

**TSRC CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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

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Representation Letter

The entities that are required to be included in the combined financial statements of TSRC Corporation as of and for the year ended December 31, 2022 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10, "Consolidated Financial Statements. " endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TSRC Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TSRC Corporation

Chairman: Nita Ing

Date: March 9, 2023



安侯建業聯合會計師事務所
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Independent Auditors' Report

To the Board of Directors of TSRC Corporation:

Opinion

We have audited the consolidated financial statements of TSRC Corporation and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Account of Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

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

Description of key audit matter:

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

How the matter was addressed in our audit:

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

2. Inventory measurement

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

Description of key audit matter:

The inventory of the Group includes various types of synthetic rubber and its raw material. Since the fierce competition in the rubber manufacturing industry and the price of main materials fluctuate frequently, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

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

Other Matter

TSRC Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2022 and 2021, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 9, 2023

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 6,278,620	17	4,464,755	14	2100	Short-term borrowings (note 6(m))	\$ 6,079,332	17	4,006,365	12
1110	Current financial assets at fair value through profit or loss (note 6(b))	14	-	7,702	-	2111	Short-term commercial paper payable (note 6(m))	249,704	1	-	-
1150	Notes receivable, net (note 6(d))	940,938	3	951,817	3	2322	Current portion of long-term borrowings (notes 6(m) and 8)	724,563	2	817,713	3
1170	Accounts receivable, net (note 6(d))	3,044,640	8	3,716,841	11	2323	Current portion of long-term payables (note 6(m))	349,767	1	-	-
1200	Other receivables (notes 6(e) and 7)	146,483	-	93,834	-	2120	Current financial liabilities at fair value through profit or loss (note 6(b))	36,729	-	356	-
130x	Inventories (note 6(f))	7,492,032	20	5,629,817	17	2170	Accounts payable	1,634,283	3	1,536,976	5
1479	Other current assets	563,845	2	598,331	2	2180	Accounts payable—related parties (note 7)	33,236	-	1,316	-
	Total current assets	<u>18,466,572</u>	<u>50</u>	<u>15,463,097</u>	<u>47</u>	2230	Current income tax liabilities	351,748	1	288,186	1
Non-current assets:						2219	Other payables (notes 6(q), 6(u) and 7)	1,433,551	4	1,560,933	5
1517	Financial assets at fair value through other comprehensive income—non-current (note 6(e))	1,422,896	4	1,460,586	4	2280	Current lease liabilities (note 6(o))	127,731	-	128,928	-
1550	Investments accounted for under equity method (notes 6(g) and 7)	2,222,200	6	2,030,573	6	2399	Other current liabilities	272,907	1	208,011	1
1600	Property, plant and equipment (notes 6(i), 8 and 9)	9,986,972	27	10,154,640	31		Total current liabilities	<u>11,293,551</u>	<u>30</u>	<u>8,548,784</u>	<u>27</u>
1755	Right-of-use assets (note 6(j))	959,689	3	867,485	3		Non-Current liabilities:				
1760	Investment property (note 6(k))	1,537,423	4	1,552,148	5		Long-term bank borrowings (notes 6(m) and 8)	2,129,854	6	1,936,219	6
1780	Intangible assets (note 6(l))	867,813	3	892,679	3		Other long-term borrowings (note 6(m))	-	-	349,922	1
1840	Deferred income tax assets (note 6(r))	308,747	1	253,434	1		Non-current provision liabilities (notes 6(n), 7 and 12(b))	270,284	1	269,536	1
1900	Other non-current assets (notes 8 and 12(b))	801,221	2	155,121	-		Deferred income tax liabilities (note 6(r))	1,383,801	4	1,089,204	3
	Total non-current assets	<u>18,106,961</u>	<u>50</u>	<u>17,366,666</u>	<u>53</u>		Non-current lease liabilities (note 6(o))	451,756	1	357,355	1
							Other non-current liabilities (notes 6(m), 6(q) and 12(b))	313,024	1	154,925	-
							Total non-current liabilities	<u>4,548,719</u>	<u>13</u>	<u>4,157,161</u>	<u>12</u>
							Total liabilities	<u>15,842,270</u>	<u>43</u>	<u>12,705,945</u>	<u>39</u>
							Equity attributable to shareholders of the Company (notes 6(c), (q), (r), (s) and (y)):				
						3100	Common stock	8,257,099	23	8,257,099	25
						3200	Capital surplus	51,725	-	50,725	-
							Retained earnings:				
						3310	Legal reserve	4,463,584	12	4,073,680	12
						3350	Unappropriated earnings	4,544,080	12	5,080,942	16
								9,007,664	24	9,154,622	28
							Other equity:				
						3410	Financial statement translation differences for foreign operations	251,770	1	(456,708)	(1)
						3420	Unrealized gains or losses on financial assets measured at fair value through other comprehensive income	1,004,081	3	1,047,059	3
						3450	Gains or losses on hedging instrument	(45,789)	-	(26,847)	-
								1,210,062	4	563,504	2
							Total equity attributable to shareholders of the Company	<u>18,526,550</u>	<u>51</u>	<u>18,025,950</u>	<u>55</u>
						36xx	Non-controlling interests (note 6(h))	2,204,713	6	2,097,868	6
							Total equity	<u>20,731,263</u>	<u>57</u>	<u>20,123,818</u>	<u>61</u>
							Total liabilities and equity	<u>\$ 36,573,533</u>	<u>100</u>	<u>\$ 32,829,763</u>	<u>100</u>
	Total assets	<u>\$ 36,573,533</u>	<u>100</u>	<u>32,829,763</u>	<u>100</u>						

