
<b>Net cash provided by (used in) financing activities</b>	<u>(1,578,216)</u>	<u>300,633</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>(35,023)</u>	<u>(181,923)</u>
<b>Net decrease in cash and cash equivalents</b>	(546,793)	(103,457)
<b>Cash and cash equivalents at beginning of period</b>	4,695,280	4,527,752
<b>Cash and cash equivalents at end of period</b>	<u>\$ 4,148,487</u>	<u>4,424,295</u>

See accompanying notes to consolidated financial statements.



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

**TSRC CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the nine months ended September 30, 2020 and 2019**

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

**(1) Company history**

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

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

The consolidated financial statements were reported to the Board of Directors and issued on November 3, 2020.

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020
Amendments to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

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

(Continued)

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”	January 1, 2021

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

**(4) Summary of significant accounting policies**

Except for the following, the significant accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2019.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and IAS 34 "Interim Financial Reporting", which was endorsed by the FSC. These consolidated financial statements do not include all of the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC) for the year-end consolidated financial statements.

(Continued)

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

(b) Basis of consolidation

The basis for consolidation applied in these consolidated financial statements is consistent with that applied in the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2019.

List of the subsidiaries included in the consolidated financial statements:

<u>Name of investor</u>	<u>Name of investee</u>	<u>Scope of business</u>	<u>Percentage of ownership</u>			<u>Description</u>
			<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>	
TSRC	Trimurti Holding Corporation	Investment	100.00 %	100.00 %	100.00 %	
TSRC	Hardison International Corporation	Investment	100.00 %	100.00 %	100.00 %	(note 3)
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00 %	100.00 %	100.00 %	(notes 1, 3)
TSRC	TSRC (Vietnam) Co., Ltd.	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	100.00 %	100.00 %	100.00 %	(note 3)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	International commerce and investment	100.00 %	100.00 %	100.00 %	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Investment	100.00 %	100.00 %	100.00 %	
TSRC (Hong Kong) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	100.00 %	100.00 %	100.00 %	(note 3)
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.'a r.l.	International commerce and investment	100.00 %	100.00 %	100.00 %	
TSRC (Lux.) Corporation S.'a r.l.	TSRC (USA) Investment Corporation	Investment	100.00 %	100.00 %	100.00 %	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of synthetic rubber products	100.00 %	100.00 %	100.00 %	(note 2)
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	65.44 %	65.44 %	65.44 %	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00 %	55.00 %	55.00 %	(note 3)
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	100.00 %	100.00 %	100.00 %	(note 4)
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00 %	100.00 %	100.00 %	(note 3)

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 1: TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation, total directly and indirectly owns of equity are 100%.

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

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

Note 4: It is an insignificant subsidiary, and its financial statement have been reviewed.

(c) Employee benefits

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

(d) Government grants

The Group recognizes an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(e) Income tax

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

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with IAS 34 "Interim Financial Reporting", which was endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

(Continued)

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

Except for the following, the preparation of the consolidated financial statements, estimates and underlying assumptions are consistent with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note 5 to the consolidated financial statements for the year ended December 31, 2019.

(a) Impairment of intangible assets

In the process of evaluating the potential impairment, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future income and expenses related to the specific asset groups considering of the nature of the industry. Any changes in these estimates based on changed economic conditions or business strategies and could result in significant impairment charges or reversal in future years. Refer to note 6(k) for further description of the key assumptions used to determine the recoverable amount.

**(6) Explanation of significant accounts**

Except as explained below, there are no significant differences in the description of significant accounts from the consolidated financial statements for the year ended December 31, 2019, and the related information is provided in note 6 to the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Cash on hand	\$ 435	415	464
Checking and savings deposits	686,156	973,695	1,170,582
Time deposits	3,461,896	3,571,170	3,253,249
Commerical paper with reverse repo	<u>-</u>	<u>150,000</u>	<u>-</u>
Cash and cash equivalents per statements of cash flow	<u>\$ 4,148,487</u>	<u>4,695,280</u>	<u>4,424,295</u>

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	<u>\$ 2,622</u>	<u>14</u>	<u>4,859</u>

(Continued)

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Financial liabilities held for trading:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	\$ <u>10,010</u>	<u>5,672</u>	<u>25</u>

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

	<u>September 30, 2020</u>		
	<u>Contract amount (thousand dollars)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward contracts	EUR	150 /	EUR/TWD
	TWD	5,109	2020.10.13
Forward contracts	EUR	240 /	EUR/USD
	USD	281	2020.10.16
Swap contracts	EUR	20,900 /	EUR/USD
	USD	24,254	2020.10.06 ~2021.01.06
Swap contracts	USD	7,939 /	USD/EUR
	EUR	6,800	2020.10.06
Swap contracts	JPY	2,000 /	JPY/USD
	USD	19	2020.10.13
	<u>December 31, 2019</u>		
	<u>Contract amount (thousand dollars)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward contracts	EUR	230 /	EUR/TWD
	TWD	7,778	2020.01.20
Swap contracts	USD	6,700 /	USD/TWD
	TWD	201,938	2020.01.02
Swap contracts	EUR	13,600 /	EUR/USD
	USD	15,070	2020.01.08

(Continued)

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

	<b>September 30, 2019</b>		
	<b>Contract amount (thousand dollars)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward contracts	EUR 300 / USD 328	EUR/USD	2019.10.8
Forward contracts	EUR 200 / TWD 6,879	EUR/TWD	2019.10.18
Swap contracts	EUR 14,520 / USD 16,075	EUR/USD	2020.10.16 ~2020.11.15
Swap contracts	EUR 270 / TWD 9,258	EUR/TWD	2019.10.16
Swap contracts	JPY 15,113 / USD 140	JPY/USD	2019.10.21

(c) Non-current financial assets at fair value through other comprehensive income

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Equity investments at fair value through other comprehensive income:			
Listed stocks (domestic)	\$ -	115,200	238,310
Unlisted stocks (domestic and overseas)	971,685	1,022,688	1,144,606
Total	<b>\$ 971,685</b>	<b>1,137,888</b>	<b>1,382,916</b>

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

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

Due to the financial asset activation, the Group sold the share of Taiwan High Speed Railway Co., Ltd. at the fair value for the nine months ended September 30, 2020, the fair value at that time of disposal was \$114,323 thousand and accumulated gain on disposal was \$84,323 thousand, which has been transferred from other equity to retained earnings.

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

(iii) The aforementioned financial assets were not pledged as collateral.

(Continued)

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

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

	<b>Foreign currency amount (thousand dollars)</b>	<b>Exchange rate</b>	<b>NTD</b>
<b>September 30, 2020</b>			
THB	\$ 315,291	0.9242	291,392
<b>December 31, 2019</b>			
THB	349,209	1.0098	352,631
<b>September 30, 2019</b>			
THB	338,993	0.9974	338,112

- (d) Notes and accounts receivable

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Notes receivable	\$ 599,185	866,347	731,781
Accounts receivable (including related parties)	2,350,654	2,768,552	3,133,239
Less: allowance for impairment	10,163	8,935	9,204
	<b><u>\$ 2,939,676</u></b>	<b><u>3,625,964</u></b>	<b><u>3,855,816</u></b>

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

	<b>September 30, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 2,893,579	0.01%~0.65%	7,870
1 to 30 days past due	55,846	0.33%~6.16%	2,244
31 to 90 days past due	414	5.05%~18.34%	49
	<b><u>\$ 2,949,839</u></b>		<b><u>10,163</u></b>

(Continued)



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

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 3,560,459	0.13%~0.35%	5,078
1 to 30 days past due	56,937	1.03%~10.25%	1,778
31 to 90 days past due	17,503	10.98%~21.95%	2,079
	<b>\$ 3,634,899</b>		<b>8,935</b>
	<b>September 30, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 3,808,092	0.13%~0.35%	4,951
1 to 30 days past due	46,055	1.03%~10.25%	809
31 to 90 days past due	8,976	8.25%~33.36%	1,547
More than 90 days past	1,897	100%	1,897
	<b>\$ 3,865,020</b>		<b>9,204</b>

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

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Balance at beginning of period	\$ 8,935	10,309
Impairment losses recognized (reversed)	1,419	(1,021)
Foreign exchange gain or loss	(191)	(84)
Balance at end of period	<b>\$ 10,163</b>	<b>9,204</b>

The aforementioned financial assets were not pledged as collateral. For other credit risk information, please refers to note 6(w).

(e) Other receivables (including related parties)

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Other receivables — related parties	\$ 36,428	42,490	40,575
Other	141,177	93,861	120,512
	<b>\$ 177,605</b>	<b>136,351</b>	<b>161,087</b>

As of September 30, 2020, December 31 and September 30, 2019, the Group had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(w).

(Continued)

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

(f) Inventories

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Raw materials	\$ 1,092,762	2,188,339	1,276,092
Supplies	104,016	108,038	113,558
Work in progress	266,628	315,411	307,293
Finished goods	2,190,278	3,199,202	2,954,227
Merchandise	484,214	603,689	555,766
Total	<u>\$ 4,137,898</u>	<u>6,414,679</u>	<u>5,206,936</u>

The inventories were not pledged as collateral.

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Loss on (reversal of) decline in market value of inventory	\$ (14,948)	17,175	40,341	11,859
Income from sale of scrap	(5,610)	(13,510)	(15,032)	(37,662)
Loss (gain) on physical count	(20)	-	3,268	-
Unallocated production overhead	119,034	69,396	311,180	90,788
Total	<u>\$ 98,456</u>	<u>73,061</u>	<u>339,757</u>	<u>64,985</u>

(g) Investments accounted for under equity method

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Associates	\$ 651,787	635,619	625,034
Joint ventures	392,814	462,972	456,051
	<u>\$ 1,044,601</u>	<u>1,098,591</u>	<u>1,081,085</u>

(i) Associates

For the three months and nine months ended September 30, 2020 and 2019, the Group recognized its share of gain (loss) from the associates of \$66,112 thousand, \$12,492 thousand, \$102,913 thousand and \$85,089 thousand, respectively.

(Continued)



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

	<b>For the nine months ended</b>			
	<b>September 30</b>			
	<u>2020</u>	<u>2019</u>		
Beginning balance of the equity of the associate attributable to the Group	\$ 231,111	219,835		
Current total comprehensive income (loss) of the associate attributable to the Group	47,537	23,840		
Other	(4,906)	(10,380)		
Ending balance of the equity of the associate attributable to the Group	<u>\$ 273,742</u>	<u>233,295</u>		
2) Summary of financial information of Asia Pacific Energy Development Co., Ltd.				
	<b>September 30,</b>	<b>December 31,</b>	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2019</b>	
Current assets	\$ 640,018	546,710	600,262	
Non-current assets	1,010,752	1,070,964	1,123,771	
Current liabilities	(625,869)	(521,129)	(660,081)	
Non-current liabilities	(10,604)	(12,202)	(13,409)	
Equity	<u>\$ 1,014,297</u>	<u>1,084,343</u>	<u>1,050,543</u>	
Equity attributable to the Group	<u>\$ 383,201</u>	<u>409,665</u>	<u>396,895</u>	
	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue	<u>\$ 365,038</u>	<u>367,374</u>	<u>813,308</u>	<u>964,822</u>
Net income of continued operations	\$ 67,819	56,335	146,574	162,119
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ 67,819</u>	<u>56,335</u>	<u>146,574</u>	<u>162,119</u>
Total comprehensive income attributable to the Group	<u>\$ 25,622</u>	<u>21,284</u>	<u>55,376</u>	<u>61,249</u>

(Continued)

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

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance of the equity of the associate attributable to the Group	\$ 404,508	408,632
Current total comprehensive income of the associate attributable to the Group	55,376	61,249
Other	(81,839)	(78,142)
Ending balance of the equity of the associate attributable to the Group	<u>\$ 378,045</u>	<u>391,739</u>

## (ii) Joint ventures

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>
Current assets	\$ 1,096,878	1,515,686	2,173,379
Non-current assets	3,077,842	3,445,188	3,627,628
Current liabilities	(2,116,658)	(1,986,515)	(2,291,683)
Non-current liabilities	(1,345,340)	(2,079,302)	(2,627,245)
Equity	<u>\$ 712,722</u>	<u>895,057</u>	<u>882,079</u>
Equity attributable to the Group	<u>\$ 356,361</u>	<u>447,528</u>	<u>441,039</u>

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue	<u>\$ 1,095,094</u>	<u>1,048,555</u>	<u>2,476,600</u>	<u>3,516,204</u>
Net income (loss) of continued operations	\$ 76,094	(114,012)	(113,704)	100,989
Other comprehensive income (loss)	23,041	-	(13,350)	-
Total comprehensive income (loss)	<u>\$ 99,135</u>	<u>(114,012)</u>	<u>(127,054)</u>	<u>100,989</u>
Total comprehensive income attributable to the Group	<u>\$ 49,568</u>	<u>(57,007)</u>	<u>(63,527)</u>	<u>50,494</u>

(Continued)

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

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Beginning balance of the equity of the joint venture attributable to the Group	\$ 396,539	363,141
Current total comprehensive income (loss) of the joint venture attributable to the Group	(63,527)	50,494
Other	2,089	(23,256)
Ending balance of the equity of the joint venture attributable to the Group	<b>\$ <u>335,101</u></b>	<b><u>390,379</u></b>

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

	<b>September 30, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance of not significant joint venture's equity	<b>\$ <u>57,713</u></b>	<b><u>66,433</u></b>	<b><u>65,672</u></b>	
	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Attributable to the Group:				
Income (loss) from continued operations	\$ (2,141)	1,977	(7,939)	6,382
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<b>\$ <u>(2,141)</u></b>	<b><u>1,977</u></b>	<b><u>(7,939)</u></b>	<b><u>6,382</u></b>

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

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

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

(h) Property, plant and equipment

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

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Construction in progress	Total
Cost:								
Balance at January 1, 2020	\$ 614,101	143,699	4,051,022	20,332,811	244,989	-	2,844,971	28,231,593
Additions	140,061	-	-	3,105	-	-	879,536	1,022,702
Disposals	-	-	(6,619)	(216,155)	(5,410)	-	-	(228,184)
Reclassification	67,307	1,549	19,714	387,872	12,889	-	(438,381)	50,950
Effect on changes in exchange rates	-	(1,949)	(37,520)	(216,559)	(2,943)	-	(42,937)	(301,908)
Balance at September 30, 2020	<u>\$ 821,469</u>	<u>143,299</u>	<u>4,026,597</u>	<u>20,291,074</u>	<u>249,525</u>	<u>-</u>	<u>3,243,189</u>	<u>28,775,153</u>
Balance at January 1, 2019	\$ 614,101	106,999	3,998,164	20,282,127	228,273	94,596	1,210,859	26,535,119
Additions	-	-	-	16,167	239	-	1,751,028	1,767,434
Disposals	-	-	-	(54,905)	(4,639)	-	-	(59,544)
Reclassification	-	1,275	4,025	210,567	17,960	(94,596)	(241,139)	(101,908)
Effect on changes in exchange rates	-	234	(76,108)	(180,627)	(1,850)	-	(24,509)	(282,860)
Balance at September 30, 2019	<u>\$ 614,101</u>	<u>108,508</u>	<u>3,926,081</u>	<u>20,273,329</u>	<u>239,983</u>	<u>-</u>	<u>2,696,239</u>	<u>27,858,241</u>
Depreciation and impairment loss:								
Balance at January 1, 2020	\$ -	90,293	2,314,620	15,614,341	174,944	-	-	18,194,198
Depreciation	-	3,920	100,355	544,015	13,183	-	-	661,473
Disposal	-	-	(3,448)	(191,653)	(4,849)	-	-	(199,950)
Effect on changes in exchange rates	-	(783)	(17,768)	(166,896)	(2,241)	-	-	(187,688)
Balance at September 30, 2020	<u>\$ -</u>	<u>93,430</u>	<u>2,393,759</u>	<u>15,799,807</u>	<u>181,037</u>	<u>-</u>	<u>-</u>	<u>18,468,033</u>
Balance at January 1, 2019	\$ -	88,237	2,236,682	15,270,710	170,641	-	-	17,766,270
Depreciation	-	1,889	97,557	547,597	10,819	-	-	657,862
Disposal	-	-	-	(42,443)	(4,175)	-	-	(46,618)
Effect on changes in exchange rates	-	231	(40,389)	(108,698)	(1,313)	-	-	(150,169)
Balance at September 30, 2019	<u>\$ -</u>	<u>90,357</u>	<u>2,293,850</u>	<u>15,667,166</u>	<u>175,972</u>	<u>-</u>	<u>-</u>	<u>18,227,345</u>
Carrying value:								
January 1, 2020	<u>\$ 614,101</u>	<u>53,406</u>	<u>1,736,402</u>	<u>4,718,470</u>	<u>70,045</u>	<u>-</u>	<u>2,844,971</u>	<u>10,037,395</u>
September 30, 2020	<u>\$ 821,469</u>	<u>49,869</u>	<u>1,632,838</u>	<u>4,491,267</u>	<u>68,488</u>	<u>-</u>	<u>3,243,189</u>	<u>10,307,120</u>
January 1, 2019	<u>\$ 614,101</u>	<u>18,762</u>	<u>1,761,482</u>	<u>5,011,417</u>	<u>57,632</u>	<u>94,596</u>	<u>1,210,859</u>	<u>8,768,849</u>
September 30, 2019	<u>\$ 614,101</u>	<u>18,151</u>	<u>1,632,231</u>	<u>4,606,163</u>	<u>64,011</u>	<u>-</u>	<u>2,696,239</u>	<u>9,630,896</u>