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
4000 Revenue (notes 6(v) and 7)	\$ 33,841,197	100	32,533,238	100
5000 Operating costs (notes 6(f), 6(i), 6(j), 6(l), 6(o), 6(q), 6(u) and 7)	<u>28,327,924</u>	<u>84</u>	<u>25,732,774</u>	<u>79</u>
5910 Gross profit	<u>5,513,273</u>	<u>16</u>	<u>6,800,464</u>	<u>21</u>
6000 Operating expenses (notes 6(d), 6(i), 6(j), 6(l), 6(o), 6(q), 6(u) and 7):				
6100 Selling expenses	1,679,407	5	1,755,251	6
6200 General and administrative expenses	1,041,939	3	1,014,618	3
6300 Research and development expenses	392,118	1	371,679	1
6450 Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	<u>(2,843)</u>	<u>-</u>	<u>2,362</u>	<u>-</u>
Total operating expenses	<u>3,110,621</u>	<u>9</u>	<u>3,143,910</u>	<u>10</u>
6500 Other income and expenses, net (notes 6(k), 6(p), 6(q), 6(w) and 7)	<u>272,318</u>	<u>1</u>	<u>271,545</u>	<u>1</u>
6900 Operating profit	<u>2,674,970</u>	<u>8</u>	<u>3,928,099</u>	<u>12</u>
Non-operating income and expenses (notes 6(g), 6(i), 6(o), 6(x) and 7):				
7100 Interest income	85,130	-	30,076	-
7010 Other income	101,580	-	66,256	-
7020 Other gains and losses	71,818	-	917,257	3
7050 Finance costs	<u>(175,468)</u>	<u>-</u>	<u>(110,741)</u>	<u>-</u>
7370 Share of gain of associates and joint ventures accounted for under equity method	<u>310,702</u>	<u>1</u>	<u>802,041</u>	<u>2</u>
Total non-operating income and expenses	<u>393,762</u>	<u>1</u>	<u>1,704,889</u>	<u>5</u>
7900 Net income before tax	3,068,732	9	5,632,988	17
7950 Less: tax expenses (note 6(r))	<u>946,491</u>	<u>3</u>	<u>1,168,683</u>	<u>3</u>
Net income	<u>2,122,241</u>	<u>6</u>	<u>4,464,305</u>	<u>14</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311 Losses on remeasurements of defined benefit plans	51,983	-	(31,893)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	<u>(43,451)</u>	<u>-</u>	<u>509,502</u>	<u>1</u>
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>(473)</u>	<u>-</u>	<u>21,345</u>	<u>-</u>
Components of other comprehensive income that will not be reclassified to profit or loss	<u>9,005</u>	<u>-</u>	<u>456,264</u>	<u>1</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	830,598	2	(282,962)	(1)
8370 Share of other comprehensive income of associates and joint ventures accounted for using equity method	<u>(119,696)</u>	<u>-</u>	<u>63,964</u>	<u>-</u>
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss	<u>710,902</u>	<u>2</u>	<u>(218,998)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>719,907</u>	<u>2</u>	<u>237,266</u>	<u>-</u>
Total comprehensive income	<u>\$ 2,842,148</u>	<u>8</u>	<u>4,701,571</u>	<u>14</u>
Net income attributable to:				
8610 Shareholders of parent	\$ 1,782,763	5	3,930,939	12
8620 Non-controlling interests	<u>339,478</u>	<u>1</u>	<u>533,366</u>	<u>2</u>
Total comprehensive income attributable to:	<u>\$ 2,122,241</u>	<u>6</u>	<u>4,464,305</u>	<u>14</u>
8710 Shareholders of parent	\$ 2,481,304	7	4,182,892	13
8720 Non-controlling interests	<u>360,844</u>	<u>1</u>	<u>518,679</u>	<u>1</u>
	<u>\$ 2,842,148</u>	<u>8</u>	<u>4,701,571</u>	<u>14</u>
9710 Basic earnings per share (in New Taiwan Dollars) (note 6(t))	<u>\$ 2.16</u>		<u>4.76</u>	
9810 Diluted earnings per share (in New Taiwan dollars) (note 6(t))	<u>\$ 2.14</u>		<u>4.73</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Total other equity interest						
	Common stock	Capital surplus	Legal reserve	Retained earnings	Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity
				Unappropriated retained earnings								
Balance at January 1, 2021	\$ 8,257,099	49,531	4,068,862	1,483,970	5,552,832	(198,125)	558,902	(81,119)	279,658	14,139,120	1,719,539	15,858,659
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	4,818	(4,818)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(297,256)	(297,256)	-	-	-	-	(297,256)	(140,350)	(437,606)
Other changes in capital surplus	-	1,194	-	-	-	-	-	-	-	1,194	-	1,194
Net income	-	-	-	3,930,939	3,930,939	-	-	-	-	3,930,939	533,366	4,464,305
Other comprehensive income (loss)	-	-	-	(31,893)	(31,893)	(258,583)	488,157	54,272	283,846	251,953	(14,687)	237,266
Total comprehensive income (loss)	-	-	-	3,899,046	3,899,046	(258,583)	488,157	54,272	283,846	4,182,892	518,679	4,701,571
Balance at December 31, 2021	8,257,099	50,725	4,073,680	5,080,942	9,154,622	(456,708)	1,047,059	(26,847)	563,504	18,025,950	2,097,868	20,123,818
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	389,904	(389,904)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(1,981,704)	(1,981,704)	-	-	-	-	(1,981,704)	(253,999)	(2,235,703)
Other changes in capital surplus	-	1,000	-	-	-	-	-	-	-	1,000	-	1,000
Net income	-	-	-	1,782,763	1,782,763	-	-	-	-	1,782,763	339,478	2,122,241
Other comprehensive income (loss)	-	-	-	51,983	51,983	708,478	(42,978)	(18,942)	646,558	698,541	21,366	719,907
Total comprehensive income (loss)	-	-	-	1,834,746	1,834,746	708,478	(42,978)	(18,942)	646,558	2,481,304	360,844	2,842,148
Balance at December 31, 2022	<u>\$ 8,257,099</u>	<u>51,725</u>	<u>4,463,584</u>	<u>4,544,080</u>	<u>9,007,664</u>	<u>251,770</u>	<u>1,004,081</u>	<u>(45,789)</u>	<u>1,210,062</u>	<u>18,526,550</u>	<u>2,204,713</u>	<u>20,731,263</u>

See accompanying notes to consolidated financial statements.

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

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Consolidated net income before tax	\$ 3,068,732	5,632,988
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	1,174,029	1,087,768
Amortization	133,546	122,572
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(2,843)	2,362
Interest expense	175,468	110,741
Interest income	(85,130)	(30,076)
Dividend income	(101,580)	(66,256)
Share of profit of associates and joint ventures accounted for under equity method	(310,702)	(802,041)
Loss (Gain) on disposal of property, plant and equipment	22,349	(900,164)
Amortization to operating costs and inventories	78,678	78,363
Total adjustments to reconcile profit and loss	<u>1,083,815</u>	<u>(396,731)</u>
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	7,688	(4,242)
Notes receivable	10,879	(380,597)
Accounts receivable	675,044	(916,852)
Other receivables	(52,194)	59,195
Inventories	(1,862,215)	(857,353)
Other current assets	(16,878)	123,726
Total changes in operating assets, net	<u>(1,237,676)</u>	<u>(1,976,123)</u>
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	36,373	(32,272)
Accounts payable	97,307	(106,288)
Accounts payable—related parties	31,920	1,316
Other payables	(201,744)	362,607
Other current liabilities	64,896	79,726
Net defined benefit liability	(17,784)	(16,086)
Other non-current liabilities	15,700	(15,416)
Total changes in operating liabilities, net	<u>26,668</u>	<u>273,587</u>
Total changes in operating assets and liabilities, net	<u>(1,211,008)</u>	<u>(1,702,536)</u>
Total adjustments	<u>(127,193)</u>	<u>(2,099,267)</u>
Cash provided by operating activities	2,941,539	3,533,721
Interest income received	85,675	23,218
Interest paid	(146,868)	(108,987)
Income taxes paid	(643,172)	(745,979)
Net cash flow from operating activities	<u>2,237,174</u>	<u>2,701,973</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(735,701)	(860,808)
Proceeds from disposal of property, plant and equipment	19,456	1,217,515
Decrease (increase) in other non-current assets	(21,813)	38,839
Increase in other prepayments	(596,499)	-
Dividends received	199,106	149,573
Decrease in restricted assets	51,364	129,299
Compensation for relocation	212,166	-
Net cash flow from (used in) investing activities	<u>(871,921)</u>	<u>674,418</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	30,608,164	24,560,598
Decrease in short-term borrowings	(28,769,190)	(24,261,595)
Increase in short-term commercial paper payable	1,552,820	-
Decrease in short-term commercial paper payable	(1,305,000)	-
Proceeds from long-term borrowings	838,510	1,709,548
Repayments of long-term borrowings	(801,143)	(3,392,262)
Decrease in other long-term borrowings	(5,372)	-
Repayments of lease liabilities	(152,943)	(145,875)
Cash dividends paid	(2,228,062)	(437,591)
Overaging unclaimed dividends	-	1,194
Net cash used in financing activities	<u>(262,216)</u>	<u>(1,965,983)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>710,828</u>	<u>(224,116)</u>
Net increase in cash and cash equivalents	1,813,865	1,186,292
Cash and cash equivalents at beginning of period	4,464,755	3,278,463
Cash and cash equivalents at end of period	<u>\$ 6,278,620</u>	<u>4,464,755</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(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. Please refer to note 14.

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

The consolidated financial statements were approved by to the Board of Directors and published on March 9, 2023.

(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. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- Amendments to IAS 16 "Property, Plant and Equipment – Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 "Reference to the Conceptual Framework"

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024

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.

The Group does not expect the other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements.

(4) Summary of significant accounting policies

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

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

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

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

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

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

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

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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>December 31, 2022</u>	<u>December 31, 2021</u>	
TSRC	Trimurti Holding Corporation	Investment	100.00 %	100.00 %	
TSRC	Hardison International Corporation	Investment	100.00 %	100.00 %	
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00 %	100.00 %	(notes 1)
TSRC	TSRC (Vietnam) Co., Ltd.	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	100.00 %	100.00 %	
Trimurti Holding Corporation	Polybus Corporation Pte Ltd	International commerce and investment	100.00 %	100.00 %	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Investment	100.00 %	100.00 %	
TSRC (Hong Kong) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	100.00 %	100.00 %	
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.A R.L	International commerce and investment	100.00 %	100.00 %	
TSRC (Lux.) Corporation S.A R.L	TSRC (USA) Investment Corporation	Investment	100.00 %	100.00 %	
TSRC (USA) Investment Corporation	TSRC Specialty Materials LLC	Production and sale of TPE	100.00 %	100.00 %	
Polybus Corporation Pte Ltd	Shen Hua Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	65.44 %	65.44 %	
Polybus Corporation Pte Ltd	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of butadiene rubber	55.00 %	55.00 %	
Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd.	Production and sale of TPE	100.00 %	100.00 %	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00 %	100.00 %	

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%.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(d) Foreign currency

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

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

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

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

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through other comprehensive income (FVOCI)

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

5) Derecognition of financial assets

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Financial liabilities

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

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

4) Derecognition of financial liabilities

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

5) Offsetting of financial assets and liabilities

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

6) Financial guarantee contract

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

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

(iii) Derivative financial instruments

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

(h) Inventories

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Investment in associates

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

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

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

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

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

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

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

(j) Joint arrangements

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

(k) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment properties

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

(iii) Subsequent cost

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

(iv) Depreciation

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

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

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

1) Land improvements	7~30 years
2) Buildings	3~60 years
3) Machinery	3~50 years
4) Furniture and fixtures equipment	3~8 years

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(l) Investment property

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

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

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

(m) Leases

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

(i) As a lessee

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

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

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

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

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

(Continued)

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

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

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

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

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

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

(ii) As a lessor

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

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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(n) Intangible assets

(i) Recognition and measurement

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

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

(Continued)

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

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

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

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

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

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

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

(p) Provisions

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Revenue

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

(i) Sale of goods

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

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

(ii) Management services

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

(iii) Financing components

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

(r) Government grants

The Group recognizes other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss on a systematic basis over the useful life of the asset. 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.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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(s) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Short-term employee benefits

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

(t) Income tax

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

- (u) Earnings per share

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

If the Company may settle the obligation by cash, by issuing shares, or in combination of both cash and shares, profit sharing to employees which will be settled in shares should be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of profit sharing to employees in stock by the closing price (after considering the dilutive effect of dividends) of the common shares on the balance sheet date. Such dilutive effect of the potential shares needs to be included in the calculation of diluted EPS until the shares of profit sharing to employees are resolved in the board of directors meeting in the following year. If profit sharing is resolved to be distributed to employees in stock, the number of shares is determined by dividing the amount of profit sharing by fair value, which is the closing price (after considering the effect of dividends) of the shares on the day preceding the board meeting.

(v) Operating segments

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

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

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

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

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

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

Inventory measurement

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand	\$ 421	390
Checking and savings deposits	814,380	1,110,545
Time deposits	5,284,032	3,323,820
Commercial paper with reverse repurchase agreements	<u>179,787</u>	<u>30,000</u>
Cash and cash equivalents per statements of cash flow	<u><u>\$ 6,278,620</u></u>	<u><u>4,464,755</u></u>

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward contracts/Swap contracts	<u>\$ 14</u>	<u>7,702</u>
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Forward contracts/Swap contracts	<u>\$ 36,729</u>	<u>356</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>December 31, 2022</u>		
	<u>Contract amount (thousand dollars)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward contracts	EUR 1,240 /	EUR/USD	2023.01.11~2023.02.13
	USD 1,321		
Swap contracts	TWD 79,905 /	TWD/USD	2023.01.31
	USD 2,500		
Swap contracts	EUR 18,655 /	EUR/USD	2023.01.03~2023.02.21
	USD 18,830		
Swap contracts	JPY 21,000 /	JPY/USD	2023.02.03
	USD 153		

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TSRC CORPORATION AND SUBSIDIARIES
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	December 31, 2021		
	Contract amount (thousand dollars)	Currency	Maturity dates
Forward contracts	EUR 2,980 / USD 3,383	EUR/USD	2022.01.12~2022.03.11
Forward contracts	CNH 3,187 / USD 500	CNH/USD	2022.01.06
Swap contracts	EUR 15,450 / USD 17,735	EUR/USD	2022.01.12~2022.03.30
Swap contracts	USD 549 / CNH 3,540	USD/CNH	2022.02.15
Swap contracts	CNH 22,350 / USD 3,503	CNH/USD	2022.01.06
Swap contracts	JPY 16,411 / USD 144	JPY/USD	2022.01.12

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic)	\$ 626,837	668,140
Unlisted stocks (domestic and overseas)	796,059	792,446
Total	\$ 1,422,896	1,460,586

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

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

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

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

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	Foreign currency amount (thousand dollars)	Exchange rate	NTD
December 31, 2022			
THB	\$ 454,224	0.8941	406,122
December 31, 2021			
THB	493,334	0.8347	411,786

- (d) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 940,938	951,817
Accounts receivable	3,049,625	3,724,240
Less: allowance for impairment	4,985	7,399
	<u>\$ 3,985,578</u>	<u>4,668,658</u>

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

	December 31, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 3,902,277	0.02%~0.11%	1,396
1 to 30 days past due	83,286	1.03%~2.50%	1,368
31 to 90 days past due	4,029	24.13%~65.15%	1,250
More than 90 days past due	971	100%	971
	<u>\$ 3,990,563</u>		<u>4,985</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2021		
	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 4,611,091	0.05%~0.14%	2,559
1 to 30 days past due	46,559	2.35%~6.31%	1,173
31 to 90 days past due	16,220	8.07%~29.19%	1,480
More than 90 days past	2,187	100%	2,187
	\$ 4,676,057		7,399

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

	2022	2021
Balance at beginning of period	\$ 7,399	5,194
Impairment losses (reversed) recognized	(2,843)	2,362
Foreign exchange gain or loss	429	(157)
Balance at end of period	\$ 4,985	7,399

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

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

(e) Other receivables (including related parties)

	December 31, 2022	December 31, 2021
Other receivables – related parties	\$ 42,870	47,938
Other	103,613	45,896
	\$ 146,483	93,834

The aforementioned financial assets were not past due or impaired. For other credit risk information, please refer to note 6(z).

(f) Inventories

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

	December 31, 2022	December 31, 2021
Raw materials	\$ 2,056,771	1,648,221
Supplies	10,491	8,744
Work in progress	328,291	299,749
Finished goods	4,160,906	2,986,188
Merchandise	935,573	686,915
Total	\$ 7,492,032	5,629,817

(Continued)

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As of December 31, 2022 and 2021, the Group did not pledge any collateral on inventories.