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

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

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

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2020	\$ 663,708	383,925	471,843	34,216	1,553,692
Additions	-	20,970	56,885	2,523	80,378
Lease modification	-	(143,115)	-	(2,548)	(145,663)
Reclassify to construction in progress	(94,596)	-	-	-	(94,596)
Amortization to operating costs and inventories	-	(5,137)	(56,900)	-	(62,037)
Effect on changes in foreign exchange rates	(8,743)	(5,264)	(5,330)	(928)	(20,265)
Balance at September 30, 2020	<u>\$ 560,369</u>	<u>251,379</u>	<u>466,498</u>	<u>33,263</u>	<u>1,311,509</u>
Balance at January 1, 2019	\$ 681,888	396,904	565,489	29,829	1,674,110
Additions	187	12,777	-	-	12,964
Lease modification	-	(10,893)	(496)	5,127	(6,262)
Amortization to operating costs and inventories	-	(26,557)	(37,195)	-	(63,752)
Effect on changes in exchange rates	(12,194)	(127)	(13,133)	50	(25,404)
Balance at September 30, 2019	<u>\$ 669,881</u>	<u>372,104</u>	<u>514,665</u>	<u>35,006</u>	<u>1,591,656</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 130,190	68,316	14,551	9,064	222,121
Depreciation	10,343	54,664	3,608	7,868	76,483
Lease modification	-	(21,692)	-	(510)	(22,202)
Effect on changes in exchange rates	(1,655)	(1,411)	(562)	(386)	(4,014)
Balance at September 30, 2020	<u>\$ 138,878</u>	<u>99,877</u>	<u>17,597</u>	<u>16,036</u>	<u>272,388</u>
Balance at January 1, 2019	\$ 120,302	-	-	-	120,302
Depreciation	10,888	53,087	11,258	6,703	81,936
Effect on changes in exchange rates	(3,609)	(534)	(5)	(44)	(4,192)
Balance at September 30, 2019	<u>\$ 127,581</u>	<u>52,553</u>	<u>11,253</u>	<u>6,659</u>	<u>198,046</u>
Carrying value:					
January 1, 2020	<u>\$ 533,518</u>	<u>315,609</u>	<u>457,292</u>	<u>25,152</u>	<u>1,331,571</u>
September 30, 2020	<u>\$ 421,491</u>	<u>151,502</u>	<u>448,901</u>	<u>17,227</u>	<u>1,039,121</u>
January 1, 2019	<u>\$ 561,586</u>	<u>396,904</u>	<u>565,489</u>	<u>29,829</u>	<u>1,553,808</u>
September 30, 2019	<u>\$ 542,300</u>	<u>319,551</u>	<u>503,412</u>	<u>28,347</u>	<u>1,393,610</u>

(j) Investment property

**Owned property**  
**Buildings**

Carrying value:

January 1, 2020	<u>\$ 1,581,599</u>
September 30, 2020	<u>\$ 1,570,555</u>
January 1, 2019	<u>\$ 1,596,324</u>
September 30, 2019	<u>\$ 1,585,280</u>

There were no significant additions, disposals, or recognition and reversal of impairment losses of the Group's investment properties for the nine months ended September 30, 2020 and 2019. The related information is provided in note 6(j) to the consolidated financial statements for the year ended December 31, 2019.

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

(k) Intangible assets

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

	Industrial technology and know- how	Computer software	Goodwill	Patent and trademark	Customer relationship	Non- compe- te agreement	Total
Costs:							
Balance at January 1, 2020	\$ 995,035	246,832	206,793	592,543	1,080,805	9,032	3,131,040
Additions	25,300	148	-	-	-	-	25,448
Reclassification	-	9,103	-	-	-	-	9,103
Effect of changes in exchange rates	(29,611)	(851)	(6,731)	(19,290)	(35,182)	(294)	(91,959)
Balance at September 30, 2020	<u>\$ 990,724</u>	<u>255,232</u>	<u>200,062</u>	<u>573,253</u>	<u>1,045,623</u>	<u>8,738</u>	<u>3,073,632</u>
Balance at January 1, 2019	\$ 1,021,038	244,543	211,100	604,885	1,103,315	9,220	3,194,101
Additions	-	3,740	-	-	-	-	3,740
Disposals	-	(413)	-	-	-	-	(413)
Effect of changes in exchange rates	1,076	(2,092)	2,122	6,079	11,093	93	18,371
Balance at September 30, 2019	<u>\$ 1,022,114</u>	<u>245,778</u>	<u>213,222</u>	<u>610,964</u>	<u>1,114,408</u>	<u>9,313</u>	<u>3,215,799</u>
Amortization and impairment losses:							
Balance at January 1, 2020	\$ 491,771	234,745	-	200,235	525,372	9,032	1,461,155
Amortization	37,301	9,397	-	17,515	43,040	-	107,253
Impairment loss	67,186	-	205,109	143,021	84,931	-	500,247
Effect of changes in exchange rates	(16,784)	(816)	(5,047)	(10,470)	(20,251)	(294)	(53,662)
Balance at September 30, 2020	<u>\$ 579,474</u>	<u>243,326</u>	<u>200,062</u>	<u>350,301</u>	<u>633,092</u>	<u>8,738</u>	<u>2,014,993</u>
Balance at January 1, 2019	\$ 458,237	219,742	-	180,282	475,019	9,220	1,342,500
Amortization	37,685	13,932	-	18,283	46,454	-	116,354
Disposals	-	(413)	-	-	-	-	(413)
Effect of changes in exchange rates	(4,161)	(2,056)	-	1,804	4,755	93	435
Balance at September 30, 2019	<u>\$ 491,761</u>	<u>231,205</u>	<u>-</u>	<u>200,369</u>	<u>526,228</u>	<u>9,313</u>	<u>1,458,876</u>
Carrying value:							
January 1, 2020	<u>\$ 503,264</u>	<u>12,087</u>	<u>206,793</u>	<u>392,308</u>	<u>555,433</u>	<u>-</u>	<u>1,669,885</u>
September 30, 2020	<u>\$ 411,250</u>	<u>11,906</u>	<u>-</u>	<u>222,952</u>	<u>412,531</u>	<u>-</u>	<u>1,058,639</u>
January 1, 2019	<u>\$ 562,801</u>	<u>24,801</u>	<u>211,100</u>	<u>424,603</u>	<u>628,296</u>	<u>-</u>	<u>1,851,601</u>
September 30, 2019	<u>\$ 530,353</u>	<u>14,573</u>	<u>213,222</u>	<u>410,595</u>	<u>588,180</u>	<u>-</u>	<u>1,756,923</u>

(i) Amortization of intangible assets

For the nine months ended September 30, 2020 and 2019, the amortization of intangible assets are included in the statement of comprehensive income:

	For the nine months ended September 30	
	2020	2019
Operating costs	\$ 3,852	4,776
Operating expenses	103,401	111,578
	<u>\$ 107,253</u>	<u>116,354</u>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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(ii) Impairment Testing

The goodwill and other intangible assets, which were mainly from the expected production of Dexco Polymers LP Synthetic rubber products' revenue growth in the United States and Europe market amounting to USD90,569 thousand, were generated and recognized by TSRC (USA) Investment Corporation when acquiring Dexco Polymers LP and Dexco Polymers Operating LLC in April 2010. In the third quarter of 2020, the global economic recession caused by COVID-19, as well as the delay of customers' shipments resulted in a decline in operations and profits, and indication of impairment.