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

	<u>2022</u>	<u>2021</u>
Loss on (reversal of) decline in market value of inventory	\$ 118,928	(84,544)
Loss on raw materials write-off	2,331	-
Income from sale of scrap	(33,690)	(28,244)
Loss on physical count	5,249	1,010
Unallocated production overhead	<u>584,618</u>	<u>394,301</u>
Total	<u>\$ 677,436</u>	<u>282,523</u>

(g) Investments accounted for under equity method

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates	\$ 906,310	844,557
Joint ventures	<u>1,315,890</u>	<u>1,186,016</u>
	<u>\$ 2,222,200</u>	<u>2,030,573</u>

The Group's details of the income from investment were as follows:

	<u>2022</u>	<u>2021</u>
Associates	\$ 95,850	200,793
Joint ventures	<u>214,852</u>	<u>601,248</u>
	<u>\$ 310,702</u>	<u>802,041</u>

(i) Associates

The details of the significant associates are as follows:

<u>Name of associates</u>	<u>Existing relationship with the Group</u>	<u>The main operating place / register country</u>	<u>Proportion of equity and voting right</u>	
			<u>December 31, 2022</u>	<u>December 31, 2021</u>
ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NBR	China	50.00 %	50.00 %

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The comprehensive financial information of ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd., which is the significant associate to the Consolidated company, is as follows:

	December 31, 2022	December 31, 2021
Current assets	\$ 1,144,407	735,166
Non-current assets	566,744	584,324
Current liabilities	(291,797)	(282,615)
Non-current liabilities	(86,311)	(29,454)
Equity	\$ 1,333,043	1,007,421
Equity attributable to the Group	\$ 666,522	503,711
	2022	2021
Revenue	\$ 2,203,816	2,273,143
Net income of continued operations	\$ 312,041	367,700
Other comprehensive income	-	-
Total comprehensive income	\$ 312,041	367,700
Total comprehensive income attributable to the Group	\$ 156,020	183,850
	2022	2021
Beginning balance of the equity of the associate attributable to the Group	\$ 505,494	323,287
Current total comprehensive income of the associate attributable to the Group	156,020	183,850
Other	6,269	(1,643)
Ending balance of the equity of the associate attributable to the Group	\$ 667,783	505,494
Summary of respectively not significant associates recognized under equity method were as follows. The financial information is included in the consolidated financial statement.		
	December 31, 2022	December 31, 2021
Balance of not significant associate's equity	\$ 238,527	339,063
	2022	2021
Attributable to the Group:		
Net income (loss) of continued operations	\$ (60,170)	16,943
Other comprehensive income	-	-
Total comprehensive income (loss)	\$ (60,170)	16,943

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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(ii) Joint ventures

The details of the significant joint ventures are as follows:

Name of joint ventures	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right	
			December 31, 2022	December 31, 2021
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	50.00 %	50.00 %

The comprehensive financial information of Indian Synthetic Rubber Private Limited, which is the joint venture material to the Consolidated company, is as follows:

	December 31, 2022	December 31, 2021
Current assets	\$ 2,221,809	2,806,016
Non-current assets	2,350,978	2,527,405
Current liabilities	(600,484)	(1,720,350)
Non-current liabilities	(1,372,905)	(1,284,317)
Equity	<u>\$ 2,599,398</u>	<u>2,328,754</u>
Equity attributable to the Group	<u>\$ 1,299,699</u>	<u>1,164,377</u>
	<u>2022</u>	<u>2021</u>
Revenue	<u>\$ 6,053,206</u>	<u>6,608,019</u>
Net income of continued operations	\$ 427,752	1,207,138
Other comprehensive income (loss)	(37,016)	88,966
Total comprehensive income	<u>\$ 390,736</u>	<u>1,296,104</u>
Total comprehensive income attributable to the Group	<u>\$ 195,368</u>	<u>648,052</u>
	<u>2022</u>	<u>2021</u>
Beginning balance of the equity of the joint venture attributable to the Group	\$ 1,130,197	512,624
Current total comprehensive income of the joint venture attributable to the Group	195,368	648,052
Current dividend received from joint venture	(51,327)	-
Other	(15,952)	(30,479)
Ending balance of the equity of the joint venture attributable to the Group	<u>\$ 1,258,286</u>	<u>1,130,197</u>

Summary of respectively not significant joint ventures recognized under the equity method was as follows. The financial information is included in the consolidated financial statement.

	December 31, 2022	December 31, 2021
Balance of not significant joint venture's equity	<u>\$ 57,604</u>	<u>55,819</u>

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	<u>2022</u>	<u>2021</u>
Attributable to the Group:		
Net income (loss) of continued operations	\$ 976	(2,321)
Other comprehensive income	-	-
Total comprehensive income (loss)	<u>\$ 976</u>	<u>(2,321)</u>

(iii) Collateral

As of December 31, 2022 and 2021, the Group did not pledge any collateral on investments accounted for under the equity method.

(h) Material non-controlling interests of subsidiaries

The material non-controlling interests of subsidiaries were as follows:

<u>Name of joint ventures</u>	<u>The main operating place / register country</u>	<u>Proportion of Non-controlling interests</u>	
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Shen Hua Chemical Industries Co., Ltd.	China	34.56 %	34.56 %
TSRC-UBE (Nantong) Industries Ltd.	China	45.00 %	45.00 %

The following information of the aforementioned subsidiaries have been prepared in accordance with the IFRSs endorsed by the FSC. Included in this information are the fair value adjustment made during the acquisition and the relevant difference in accounting principles between the Group and its subsidiaries as at the acquisition date. Intra-group transactions were not eliminated in this information.

(i) Summary of financial information of Shen Hua Chemical Industries Co., Ltd.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Current assets	\$ 3,334,434	3,236,185
Non-current assets	1,774,494	1,169,739
Current liabilities	(894,168)	(542,982)
Non-current liabilities	(495,653)	(263,395)
Net assets	<u>\$ 3,719,107</u>	<u>3,599,547</u>
Non-controlling interests	<u>\$ 1,285,323</u>	<u>1,244,003</u>
	<u>2022</u>	<u>2021</u>
Revenue	<u>\$ 8,062,395</u>	<u>8,018,930</u>
Net income	\$ 332,811	1,002,175
Other comprehensive income (loss)	43,163	(24,572)
Total comprehensive income	<u>\$ 375,974</u>	<u>977,603</u>
Total net income attributable to non-controlling interests	<u>\$ 115,020</u>	<u>346,351</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 129,936</u>	<u>337,858</u>

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	2022	2021
Net cash flow from operating activities	\$ 762,556	455,922
Net cash used in investing activities	(540,430)	(130,480)
Net cash used in financing activities	(225,153)	(251,975)
Effect on exchange rate changes on cash and cash equivalents	24,948	(2,746)
Increase in cash and cash equivalents	<u>\$ 21,921</u>	<u>70,721</u>
 (ii) Summary of financial information of TSRC-UBE (Nantong) Industries Ltd.		
	December 31, 2022	December 31, 2021
Current assets	\$ 1,584,402	1,447,115
Non-current assets	773,087	833,123
Current liabilities	(290,263)	(377,385)
Non-current liabilities	(24,138)	(5,373)
Net assets	<u>\$ 2,043,088</u>	<u>1,897,480</u>
Non-controlling interests	<u>\$ 919,390</u>	<u>853,865</u>
	2022	2021
Revenue	<u>\$ 3,636,256</u>	<u>3,280,916</u>
Net income	\$ 498,796	415,589
Other comprehensive income (loss)	14,333	(13,764)
Total comprehensive income	<u>\$ 513,129</u>	<u>401,825</u>
Total net income attributable to non-controlling interests	<u>\$ 224,458</u>	<u>187,015</u>
Total comprehensive income attributable to non-controlling interests	<u>\$ 230,908</u>	<u>180,821</u>
	2022	2021
Net cash flow from operating activities	\$ 627,710	509,736
Net cash used in investing activities	(67,813)	(56,162)
Net cash used in financing activities	(445,752)	(111,404)
Effect on exchange rate changes on cash and cash equivalents	12,680	4,196
Increase in cash and cash equivalents	<u>\$ 126,825</u>	<u>346,366</u>