For the purposes of impairment testing, goodwill is allocated to each of the acquirer's cash-generating units that are expected to benefit from the synergies of the combination. TSRC (USA) Investment Corporation itself is a separate cash-generating unit that cannot generate independent cash inflows; therefore, the impairment of goodwill and other intangible assets (including technical know-hows, patents, trademarks and customer relationships) are calculated at fair value after the merger of Dexco Polymers LP by TSRC (USA) Investment Corporation, minus the cost of disposal and the book value of net assets, in assessing whether impairment should be recognized.

For the abovementioned impairment testing as of September 30, 2020, the fair value of intangible assets, minus disposal costs, were lower than the book value of net assets, wherein the amount of impairment loss were recognized as follows:

<u>Goodwill</u>	<u>Know-how</u>	<u>Patent</u>	<u>Trademark</u>	<u>Customer relationship</u>	<u>Total</u>
\$ <u>205,109</u>	<u>67,186</u>	<u>96,503</u>	<u>46,518</u>	<u>84,931</u>	<u>500,247</u>

The cash-generating unit used the financial data of July 31, 2020 as the measurement base date, wherein the measurement of the recoverable amount was determined using the fair value, less disposal cost, based on the market and income approach. The amount of fair value, less disposal cost, was estimated by using the discounted cash flow. The measurement of fair value uses the significant unobservable input classified into the third level.

The following are the key assumptions used in estimating the recoverable amount. The values of these key assumptions represent the management's assessment of the future trends of related industries and the consideration of historical information from internal and external sources.

	<u>2020.7.31</u>
Discount rate	10.2%
Revenue growth rate	0.9%~7%

The discount rate and the cash flow were estimated based on the industry weighted average capital cost and the five-year financial forecast approved by the management, respectively. In addition, the cash flow over five years was estimated based on different growth rates for each product over the subsequent years.

The intangible assets of the Group had not been impaired as of December 31 and September 30, 2019.

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**TSRC CORPORATION AND SUBSIDIARIES**  
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(iii) The Group did not pledge any collateral on intangible assets.

(l) Short-term and long-term borrowings

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

(i) Short-term bank borrowings

<b>September 30, 2020</b>				
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>	<b>The unused credit facilities</b>
Unsecured loans	0.38~4.35	2020~2021	<u>\$ 4,248,900</u>	<u>18,290,086</u>
<b>December 31, 2019</b>				
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>	<b>The unused credit facilities</b>
Unsecured loans	0.40~5.22	2020	<u>\$ 4,729,148</u>	<u>16,600,631</u>
<b>September 30, 2019</b>				
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>	<b>The unused credit facilities</b>
Unsecured loans	0.32~5.22	2019~2020	<u>\$ 5,018,077</u>	<u>16,765,945</u>

(ii) Long-term borrowings

1) Long-term bank borrowings

<b>September 30, 2020</b>			
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	1.55~4.38	2021~2023	\$ 621,709
Unsecured loans	1~5.08	2020~2025	<u>3,942,655</u>
Total			<u>\$ 4,564,364</u>
Current			\$ 1,130,577
Non-current			<u>3,433,787</u>
Total			<u>\$ 4,564,364</u>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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<b>December 31, 2019</b>			
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	3.26~4.38	2020~2023	\$ 991,113
Unsecured loans	1.12~5.08	2020~2023	3,968,827
Total			<b>\$ 4,959,940</b>
Current			\$ 287,235
Non-current			4,672,705
Total			<b>\$ 4,959,940</b>
<b>September 30, 2019</b>			
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	3.43~4.38	2020~2023	\$ 788,020
Unsecured loans	1.12~5.08	2019~2023	4,237,303
Total			<b>\$ 5,025,323</b>
Current			\$ 454,663
Non-current			4,570,660
Total			<b>\$ 5,025,323</b>

For the nine months ended September 30, 2020 and 2019, the Group repaid the amounts of \$582,209 thousand and \$643,301 thousand, respectively, for its long-term borrowings, wherein the proceeds amounting to \$217,986 thousand and \$1,117,623 thousand bore the interest rates of 1.00%~5.08% and 1.12%~5.08%, as well as maturities ranging from May 2022 to June 2025 and May 2020 to November 2022, respectively. Among the increase in long-term borrowings is the participation of Dexco Polymers L.P. in the federal government's Paycheck Protection Program, of which the amount of \$56,796 thousand (USD1,950 thousand) bore the interest rate of 1%. According to the loan contract, if Dexco Polymers L.P., has maintained its number of employees and salary levels, and the relevant salary, rent, utility expenses, have met all the required ratios defined in the contract for eight weeks since the date of the loan signature, wherein the full forgiveness of loan balance can be applied. As of the reporting date, the relevant forgiveness amount has been applied to the bank for review. In addition, the Group applied for the "Taiwanese business return to Taiwan investment project loan" amounting to \$478,000 thousand, in 2020, in which the line of credit of \$70,676 thousand had already been used, and the interest rate of the loan had been measured based on the market interest rate of 1.2%. The difference between the actual interest rate of 0.45% and the market interest rate of 1.2% will be recognized as a government subsidy under deferred income. Other information is provided in note 6(m) of the consolidated financial statements for the year ended December 31, 2019.

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Long-term commercial paper payable	\$ 350,000	350,000	350,000
Less: discount on long-term commercial paper payable	<u>90</u>	<u>713</u>	<u>110</u>
Total	<u>\$ 349,910</u>	<u>349,287</u>	<u>349,890</u>
Interest rate	<u>1.1777%</u>	<u>1.3270%</u>	<u>1.2770%</u>

The Group entered into a loan agreement concerning the issuance of commercial paper with a financial institution in February 2018. Based on the contract, the Group is allowed to issue the commercial paper circularly, with a guarantee from the bank, for 30 days to one year within a period of five years. The credit facility amounted to \$500,000 thousand, with the renewal amount that should not be less than 70%.

(m) Current provisions (recorded as other payable)

	<u>Provision for defective products</u>
Balance at January 1, 2020	\$ 18,017
Increase in provisions	12,828
Reversal of unused provisions	(17,857)
Effect on changes in exchange rates	<u>(216)</u>
Balance at September 30, 2020	<u>\$ 12,772</u>
Balance at January 1, 2019	\$ 27,128
Increase in provisions	19,885
Provisions used	(33)
Reversal of unused provisions	(24,446)
Effect on changes in exchange rates	<u>(270)</u>
Balance at September 30, 2019	<u>\$ 22,264</u>

(n) Lease liabilities

The Group's lease liabilities were as follow:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Current	<u>\$ 157,036</u>	<u>175,942</u>	<u>165,315</u>
Non-current	<u>\$ 495,122</u>	<u>685,689</u>	<u>751,370</u>

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

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The amounts recognized in profit or loss were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ <u>1,241</u>	<u>2,217</u>	<u>5,497</u>	<u>7,820</u>
Expenses relating to short-term leases	\$ <u>336</u>	<u>1,543</u>	<u>1,501</u>	<u>3,080</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>13,921</u>	<u>5,826</u>	<u>25,605</u>	<u>14,224</u>

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

	<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	\$ <u>160,833</u>	<u>172,756</u>

(o) Employee benefits

(i) Defined benefit plans

The Group allocated the pension fund in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and contributed \$57,226 thousand and \$51,960 thousand to the Bank of Taiwan labor pension reserve account in March 2020 and March 2019, respectively. Since there were no significant market fluctuations, curtailments, settlements, or other one-off events after the prior financial year ended, the Group adopted the pension cost rate from the actuarial valuation as of December 31, 2019 and 2018 .

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating costs	\$ 997	1,132	3,003	3,434
Operating expenses	685	755	2,044	2,230
	\$ <u>1,682</u>	<u>1,887</u>	<u>5,047</u>	<u>5,664</u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
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(ii) Defined contribution plans

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating costs	\$ 7,791	16,625	24,300	59,695
Operating expenses	<u>6,354</u>	<u>8,508</u>	<u>19,649</u>	<u>30,248</u>
	<b><u>\$ 14,145</u></b>	<b><u>25,133</u></b>	<b><u>43,949</u></b>	<b><u>89,943</u></b>

(p) Income tax

The components of income tax expense were as follows:

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Current income tax expense				
Current period	\$ 128,155	59,728	334,779	205,904
Adjustment for prior periods	<u>(38)</u>	<u>(198)</u>	<u>4,470</u>	<u>(219)</u>
	<u>128,117</u>	<u>59,530</u>	<u>339,249</u>	<u>205,685</u>
Deferred tax expense				
Origination and reversal of temporary differences	<u>(115,694)</u>	<u>13,105</u>	<u>(141,743)</u>	<u>102,099</u>
Income tax expenses of continued operations	<b><u>\$ 12,423</u></b>	<b><u>72,635</u></b>	<b><u>197,506</u></b>	<b><u>307,784</u></b>

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

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(q) Capital and other equity

Except as explained in the following paragraphs, there were no significant changes in the capital and other equity during the nine months ended September 30, 2020 and 2019. Please refer to note 6(s) to the consolidated financial statements for the year ended December 31, 2019 for the related information.

(i) Retained earnings — earnings distribution

In accordance with the Company's articles of incorporation amended on June 19, 2020, when allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, and paying taxes, and setting aside any statutory and appropriated retained earnings of 10% by ordinary resolution, may draw up the allocation of the balance remaining as bonuses, dividends, retained earnings or otherwise. The allocation shall be proposed by the Board of Directors and shall be resolved at the shareholders' general meeting. However, dividends issued in cash may be passed by the Board of Directors with more than two-thirds of the directors' attendance, and be resolved by more than half of the directors, then be reported to the shareholders' general meeting.

In accordance with the original Company's articles of incorporation, when allocating the earnings for each fiscal year, the Company may, after offsetting losses from previous years, after paying taxes as per the law, and after 10% of the statutory surplus reserve is raised before the special surplus reserve is set up or turned over under the Securities and Exchange Act, the balances, when added to the unallocated surplus in the preceding period, are thereafter available for distribution and a surplus allocation proposal is submitted.

For the distribution based on the above of paragraph, the cash dividend shall not be less than 20% of the total distribution.

The above-mentioned distribution of surplus shall be drawn up by the Board of Directors and shall be submitted to the shareholders' meeting for resolution.

The distribution of 2019 and 2018 earnings as dividends to stockholders that were approved by the Company's shareholders' general meetings on June 19, 2020, and June 6, 2019, respectively, were as follows:

	<u>2019</u>	<u>2018</u>
Dividends distributed to common shareholders:		
Cash	\$ <u>412,855</u>	<u>809,195</u>

(Continued)



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(ii) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2020	\$ 23,383	711,094	(80,526)	653,951
Foreign exchange differences arising from foreign operations	(310,129)	-	-	(310,129)
Exchange differences on translation financial statements from investments accounted for using equity method	5,624	-	-	5,624
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(50,009)	-	(50,009)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(84,323)	-	(84,323)
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-	(1,689)	(1,689)
Balance as of September 30, 2020	<u>\$ (281,122)</u>	<u>576,762</u>	<u>(82,215)</u>	<u>213,425</u>
Balance as of January 1, 2019	\$ 465,589	801,805	(68,134)	1,199,260
Foreign exchange differences arising from foreign operations	(150,086)	-	-	(150,086)
Exchange differences on translation financial statements from investments accounted for using equity method	(25,963)	-	-	(25,963)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	206,084	-	206,084
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(91,064)	-	(91,064)
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-	(15,542)	(15,542)
Balance as of September 30, 2019	<u>\$ 289,540</u>	<u>916,825</u>	<u>(83,676)</u>	<u>1,122,689</u>

(r) Earnings (losses) per share

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

(i) Basic earnings (losses) per share

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Net income (loss) attributable to common shareholders of the Company	<u>\$ (231,268)</u>	<u>18,779</u>	<u>(289,482)</u>	<u>635,922</u>
Weighted-average number of common shares (in thousands)	<u>825,710</u>	<u>825,710</u>	<u>825,710</u>	<u>825,710</u>
Basic earnings (losses) per share (NT Dollars)	<u>\$ (0.28)</u>	<u>0.02</u>	<u>(0.35)</u>	<u>0.77</u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
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(ii) Diluted earnings (losses) per share

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Net income (loss) attributable to common shareholders of the Company (diluted)	\$ <u>(231,268)</u>	<u>18,779</u>	<u>(289,482)</u>	<u>635,922</u>
Weighted-average number of common shares (basic) (in thousands)	825,710	825,710	825,710	825,710
Impact on potential common shares				
Effect of employees' compensation (in thousands)	<u>-</u>	<u>1,079</u>	<u>-</u>	<u>1,695</u>
Weighted-average number of shares outstanding (diluted) (in thousands)	<u>825,710</u>	<u>826,789</u>	<u>825,710</u>	<u>827,405</u>
Diluted earnings (losses) per share (NT Dollars)	<u>\$ (0.28)</u>	<u>0.02</u>	<u>(0.35)</u>	<u>0.77</u>

(s) Employees' compensation and directors' remuneration

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company should contribute more than 1% of its profit as employees' compensation, and less than 1% as directors' remuneration. The related regulations on distribution of employees' compensation and directors' remuneration were approved by the Board of Directors.

For the three months and nine months ended September 30, 2020 and 2019, the recognized amounts of employees' bonuses were \$0 thousand, \$3,700 thousand, \$0 thousand and \$25,900 thousand, respectively, and the recognized amounts of directors' remuneration were \$0 thousand, \$487 thousand, \$0 thousand and \$7,045 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. If there are any subsequent adjustments to the actual remuneration amounts, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

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

(Continued)

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(t) Revenue from contracts with customers

	<b>For the three months ended September 30, 2020</b>		
	<b>Synthetic rubber</b>	<b>Non-synthetic rubber</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 3,905,680	210,939	4,116,619
Americas	780,821	(3)	780,818
Europe	567,419	26	567,445
Others	142,478	-	142,478
	<b>\$ 5,396,398</b>	<b>210,962</b>	<b>5,607,360</b>
Major product lines:			
Synthetic rubber / elastomers	5,204,644	-	5,204,644
Applied materials	-	206,975	206,975
Others	191,754	3,987	195,741
	<b>\$ 5,396,398</b>	<b>210,962</b>	<b>5,607,360</b>
	<b>For the three months ended September 30, 2019</b>		
	<b>Synthetic rubber</b>	<b>Non-synthetic rubber</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 4,582,149	398,943	4,981,092
Americas	990,857	4,353	995,210
Europe	744,426	-	744,426
Others	197,638	-	197,638
	<b>\$ 6,515,070</b>	<b>403,296</b>	<b>6,918,366</b>
Major product lines:			
Synthetic rubber / elastomers	6,131,229	-	6,131,229
Applied materials	-	402,111	402,111
Others	383,841	1,185	385,026
	<b>\$ 6,515,070</b>	<b>403,296</b>	<b>6,918,366</b>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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	<b>For the nine months ended September 30, 2020</b>		
	<b>Synthetic rubber</b>	<b>Non-synthetic rubber</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 12,096,431	584,775	12,681,206
Americas	2,648,070	5,291	2,653,361
Europe	1,872,733	26	1,872,759
Others	429,219	-	429,219
	<b>\$ 17,046,453</b>	<b>590,092</b>	<b>17,636,545</b>
Major product lines:			
Synthetic rubber / elastomers	16,526,675	-	16,526,675
Applied materials	-	577,852	577,852
Others	519,778	12,240	532,018
	<b>\$ 17,046,453</b>	<b>590,092</b>	<b>17,636,545</b>

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

## (u) Other income and expenses

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Rental income	\$ 16,246	4,837	48,310	30,889
Royalty income	22,705	23,195	59,365	72,356
Net service income	2,558	3,837	9,230	8,358
Depreciation of investment properties	(3,681)	(3,681)	(11,044)	(11,044)
Net other income	2,151	5,961	16,567	23,655
Other income and expenses	<b>\$ 39,979</b>	<b>34,149</b>	<b>122,428</b>	<b>124,214</b>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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(v) Non-operating income and expenses