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(i) Property, plant and equipment

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

	<u>Land</u>	<u>Land improvements</u>	<u>Buildings</u>	<u>Machinery</u>	<u>Furniture and fixtures and other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:							
Balance at January 1, 2022	\$ 639,920	150,505	4,931,763	22,755,392	255,962	661,868	29,395,410
Additions	-	-	-	13,102	337	771,262	784,701
Disposals	-	-	(21,535)	(121,351)	(1,964)	(17,834)	(162,684)
Reclassification	-	-	15,866	552,016	11,617	(629,934)	(50,435)
Effect on changes in exchange rates	2,192	6,283	84,816	591,528	7,750	5,039	697,608
Balance at December 31, 2022	<u>\$ 642,112</u>	<u>156,788</u>	<u>5,010,910</u>	<u>23,790,687</u>	<u>273,702</u>	<u>790,401</u>	<u>30,664,600</u>
Balance at January 1, 2021	\$ 841,829	142,168	4,672,369	21,983,009	247,058	1,228,046	29,114,479
Additions	-	9,037	56,644	185,687	245	847,440	1,099,053
Disposals	(201,665)	-	(4,864)	(238,677)	(6,984)	(66,740)	(518,930)
Reclassification	344	951	242,404	1,016,360	18,169	(1,334,117)	(55,889)
Effect on changes in exchange rates	(588)	(1,651)	(34,790)	(190,987)	(2,526)	(12,761)	(243,303)
Balance at December 31, 2021	<u>\$ 639,920</u>	<u>150,505</u>	<u>4,931,763</u>	<u>22,755,392</u>	<u>255,962</u>	<u>661,868</u>	<u>29,395,410</u>
Depreciation and impairment loss:							
Balance at January 1, 2022	\$ -	99,240	2,607,460	16,343,116	190,954	-	19,240,770
Depreciation	-	8,693	180,971	865,357	19,024	-	1,074,045
Disposals	-	-	(8,683)	(110,412)	(1,784)	-	(120,879)
Effect on changes in exchange rates	-	2,954	31,314	443,609	5,815	-	483,692
Balance at December 31, 2022	<u>\$ -</u>	<u>110,887</u>	<u>2,811,062</u>	<u>17,541,670</u>	<u>214,009</u>	<u>-</u>	<u>20,677,628</u>
Balance at January 1, 2021	\$ -	94,229	2,464,473	15,857,095	182,165	-	18,597,962
Depreciation	-	5,735	160,753	815,165	17,455	-	999,108
Disposals	-	-	(3,317)	(191,547)	(6,715)	-	(201,579)
Reclassification	-	-	-	(19)	-	-	(19)
Effect on changes in exchange rates	-	(724)	(14,449)	(137,578)	(1,951)	-	(154,702)
Balance at December 31, 2021	<u>\$ -</u>	<u>99,240</u>	<u>2,607,460</u>	<u>16,343,116</u>	<u>190,954</u>	<u>-</u>	<u>19,240,770</u>
Carrying value:							
December 31, 2022	<u>\$ 642,112</u>	<u>45,901</u>	<u>2,199,848</u>	<u>6,249,017</u>	<u>59,693</u>	<u>790,401</u>	<u>9,986,972</u>
December 31, 2021	<u>\$ 639,920</u>	<u>51,265</u>	<u>2,324,303</u>	<u>6,412,276</u>	<u>65,008</u>	<u>661,868</u>	<u>10,154,640</u>
January 1, 2021	<u>\$ 841,829</u>	<u>47,939</u>	<u>2,207,896</u>	<u>6,125,914</u>	<u>64,893</u>	<u>1,228,046</u>	<u>10,516,517</u>

To optimize the Group's asset, the Group disposed its real estate located in Kaohsiung City, Renwu Dist. to a non-related party for \$1,220,000 thousands, with a book value of \$201,665, thousand based on the resolution approved during the board meeting held on March 11, 2021. All relevant transactions amounting to \$909,118 thousands, recognized as gain, had been completed in July 2021.

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

(j) Right-of-use assets

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

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	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2022	\$ 564,225	202,597	374,699	32,988	1,174,509
Additions	-	100,275	93,608	13,189	207,072
Write-off	-	(76,060)	-	(15,528)	(91,588)
Lease modification	100	369	20,767	735	21,971
Amortization to operating costs and inventories	-	(3,822)	(74,856)	-	(78,678)
Effect on changes in foreign exchange rates	17,283	12,724	8,222	2,797	41,026
Balance at December 31, 2022	<u>\$ 581,608</u>	<u>236,083</u>	<u>422,440</u>	<u>34,181</u>	<u>1,274,312</u>
Balance at January 1, 2021	\$ 569,782	255,467	457,714	32,827	1,315,790
Additions	1,222	14,561	11,683	12,926	40,392
Write-off	-	(5,191)	(16,935)	(11,993)	(34,119)
Lease modification	-	(52,107)	-	-	(52,107)
Amortization to operating costs and inventories	-	(4,487)	(73,876)	-	(78,363)
Effect on changes in foreign exchange rates	(6,779)	(5,646)	(3,887)	(772)	(17,084)
Balance at December 31, 2021	<u>\$ 564,225</u>	<u>202,597</u>	<u>374,699</u>	<u>32,988</u>	<u>1,174,509</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2022	\$ 157,671	132,851	-	16,502	307,024
Depreciation	14,188	51,895	9,361	9,815	85,259
Write-off	-	(76,060)	-	(15,528)	(91,588)
Lease modification	52	161	-	(13)	200
Effect on changes in exchange rates	3,532	8,749	291	1,156	13,728
Balance at December 31, 2022	<u>\$ 175,443</u>	<u>117,596</u>	<u>9,652</u>	<u>11,932</u>	<u>314,623</u>
Balance at January 1, 2021	\$ 145,489	111,766	17,224	18,339	292,818
Depreciation	13,616	49,763	-	10,556	73,935
Write-off	-	(5,191)	(16,935)	(11,993)	(34,119)
Lease modification	-	(20,463)	-	-	(20,463)
Effect on changes in exchange rates	(1,434)	(3,024)	(289)	(400)	(5,147)
Balance at December 31, 2021	<u>\$ 157,671</u>	<u>132,851</u>	<u>-</u>	<u>16,502</u>	<u>307,024</u>
Carrying value:					
December 31, 2022	<u>\$ 406,165</u>	<u>118,487</u>	<u>412,788</u>	<u>22,249</u>	<u>959,689</u>
December 31, 2021	<u>\$ 406,554</u>	<u>69,746</u>	<u>374,699</u>	<u>16,486</u>	<u>867,485</u>
January 1, 2021	<u>\$ 424,293</u>	<u>143,701</u>	<u>440,490</u>	<u>14,488</u>	<u>1,022,972</u>

The Group did not pledge any collateral on right-of-use assets.

(k) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance as at January 1, 2022	\$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2022	<u>\$ 1,073,579</u>	<u>741,889</u>	<u>1,815,468</u>
Balance as at January 1, 2021	\$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2021	<u>\$ 1,073,579</u>	<u>741,889</u>	<u>1,815,468</u>

(Continued)

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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Depreciation:			
Balance as at January 1, 2022	\$ -	263,320	263,320
Depreciation	-	14,725	14,725
Balance as at December 31, 2022	<u>\$ -</u>	<u>278,045</u>	<u>278,045</u>
Balance as at January 1, 2021	\$ -	248,595	248,595
Depreciation	-	14,725	14,725
Balance as at December 31, 2021	<u>\$ -</u>	<u>263,320</u>	<u>263,320</u>
Carrying value:			
Balance as at December 31, 2022	<u>\$ 1,073,579</u>	<u>463,844</u>	<u>1,537,423</u>
Balance as at December 31, 2021	<u>\$ 1,073,579</u>	<u>478,569</u>	<u>1,552,148</u>
Balance as at January 1, 2021	<u>\$ 1,073,579</u>	<u>493,294</u>	<u>1,566,873</u>
Fair value:			
Balance as at December 31, 2022			<u>\$ 3,347,503</u>
Balance as at December 31, 2021			<u>\$ 3,336,956</u>
Balance as at January 1, 2021			<u>\$ 3,336,956</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 3~10 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(w) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser. The recurring fair value measurement for the investment properties has been categorized as a Level 3 fair value based on the input to the valuation technique used. The range of yields applied to the net annual rentals to determine the fair value of the property were as follows:

<u>Region</u>	<u>2022</u>	<u>2021</u>
Da'an Dist., Taipei City	1.85%	2.10%

As of December 31, 2022 and 2021, the Group did not pledge any collateral on investment properties.

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(l) 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- competit- agreement	Total
Costs:							
Balance at January 1, 2022	\$ 963,869	282,420	190,198	544,989	994,071	8,308	2,983,855
Reclassification	-	22,647	-	-	-	-	22,647
Effect of changes in exchange rates	85,859	1,146	20,730	59,401	108,346	905	276,387
Balance at December 31, 2022	<u>\$ 1,049,728</u>	<u>306,213</u>	<u>210,928</u>	<u>604,390</u>	<u>1,102,417</u>	<u>9,213</u>	<u>3,282,889</u>
Balance at January 1, 2021	\$ 980,299	261,995	195,817	561,090	1,023,437	8,553	3,031,191
Reclassification	8,000	21,047	-	-	-	-	29,047
Effect of changes in exchange rates	(24,430)	(622)	(5,619)	(16,101)	(29,366)	(245)	(76,383)
Balance at December 31, 2021	<u>\$ 963,869</u>	<u>282,420</u>	<u>190,198</u>	<u>544,989</u>	<u>994,071</u>	<u>8,308</u>	<u>2,983,855</u>
Amortization and impairment losses:							
Balance at January 1, 2022	\$ 635,395	257,826	190,198	354,086	645,363	8,308	2,091,176
Amortization	65,816	16,450	-	16,910	34,370	-	133,546
Effect of changes in exchange rates	57,124	1,072	20,730	39,116	71,407	905	190,354
Balance at December 31, 2022	<u>\$ 758,335</u>	<u>275,348</u>	<u>210,928</u>	<u>410,112</u>	<u>751,140</u>	<u>9,213</u>	<u>2,415,076</u>
Balance at January 1, 2021	\$ 587,443	247,082	195,817	348,361	631,530	8,553	2,018,786
Amortization	62,976	11,337	-	15,913	32,346	-	122,572
Reclassification	-	19	-	-	-	-	19
Effect of changes in exchange rates	(15,024)	(612)	(5,619)	(10,188)	(18,513)	(245)	(50,201)
Balance at December 31, 2021	<u>\$ 635,395</u>	<u>257,826</u>	<u>190,198</u>	<u>354,086</u>	<u>645,363</u>	<u>8,308</u>	<u>2,091,176</u>
Carrying value:							
December 31, 2022	<u>\$ 291,393</u>	<u>30,865</u>	<u>-</u>	<u>194,278</u>	<u>351,277</u>	<u>-</u>	<u>867,813</u>
December 31, 2021	<u>\$ 328,474</u>	<u>24,594</u>	<u>-</u>	<u>190,903</u>	<u>348,708</u>	<u>-</u>	<u>892,679</u>
January 1, 2021	<u>\$ 392,856</u>	<u>14,913</u>	<u>-</u>	<u>212,729</u>	<u>391,907</u>	<u>-</u>	<u>1,012,405</u>

(i) Amortization of intangible assets

For the years ended December 31, 2022 and 2021, the amortization of intangible assets are included in the statement of comprehensive income:

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 10,226	7,096
Operating expenses	123,320	115,476
	<u>\$ 133,546</u>	<u>122,572</u>

(ii) Collateral

The Group did not pledge any collateral on intangible assets.

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(m) Short-term and long-term borrowings

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

(i) Short-term bank borrowings

December 31, 2022				The unused credit facilities (include credit lines of bills issued)
	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	0.85~5.85	2023	\$ 6,079,332	15,451,065
December 31, 2021				The unused credit facilities (include credit lines of bills issued)
	Range of interest rates (%)	Year of maturity	Amount	
Unsecured loans	0.40~3.85	2022	\$ 4,006,365	15,543,553

(ii) Short-term commercial paper payable

December 31, 2022			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	2.058	\$ 250,000
Less: discount			296
Total			\$ 249,704

(Continued)

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(iii) Long-term borrowings

1) Long-term bank borrowings

December 31, 2022				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	4.38	2023	\$ 66,895
Unsecured loans	NTD	1.05~1.93	2023~2027	2,285,292
Unsecured loans	USD	5.81~5.89	2023~2025	<u>502,230</u>
Total				<u>\$ 2,854,417</u>
Current				\$ 724,563
Non-current				<u>2,129,854</u>
Total				<u>\$ 2,854,417</u>
December 31, 2021				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	4.38	2022~2023	\$ 118,063
Unsecured loans	NTD	0.95~1.25	2022~2025	2,145,756
Unsecured loans	USD	1.48~1.72	2022~2024	<u>490,113</u>
Total				<u>\$ 2,753,932</u>
Current				\$ 817,713
Non-current				<u>1,936,219</u>
Total				<u>\$ 2,753,932</u>

As of December 31, 2020, the relevant forgiveness amount has been applied to the bank for review. In addition, the Company applied the “Welcoming the Return of Taiwanese Investment Initiative Act” loan of \$478,000 thousand from the bank in 2020. As of December 31, 2022 and 2021, the Company had used the amounts of \$185,292 thousand and \$148,837 thousand which were measured and recognized based on the market interest rate of 1.70% and 1.20%; and the difference between the actually interest rate of 1.075% and 0.45% and the market interest rate of 1.70% and 1.20% had been recorded as government subsidy under deferred income.

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- 2) Long-term commercial paper payable (recorded as current portion of long-term payables and other long-term borrowings)

The details of the Group's long-term commercial paper payable were as follows:

	December 31, 2022		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.865	\$ 350,000
Less: discount			233
Less: current portion			349,767
Total			<u>\$ -</u>
	December 31, 2021		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.164	\$ 350,000
Less: discount			78
Total			<u>\$ 349,922</u>

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

- (iv) Collateral of loans

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

- (n) Non-current provision liabilities

	Guarantees	Demolition and relocation costs	Total
Balance at January 1, 2022	\$ 27,757	241,779	269,536
Reverse in provisions	(2,771)	-	(2,771)
Effect on changes in exchange rates	-	3,519	3,519
Balance at December 31, 2022	<u>\$ 24,986</u>	<u>245,298</u>	<u>270,284</u>
Balance at January 1, 2021	\$ 31,819	-	31,819
Increase in provisions	-	241,779	241,779
Reverse in provisions	(4,062)	-	(4,062)
Balance at December 31, 2021	<u>\$ 27,757</u>	<u>241,779</u>	<u>269,536</u>

Please refer to notes 7(c) and 12(b) for further description of guarantees, demolition and relocation costs.