(i) Interest income

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest income from bank deposits	\$ <u>9,176</u>	<u>21,653</u>	<u>39,073</u>	<u>72,047</u>

(ii) Other gains

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Dividend income	\$ <u>34,054</u>	<u>46,862</u>	<u>62,339</u>	<u>69,490</u>

(iii) Other gains and losses

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Loss on disposal of property, plant and equipment	\$ (12,282)	(125)	(27,848)	(12,523)
Foreign exchange gain (loss), net	21,193	(19,020)	34,277	(5,823)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(17,746)	28,071	(12,262)	39,377
Impairment loss on intangible assets	(500,247)	-	(500,247)	-
Other gains and losses	<u>8,084</u>	<u>(15,896)</u>	<u>13,250</u>	<u>(12,214)</u>
Other gains and losses, net	\$ <u>(500,998)</u>	<u>(6,970)</u>	<u>(492,830)</u>	<u>8,817</u>

(iv) Finance costs

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Interest expense	\$ <u>23,300</u>	<u>46,541</u>	<u>95,911</u>	<u>146,993</u>

(Continued)

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

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

(i) Liquidity risk

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

	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>September 30, 2020</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 4,257,932	4,098,590	159,342	-	-	-
Accounts payable	916,161	916,161	-	-	-	-
Other payables	1,031,299	1,031,299	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	5,055,101	561,669	653,527	2,545,568	1,294,337	-
Lease liabilities	659,469	71,881	71,881	118,001	194,619	203,087
Deposits received	60,741	-	-	60,741	-	-
Derivative financial liabilities						
Other swap contracts/other forward contracts:						
Outflow	10,010	10,010	-	-	-	-
	<u>\$ 11,990,713</u>	<u>6,689,610</u>	<u>884,750</u>	<u>2,724,310</u>	<u>1,488,956</u>	<u>203,087</u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 4,745,864	4,468,550	277,314	-	-	-
Accounts payable	2,451,764	2,451,764	-	-	-	-
Other payables	1,309,810	1,309,810	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	5,511,811	188,214	232,521	3,195,864	1,895,212	-
Lease liabilities	920,136	91,830	91,830	158,655	310,188	267,633
Deposits received	54,206	-	-	54,206	-	-
Derivative financial liabilities						
Other swap contracts:						
Outflow	5,672	5,672	-	-	-	-
	<u>\$ 14,999,263</u>	<u>8,515,840</u>	<u>601,665</u>	<u>3,408,725</u>	<u>2,205,400</u>	<u>267,633</u>
<b>September 30, 2019</b>						
Non-derivative financial liabilities						
Short-term borrowings	\$ 5,071,878	4,685,276	386,602	-	-	-
Accounts payable (including related parties)	1,147,673	1,147,673	-	-	-	-
Other payables	1,095,968	1,095,968	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	5,406,736	269,035	687,911	1,152,784	3,297,006	-
Lease liabilities	953,647	87,183	87,183	158,643	402,511	218,127
Deposits received	50,213	-	-	50,213	-	-
Derivative financial liabilities						
Other swap contracts/other forward contracts:						
Outflow	25	25	-	-	-	-
	<u>\$ 13,726,140</u>	<u>7,285,160</u>	<u>1,161,696</u>	<u>1,361,640</u>	<u>3,699,517</u>	<u>218,127</u>

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

(ii) Currency risk

1) Risk exposure

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

	<b>Foreign currency (thousand dollars)</b>	<b>Exchange rate</b>	<b>NTD</b>
<b>September 30, 2020</b>			
Financial assets:			
Monetary assets:			
USD	\$ 64,348	29.1260	1,874,200
EUR	\$ 8,002	34.1706	273,433
JPY	\$ 49,955	0.2758	13,778
CNY	\$ 19,437	4.2733	83,060
Financial liabilities:			
Monetary liabilities:			
USD	\$ 64,222	29.1260	1,870,530
EUR	\$ 6,173	34.1706	210,935
JPY	\$ 30,753	0.2758	8,482
<b>December 31, 2019</b>			
Financial assets:			
Monetary assets:			
USD	\$ 56,148	30.1060	1,690,392
EUR	\$ 13,368	33.7488	451,154
JPY	\$ 89,008	0.2771	24,664
CNY	\$ 19,094	4.3231	82,545
Financial liabilities:			
Monetary liabilities:			
USD	\$ 55,402	30.1060	1,667,933
EUR	\$ 10,712	33.7488	361,517
JPY	\$ 66,081	0.2771	18,311

(Continued)

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

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had depreciated / appreciated by 1%, the Group's net income before tax would have increased/decreased by \$1,545 thousand and \$1,556 thousand for the nine months ended September 30, 2020 and 2019, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

Since the Group has many kinds of functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by gross amount. For the nine months ended September 30, 2020 and 2019, foreign exchange gain (including realized and unrealized) amounting to \$22,015 thousand and \$33,554 thousand, respectively.

2) Interest rate risk analysis

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

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

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have decreased / increased by \$68,724 thousand and \$77,950 thousand for the nine months ended September 30, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

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## (iii) Fair value

## 1) Hierarchy and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value. No additional fair value disclosure is required in accordance to the regulations.

	September 30, 2020				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 2,622	-	2,622	-	2,622
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	971,685	-	-	971,685	971,685
Total	<u>\$ 974,307</u>	<u>-</u>	<u>2,622</u>	<u>971,685</u>	<u>974,307</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 10,010	-	10,010	-	10,010
	December 31, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 14	-	14	-	14
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	115,200	115,200	-	-	115,200
Unlisted stocks (domestic and overseas)	1,022,688	-	-	1,022,688	1,022,688
Subtotal	<u>1,137,888</u>	<u>115,200</u>	<u>-</u>	<u>1,022,688</u>	<u>1,137,888</u>
Total	<u>\$ 1,137,902</u>	<u>115,200</u>	<u>14</u>	<u>1,022,688</u>	<u>1,137,902</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 5,672	-	5,672	-	5,672

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	September 30, 2019				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 4,859	-	4,859	-	4,859
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	238,310	238,310	-	-	238,310
Unlisted stocks (domestic and overseas)	1,144,606	-	-	1,144,606	1,144,606
Subtotal	1,382,916	238,310	-	1,144,606	1,382,916
Total	<u>\$ 1,387,775</u>	<u>238,310</u>	<u>4,859</u>	<u>1,144,606</u>	<u>1,387,775</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 4,949	-	25	-	25

2) Valuation techniques and assumptions used in fair value determination

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

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2020	\$ 1,022,688
Total gains:	
Recognized in other comprehensive income	(51,003)
Balance at September 30, 2020	<u>\$ 971,685</u>
Balance at January 1, 2019	\$ 994,175
Total gains:	
Recognized in other comprehensive income	150,431
Balance at September 30, 2019	<u>\$ 1,144,606</u>

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>· Multipliers of price-to-earnings ratios as of September 30, 2020, December 31, 2019 and September 30, 2019 were 17.07~17.35, 15.79~17.41 and 11.8~20.97, respectively</li> <li>· Multipliers of equity ratios as of September 30, 2020 and December 31, 2019 were 1.18 and 1.17, respectively</li> <li>· Market illiquidity discount rate as of September 30, 2020, December 31, 2019 and September 30, 2019 was all 20%</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>· multipliers of price-to-earning ratios and multipliers of equity ratios was higher (lower)</li> <li>· the market illiquidity discount was lower (higher)</li> </ul>

(Continued)

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

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>September 30, 2020</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 12,149	(12,149)
<b>December 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 12,809	(12,809)
<b>September 30, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 14,305	(14,305)

The favorable and unfavorable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (x) Financial risk management

The objectives and policies of the Group's financial risk management are the same as those in note 6(aa) to the consolidated financial statements for the year ended December 31, 2019.

- (y) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2019. There were no significant changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2019. For further information, please refer to note 6(ab) to the consolidated financial statements for the year ended December 31, 2019.

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

The Group did not have non-cash flow transactions on investing and financing activities for the nine months ended September 30, 2020 and 2019.