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(o) Lease liabilities

The Group's lease liabilities were as follow:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Current	\$ <u>127,731</u>	<u>128,928</u>
Non-current	\$ <u>451,756</u>	<u>357,355</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>3,778</u>	<u>3,463</u>
Expenses relating to short-term leases	\$ <u>17,953</u>	<u>15,819</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>12,690</u>	<u>22,836</u>

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

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>187,364</u>	<u>187,993</u>

(p) Operating leases

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

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Less than one year	\$ 66,532	68,755
One to two years	53,990	61,118
Two to three years	16,771	49,356
Three to four years	17,875	12,138
Four to five years	18,119	13,241
More than five years	<u>30,687</u>	<u>42,990</u>
Total undiscounted lease payments	\$ <u>203,974</u>	<u>247,598</u>

In 2022 and 2021, the rental income from investment property amounted to \$71,624 thousand and \$73,422 thousand, respectively.

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(q) Employee benefits

(i) Defined benefit plans

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

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
The present value of the defined benefit obligations	\$ 555,084	605,909
Fair value of plan assets	<u>(538,877)</u>	<u>(519,935)</u>
The net defined benefit liability	<u>\$ 16,207</u>	<u>85,974</u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$538,877 thousand at the end of the current reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit obligation as of January 1	\$ 605,909	606,090
Current service costs and interest	7,868	8,891
Remeasurements of net defined benefit liability (asset)		
— Return on plan assets (excluding current interest expense)	42,851	6,392
— Due to changes in financial assumption of actuarial gains or losses	(51,983)	31,893
Benefits paid by the plan	<u>(49,561)</u>	<u>(47,357)</u>
Defined benefit obligation as of December 31	<u>\$ 555,084</u>	<u>605,909</u>

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3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Fair value of plan assets as of January 1	\$ 519,935	535,923
Expected return	2,533	3,241
Remeasurements of net defined benefit liability (asset)		
– Return on plan assets (excluding current interest expense)	42,851	6,392
Contributions made	23,119	21,736
Benefits paid by the plan	<u>(49,561)</u>	<u>(47,357)</u>
Fair value of plan assets as of December 31	<u><u>\$ 538,877</u></u>	<u><u>519,935</u></u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current service cost	\$ 4,916	5,226
Net interest on the defined benefit liability (asset)	419	424
	<u><u>\$ 5,335</u></u>	<u><u>5,650</u></u>

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

	<u>2022</u>	<u>2021</u>
Operating costs	\$ 3,288	3,402
Operating expenses	1,646	1,972
Other income and expenses	<u>401</u>	<u>276</u>
	<u><u>\$ 5,335</u></u>	<u><u>5,650</u></u>

5) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.500 %	0.500 %
Future salary increases rate	1.500 %	1.500 %

The Group expects to make contributions of \$0 thousand to the defined benefit plans in the next year starting from the reporting date of 2022.

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The weighted average duration of the defined benefit plan is 9.07 years for the year ended December 31, 2022.

6) Sensitivity analysis

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

As of December 31, 2022 and 2021, the effects on the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect on defined benefit obligation	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
December 31, 2022		
Discount rate	\$ (9,339)	9,612
Future salary increase rate	9,239	(9,016)
December 31, 2021		
Discount rate	(11,357)	11,661
Future salary increase rate	11,132	(10,893)

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

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

(ii) Defined contribution plans

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

The Group has implemented the pension costs under the defined contribution plan and allocates retirement funds in according to the local regulation, and recognized the retirement funds in each period as current expenses.

The Group's pension costs under the defined contribution plan were \$115,585 thousand and \$97,612 thousand for the years 2022 and 2021, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

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(iii) Short-term employee benefit liabilities

	December 31, 2022	December 31, 2021
Compensated absence liabilities	\$ 58,071	50,242

(r) Income tax

(i) Income tax expenses

The amounts of the Group's income tax for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Current income tax expense		
Current period	\$ 709,889	873,721
Adjustment for prior periods	(3,155)	(192)
	706,734	873,529
Deferred tax expense		
Origination and reversal of temporary differences	239,757	295,154
Income tax expenses of continued operations	\$ 946,491	1,168,683

The amounts of the Group's income tax expense (benefit) recognized under other comprehensive income (loss) for the years ended December 31, 2022 and 2021 were as follows:

	2022	2021
Items that will not be reclassified subsequently to profit or loss:		
Unrealized gains on equity instruments at fair value through other comprehensive income (loss)	\$ (473)	21,345

(Continued)

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Reconciliations of the Group's income tax expense (benefit) and the profit before tax for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Income before tax	\$ <u>3,068,732</u>	<u>5,632,988</u>
Income tax calculated on pretax accounting income at statutory rate	\$ 613,746	1,126,597
Effect of tax rates in foreign jurisdiction	82,545	130,283
Tax exempt income	(11,814)	(213,172)
Adjustment for prior periods	(3,155)	(192)
Foreign investment income	182,048	307,179
R&D tax credits utilized	(35,339)	(21,529)
Withholding tax of revenue from overseas	72,767	67,668
Adjustment of tax rates	8,146	-
Land value increment tax	-	103,118
Change in unrecognized temporary differences	(34,169)	(329,128)
5% surtax on undistributed earnings	69,036	-
Others	<u>2,680</u>	<u>(2,141)</u>
Total	\$ <u>946,491</u>	<u>1,168,683</u>

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as of December 31, 2022 and 2021. Also, management considers it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Aggregate amount of temporary differences related to investments in subsidiaries	\$ <u>1,398,010</u>	<u>1,227,164</u>
Unrecognized deferred tax liabilities	\$ <u>279,602</u>	<u>245,433</u>

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2022 and 2021 were as follows:

Deferred tax assets:

	<u>Defined benefit plans</u>	<u>Allowance for inventory valuation</u>	<u>Loss carryforward</u>	<u>Investment tax credit</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2022	\$ -	45,746	106,899	60,776	40,013	253,434
Recognized in profit or loss	-	18,090	(13,111)	5,621	44,713	55,313
Balance at December 31, 2022	\$ -	<u>63,836</u>	<u>93,788</u>	<u>66,397</u>	<u>84,726</u>	<u>308,747</u>

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	Defined benefit plans	Allowance for inventory valuation	Loss carryforward	Investment tax credit	Others	Total
Balance at January 1, 2021	\$ 2,718	63,332	90,382	52,565	79,432	288,429
Recognized in profit or loss	(2,718)	(17,586)	16,517	8,211	(39,419)	(34,995)
Balance at December 31, 2021	<u>\$ -</u>	<u>45,746</u>	<u>106,899</u>	<u>60,776</u>	<u>40,013</u>	<u>253,434</u>

Deferred tax liabilities:

	Foreign investment income accounted for under equity method	Depreciation difference between financial and tax reporting	Land value increment tax	Others	Total
Balance at January 1, 2022	\$ 843,380	99,496	56,683	89,645	1,089,204
Recognized in profit or loss	182,048	118,380	-	(5,358)	295,070
Recognized in other comprehensive loss	-	-	-	(473)	(473)
Balance at December 31, 2022	<u>\$ 1,025,428</u>	<u>217,876</u>	<u>56,683</u>	<u>83,814</u>	<u>1,383,801</u>
Balance at January 1, 2021	\$ 642,096	53,416	56,683	55,505	807,700
Recognized in profit or loss	201,284	46,080	-	12,795	260,159
Recognized in other comprehensive income	-	-	-	21,345	21,345
Balance at December 31, 2021	<u>\$ 843,380</u>	<u>99,496</u>	<u>56,683</u>	<u>89,645</u>	<u>1,089,204</u>

(iii) Assessment of tax

The tax returns of the Company have been assessed by the tax authorities for all years through 2020.

(s) Capital and other equity

(i) Capital

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

As of December 31, 2022 and 2021, 825,709,978 shares of ordinary were issued.

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2022 and 2021, were as follows:

	December 31, 2022	December 31, 2021
Share premium	\$ 849	849
Overaging unclaimed dividends	50,876	49,876
	<u>\$ 51,725</u>	<u>50,725</u>

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

(iii) Retained earnings

1) Legal reserve

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

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation increments and cumulative translation adjustments (gains) under shareholders' equity were reclassified to retained earnings at the adoption date. An increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified \$(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

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

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3) Distribution of retained earnings

In accordance with the Company's articles of incorporation, 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 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.