(Continued)

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

(aa) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the nine months ended September 30, 2020 and 2019 was as follows:

	January 1, 2020	Cash flows	Non-cash changes			September 30, 2020
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Long-term borrowings (including current portion)	\$ 4,959,940	(364,223)	(31,353)	-	-	4,564,364
Other long-term borrowings	349,287	-	-	623	-	349,910
Short-term borrowings	4,729,148	(553,909)	73,661	-	-	4,248,900
Lease liabilities	861,631	(129,799)	(2,479)	3,928	(81,123)	652,158
Total liabilities from financing activities	<u>\$ 10,900,006</u>	<u>(1,047,931)</u>	<u>39,829</u>	<u>4,551</u>	<u>(81,123)</u>	<u>9,815,332</u>

  

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

(7) Related-party transactions

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Indian Synthetic Rubber Private Limited	The Group recognized joint venture under equity method
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	The Group recognized associates under equity method
Asia Pacific Energy Development Co., Ltd.	//
Nantong Qix Storage Co., Ltd.	The Group recognized joint venture under equity method
Marubeni Corporation	Corporate director of one consolidated entity
UBE Industrial Ltd.	//
Metropolis Property Management Corporation	Other related parties of the Group
Continental Engineering Corporation	//
WFV Corporation	//
UBE (Shanghai) Ltd.	Subsidiary of corporate director of one consolidated entity

(Continued)

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

(b) Significant transactions with related parties

(i) Operating revenue

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Associates	\$ <u>(3)</u>	<u>13,068</u>	<u>5,776</u>	<u>30,048</u>

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

(ii) Purchases

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Other related parties	\$ <u>13,294</u>	<u>565</u>	<u>103,116</u>	<u>231,493</u>

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

(iii) Service income and expenses

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

	<b>For the three months ended September 30</b>		<b>For the nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Associates				
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 36,924	36,393	106,383	112,670
Joint ventures				
Indian Synthetic Rubber Private Limited	9,967	13,467	27,816	42,346
Others	693	734	2,095	2,602
Other related parties				
Others	<u>(4,328)</u>	<u>(3,453)</u>	<u>(12,116)</u>	<u>(10,020)</u>
	<u>\$ 43,256</u>	<u>47,141</u>	<u>124,178</u>	<u>147,598</u>

(Continued)

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

## (iv) Lease – Rent income

	For the three months ended September 30		For the nine months ended September 30	
	2020	2019	2020	2019
Other related parties	\$ 1,118	1,110	3,360	3,329

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

## (v) Receivables from related parties

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

Account	Type of related parties	September 30, 2020	December 31, 2019	September 30, 2019
Other receivables	Associates			
	ARLANXEO- TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 21,320	24,403	23,689
Other receivables	Joint ventures			
	Indian Synthetic Rubber Private Limited	14,876	17,541	16,647
	Others	232	546	239
		\$ 36,428	42,490	40,575

## (vi) Payables to related parties

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

Account	Type of related parties	September 30, 2020	December 31, 2019	September 30, 2019
Accounts payable	Other related parties	\$ -	59,418	-
Other payables	Other related parties	1,185	910	877
		\$ 1,185	60,328	877

(Continued)

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

(vii) Guarantees

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Associates			
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 768,996	1,113,557	772,331
Joint ventures			
Indian Synthetic Rubber Private Limited	969,896	1,431,541	1,476,047
	<u>\$ 1,738,892</u>	<u>2,545,098</u>	<u>2,248,378</u>

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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Associates			
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 1,695	4,080	921
Joint ventures			
Indian Synthetic Rubber Private Limited	32,950	15,147	17,421
	<u>\$ 34,645</u>	<u>19,227</u>	<u>18,342</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>For the three months ended September 30</u>		<u>For the nine months ended September 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 29,907	27,952	88,438	83,564
Post-employment benefits	341	383	910	1,151
	<u>\$ 30,248</u>	<u>28,335</u>	<u>89,348</u>	<u>84,715</u>

(Continued)



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

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
Restricted savings deposits (recorded as other non-current assets)	Bank guarantee for electricity usage	\$ 1,194	1,233	-
Machinery etc. (recorded as property, plant and equipment)	Guarantee for long-term borrowings	283,309	317,610	349,856
		<u>\$ 284,503</u>	<u>318,843</u>	<u>349,856</u>

**(9) Commitments and contingencies**

(a) The unused letters of credit outstanding

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
The Group's unused letters of credit outstanding	<u>\$ 919,369</u>	<u>1,898,743</u>	<u>1,376,279</u>

(b) Total amounts and the cumulative payments of group's signed construction and design contracts with several vendors as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2019</u>
The total amounts of construction in progress contracts	<u>\$ 2,817,975</u>	<u>2,222,624</u>	<u>2,168,157</u>
Cumulative payments	<u>\$ 1,918,722</u>	<u>1,665,915</u>	<u>1,499,588</u>

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

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

(Continued)

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

**(12) Other**

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

By nature	Three months ended September 30, 2020			Three months ended September 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	236,627	158,385	395,012	257,872	172,584	430,456
Labor and health insurance	20,899	13,832	34,731	22,186	14,759	36,945
Pension	8,788	7,039	15,827	17,757	9,263	27,020
Others (note 1)	34,596	13,005	47,601	37,872	20,215	58,087
Depreciation (note 2)	190,057	49,230	239,287	190,992	43,318	234,310
Amortization	1,271	30,974	32,245	1,630	37,267	38,897

By nature	Nine months ended September 30, 2020			Nine months ended September 30, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	760,293	501,378	1,261,671	769,819	513,012	1,282,831
Labor and health insurance	60,880	42,225	103,105	67,312	45,027	112,339
Pension	27,303	21,693	48,996	63,129	32,478	95,607
Others (note 1)	101,222	36,775	137,997	116,577	59,827	176,404
Depreciation (note 2)	594,946	143,010	737,956	610,675	129,123	739,798
Amortization	3,852	103,401	107,253	4,776	111,578	116,354

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

Note 2: Depreciation expenses for investment property recognized under other income and expenses amounting to \$3,681 thousand, \$3,681 thousand, \$11,044 thousand and \$11,044 thousand for the three months and nine months ended September 30, 2020 and 2019 were excluded.

(b) Seasonality or cyclicity of interim operations

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

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

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

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

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

Unit: thousand NTD

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	265,847	226,485	141,019	3.915%	2	-	Operating capital	-		-	245,514 (Note 1)	491,027 (Note 2)

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 10% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.

Note 2: The maximum loan extended to all parties of TSRC (Shanghai) Industries Ltd. should not be over 40% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly by TSRC, the total loan limit should not be over 100% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 3: TSRC (Shanghai) Industries Ltd., and TSRC (Nantong) Industries Ltd. are 100.00% owned by TSRC.

Note 4: Credit period: The financing period should not be over one year.

Note 5: Loans to other parties numbering is as follows:

- (1) if it's ordinary business relationship, the number is "1".
- (2) if it needs short-term financial funds, the number is "2".

Note 6: The transactions within the Group were eliminated in the consolidated financial statements.

##### (ii) Guarantees and endorsements for other parties:

Unit: thousand NTD

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements / guarantees to third parties on behalf of company in Mainland China
		Name	Relationship with the company										
0	TSRC	TSRC (USA) Investment Corporation	4	(Note 2)	907,620	436,890	-	-	3.16 %	(Note 3)	Y		
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,110,388	768,996	264,086	-	5.57 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	2,428,087	969,896	969,896	-	7.02 %	(Note 3)			
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	531,566	515,531	425,240	-	3.73 %	(Note 3)	Y		
0	TSRC	Dexco Polymers L.P.	4	(Note 2)	303,300	291,260	196,484	-	2.11 %	(Note 3)	Y		

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

- (1) A company with which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50 percent of the voting shares.
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the public company.
- (4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The guaranteed amount by the Company is limited to 60% of total equity amounting to \$8,290,291 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$20,725,728 thousand.

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

##### (iii) Securities held as of September 30, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand NTD

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income – non-current	12,148,000	333,462	3.04 %	333,462	
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	599,999	121,620	5.42 %	121,620	

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income – non-current	5,657,000	346,831	3.90 %	346,831	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	837,552	169,772	7.57 %	169,772	
					971,685		971,685	

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

Unit: thousand NTD

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Parent and subsidiary companies	Purchase	162,024	11.19 %	70 days	-		(17,905)	(9.35) %	
TSRC	TSRC (Lux.) Corporation S.'a.r.l.	Parent and subsidiary companies	Sale	(162,024)	(2.67) %	70 days	-		17,905	1.83 %	
Dexco Polymers L.P.	TSRC	Parent and subsidiary companies	Purchase	139,430	9.30 %	70 days	-		(52,875)	(24.10) %	
TSRC	Dexco Polymers L.P.	Parent and subsidiary companies	Sale	(139,430)	(2.30) %	70 days	-		52,875	5.40 %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	137,101	62.06 %	40 days	-		(8,710)	(37.50) %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(137,101)	(5.26) %	40 days	-		8,710	2.56 %	
TSRC (Lux.) Corporation S.'a r.l.	Dexco Polymers L.P.	Related parties	Purchase	497,963	34.38 %	90 days	-		(80,793)	(42.17) %	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	Related parties	Sale	(497,963)	(18.76) %	90 days	-		80,793	22.99 %	
TSRC (Lux.) Corporation S.'a r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	766,255	52.91 %	70 days	-		(107,029)	(55.87) %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	Related parties	Sale	(766,255)	(29.38) %	70 days	-		107,029	31.51 %	

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

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Unit: thousand NTD

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	Related parties	107,029	5.98	-		-	-

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

Note 2: Until November 3, 2020.

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

(Continued)

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

(x) Business relationships and significant intercompany transactions:

Unit: thousand NTD

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Trading terms	
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Sales revenue	52,167	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.30 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	32,594	"	0.18 %
0	TSRC	TSRC (Lux.) Corporation S.'a r.l.	1	Sales revenue	162,024	"	0.92 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	43,012	"	0.24 %
0	TSRC	Dexco Polymers L.P.	1	Sales revenue	139,430	"	0.79 %
0	TSRC	Dexco Polymers L.P.	1	Accounts receivable	52,875	"	0.19 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	25,900	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.15 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	28,234	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.16 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	137,101	"	0.78 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	766,255	"	4.34 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	107,029	"	0.37 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	154,075	"	0.87 %
1	TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	3	Sales revenue	22,554	"	0.13 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	497,963	The transaction is not significantly different from normal transactions, and the collection terms were about three months	2.82 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	80,793	"	0.28 %
3	TSRC (Lux.) Corporation S.'a r.l.	TSRC	2	Other income and expenses	28,754	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.16 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Sales revenue	41,439	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.23 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Entrusted loans	141,019	One year based on the contract of entrusted loans	0.49 %

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Note 1: Company numbering is as follows:

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

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

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

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

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

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

#### (b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2020 (excluding information on investees in Mainland China):

Unit: thousand NTD/thousand USD/thousand EUR

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income (losses) of investee	Investment income (losses)	Remarks
				September 30, 2020	December 31, 2019	Shares	Percentage of ownership	Book value			
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	1,005,495	1,005,495	86,920,000	100.00 %	13,147,582	49,326	49,326	Subsidiary
TSRC	Hardison International Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	109,442	109,442	3,896,305	100.00 %	573,629	42,221	42,221	Subsidiary
TSRC	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	38,376	38,376	1,161,004	19.48 %	119,066	62,548	12,184	Subsidiary (note 2)
TSRC	TSRC (Vietnam) Co., Ltd.	8 VSIP II-A Street 31, Vietnam Singapore Industrial Park II-A, Tan Uyen Town, Binh Duong Province, Vietnam	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	278,280	278,280	-	100.00 %	196,335	(41,077)	(41,077)	Subsidiary
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,896,132 (USD65,101)	1,896,132 (USD65,101)	105,830,000	100.00 %	7,760,645	604,010	604,010	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F Boc Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	3,024,735 (USD103,850)	2,267,459 (USD77,850)	103,850,000	100.00 %	3,491,566	(335,465)	(335,465)	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India	Production and sale of synthetic rubber products	858,431 (USD29,473)	858,431 (USD29,473)	222,861,375	50.00 %	335,101	(113,704)	(56,852)	-
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.'a r.l.	39-43 avenue de la Liberté L-1931 Luxembourg	International commerce and investment corporation	2,558,353 (EUR74,870)	1,735,866 (EUR50,800)	74,869,617	100.00 %	2,844,325	(389,051)	(389,051)	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.'a r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, County of New Castle, Wilmington, Delaware, USA	Investment corporation	2,797,552 (USD96,050)	2,040,276 (USD70,050)	130	100.00 %	2,824,355	(350,668)	(350,668)	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston, TX, USA	Production and sale of TPE	6,367,439 (USD218,617)	5,610,163 (USD192,617)	-	100.00 %	2,236,753	8,362	8,362	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	1,456 (USD50)	1,456 (USD50)	50,000	100.00 %	58,094	(8,057)	(8,057)	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	139,776 (USD4,799)	139,776 (USD4,799)	4,798,566	80.52 %	513,470	62,548	50,364	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	328,687 (USD11,285)	328,687 (USD11,285)	7,522,337	37.78 %	378,045	146,574	55,376	-

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD29.126; EUR1 to NTD34.1706).

Note 2: TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation, total directly and indirectly owns of equity are 100%.

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

#### (c) Information on investment in mainland China:

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

Unit: thousand NTD/thousand USD

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of September 30, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shen Hua Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,200,574 (USD41,220)	(2)a.	-	-	-	-	404,257	65.44 %	264,546	1,790,457	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	672,811 (USD23,100)	(2)c.	111,611 (USD3,832)	-	-	111,611 (USD3,832)	209,833	28.34 %	59,467	415,003	358,308
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	160,193 (USD5,500)	(2)b.	114,174 (USD3,920)	-	-	114,174 (USD3,920)	57,573	100.00 %	57,573	543,059	-
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	87,378 (USD3,000)	(2)d.	43,689 (USD1,500)	-	-	43,689 (USD1,500)	(15,878)	50.00 %	(7,939)	57,713	74,060

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of September 30, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,165,040 (USD40,000)	(2)a.	29,126 (USD1,000)	-	-	29,126 (USD1,000)	95,347	55.00 %	52,441	839,320	-
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,061,871 (USD105,125)	(2)a.	193,630 (USD6,648)	-	-	193,630 (USD6,648)	255,052	100.00 %	255,052	4,541,176	-
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,304,845 (USD44,800)	(2)a.	-	-	-	-	95,075	50.00 %	47,537	273,742	-

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

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

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD29.126).

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

(ii) Limitation on investment in Mainland China:

Unit: thousand NTD/thousand USD

Company name	Accumulated investment amount in Mainland China as of September 30, 2020	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	492,229 (USD16,900)	5,456,319 (USD187,335) (Note 2)	- (Note 1)

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

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

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD29.126).

(iii) Significant transactions:

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

(Continued)

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Panama Banco industrial company		69,524,417	8.41 %
Han-De Construction Co.,Ltd.		63,093,108	7.64 %
Wei Dah Development Co., Ltd.		53,708,923	6.50 %

**(14) Segment information**

The Group's operating segment information and reconciliation were as follows:

	Synthetic rubber	Non-synthetic rubber	Others	Total
<b>Three months ended September 30, 2020</b>				
Revenue:				
Revenue from external customers	\$ <u>5,396,398</u>	<u>210,962</u>	<u>-</u>	<u>5,607,360</u>
<b>Income from operations</b>	\$ <u>(209,607)</u>	<u>29,390</u>	<u>38,831</u>	<u>(141,386)</u>
<b>Three months ended September 30, 2019</b>				
Revenue:				
Revenue from external customers	\$ <u>6,515,070</u>	<u>403,296</u>	<u>-</u>	<u>6,918,366</u>
<b>Income from operations</b>	\$ <u>(23,092)</u>	<u>57,157</u>	<u>56,588</u>	<u>90,653</u>
<b>Nine months ended September 30, 2020</b>				
Revenue:				
Revenue from external customers	\$ <u>17,046,453</u>	<u>590,092</u>	<u>-</u>	<u>17,636,545</u>
<b>Income from operations</b>	\$ <u>26,202</u>	<u>(4,632)</u>	<u>69,069</u>	<u>90,639</u>
<b>Nine months ended September 30, 2019</b>				
Revenue:				
Revenue from external customers	\$ <u>20,610,509</u>	<u>1,456,822</u>	<u>-</u>	<u>22,067,331</u>
<b>Income from operations</b>	\$ <u>616,509</u>	<u>290,876</u>	<u>90,135</u>	<u>997,520</u>

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