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 2021 and 2020 earnings as dividends to stockholders that were approved by the Company's shareholders' general meetings on June 17, 2022 and August 4, 2021, respectively, were as follows:

	2021		2020	
	Amount per share (NTD)	Total Amount	Amount per share (NTD)	Total Amount
Dividends distributed to ordinary stockholders:				
Cash	\$ 2.40	<u>1,981,704</u>	0.36	<u>297,256</u>

On March 9, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share (NTD)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 1.08	<u>891,767</u>

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(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2022	\$ (456,708)	1,047,059	(26,847)	563,504
Foreign exchange differences arising from foreign operations	809,232	-	-	809,232
Exchange differences on translation financial statements from investments accounted for using equity method	(100,754)	-	-	(100,754)
Unrealized gains or losses from financial assets measured at fair value through other comprehensive loss	-	(42,978)	-	(42,978)
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-	(18,942)	(18,942)
Balance as of December 31, 2022	<u>\$ 251,770</u>	<u>1,004,081</u>	<u>(45,789)</u>	<u>1,210,062</u>
Balance as of January 1, 2021	\$ (198,125)	558,902	(81,119)	279,658
Foreign exchange differences arising from foreign operations	(268,275)	-	-	(268,275)
Exchange differences on translation financial statements from investments accounted for using equity method	9,692	-	-	9,692
Unrealized gains or losses from financial assets measured at fair value through other comprehensive income	-	488,157	-	488,157
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-	54,272	54,272
Balance as of December 31, 2021	<u>\$ (456,708)</u>	<u>1,047,059</u>	<u>(26,847)</u>	<u>563,504</u>

(t) Earnings per share

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

(i) Basic earnings per share

	2022	2021
Net income attributable to common shareholders of the Company	<u>\$ 1,782,763</u>	<u>3,930,939</u>
Weighted-average number of common shares (in thousands)	<u>825,710</u>	<u>825,710</u>
Basic earnings per share (NTD)	<u>\$ 2.16</u>	<u>4.76</u>

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(ii) Diluted earnings per share

	<u>2022</u>	<u>2021</u>
Net income attributable to common shareholders of the Company (diluted)	<u>\$ 1,782,763</u>	<u>3,930,939</u>
Weighted-average number of common shares (basic) (in thousands)	825,710	825,710
Impact on potential common shares		
Effect on employees' compensation (in thousands)	<u>5,788</u>	<u>4,515</u>
Weighted-average number of shares outstanding (diluted) (in thousands)	<u>831,498</u>	<u>830,225</u>
Diluted earnings per share (NTD)	<u>\$ 2.14</u>	<u>4.73</u>

(u) Remuneration to employees and directors

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 employee remuneration, and less than 1% as directors' remuneration. The related regulations on the distribution of remunerations to employees and directors will have to be approved by the Board of Directors.

For the years ended December 31, 2022 and 2021, the Company recognized the employees' compensation of \$130,999 thousand and \$171,609 thousand, respectively, and the directors' remuneration of \$11,857 thousand and \$22,677 thousand, respectively. The amounts were estimated based on the profit-sharing percentages set by the Articles of Incorporation and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. There were no differences between the amounts distributed by the Board of Directors and the estimated amounts in the Company's consolidated financial reports for the years of 2022 and 2021.

(v) Revenue from contracts with customers

	<u>2022</u>		
	<u>Synthetic rubber</u>	<u>Non-synthetic rubber</u>	<u>Total</u>
Primary geographical markets:			
Asia	\$ 23,677,683	712,417	24,390,100
Americas	5,147,819	8,872	5,156,691
Europe	3,641,392	202	3,641,594
Others	<u>652,812</u>	<u>-</u>	<u>652,812</u>
	<u>\$ 33,119,706</u>	<u>721,491</u>	<u>33,841,197</u>
Major product lines:			
Synthetic rubber / elastomers	\$ 32,718,567	-	32,718,567
Applied materials	-	714,637	714,637
Others	<u>401,139</u>	<u>6,854</u>	<u>407,993</u>
	<u>\$ 33,119,706</u>	<u>721,491</u>	<u>33,841,197</u>

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	2021		
	<u>Synthetic rubber</u>	<u>Non-synthetic rubber</u>	<u>Total</u>
Primary geographical markets:			
Asia	\$ 22,784,625	1,078,285	23,862,910
Americas	4,661,513	14,036	4,675,549
Europe	3,181,003	65	3,181,068
Others	813,711	-	813,711
	<u>\$ 31,440,852</u>	<u>1,092,386</u>	<u>32,533,238</u>
Major product lines:			
Synthetic rubber / elastomers	\$ 31,152,950	-	31,152,950
Applied materials	-	1,088,446	1,088,446
Others	287,902	3,940	291,842
	<u>\$ 31,440,852</u>	<u>1,092,386</u>	<u>32,533,238</u>
(w) Other income and expenses			
		<u>2022</u>	<u>2021</u>
Rental income	\$	74,111	75,865
Royalty income		175,992	167,241
Net service income		7,452	10,150
Depreciation of investment properties		(14,725)	(14,725)
Net other income		29,488	33,014
Other income and expenses	\$	<u>272,318</u>	<u>271,545</u>
(x) Non-operating income and expenses			
(i) Interest income			
		<u>2022</u>	<u>2021</u>
Interest income from bank deposits	\$	<u>85,130</u>	<u>30,076</u>
(ii) Other gains			
		<u>2022</u>	<u>2021</u>
Dividend income	\$	<u>101,580</u>	<u>66,256</u>

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(iii) Other gains and losses

	<u>2022</u>	<u>2021</u>
Gains or losses on disposal of property, plant and equipment	\$ (22,349)	900,164
Foreign exchange gain or loss, net	4,783	(53,582)
Gains or losses on financial assets (liabilities) at fair value through profit or loss	74,062	63,629
Other gains and losses	<u>15,322</u>	<u>7,046</u>
Other gains and losses, net	<u>\$ 71,818</u>	<u>917,257</u>

(iv) Finance costs

	<u>2022</u>	<u>2021</u>
Interest expense	<u>\$ 175,468</u>	<u>110,741</u>

(y) Reclassification of components of other comprehensive income

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

	<u>2022</u>	<u>2021</u>
Effective portion of cash flow hedges:		
Net gains (losses) for current year	\$ (3,511)	29,376
Less: Adjustment of reclassification included in profit or loss	<u>15,431</u>	<u>(24,896)</u>
Net gains (losses) recognized in other comprehensive income	<u>\$ (18,942)</u>	<u>54,272</u>

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2022 and 2021, the maximum credit risk exposure amounted to \$11,944,403 thousand, and \$10,780,140 thousand, respectively.

2) Concentration of credit risk

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

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

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(ii) Liquidity risk

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

	<u>Contractual cash flows</u>	<u>Within 1 years</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings (including short-term commercial paper payable)	\$ 6,370,190	6,370,190	-	-	-
Accounts payable (including related parties)	1,667,519	1,667,519	-	-	-
Other payables	1,433,551	1,433,551	-	-	-
Long-term borrowings (including other long-term borrowings, current portion and current portion of long-term payables)	3,296,334	1,128,019	1,624,036	544,279	-
Lease liabilities	593,823	132,885	101,921	273,352	85,665
Deposits received	51,168	-	35,654	11,247	4,267
Derivative financial liabilities					
Other swap contracts / Other forward contracts:					
Outflow	36,729	36,729	-	-	-
	<u>\$ 13,449,314</u>	<u>10,768,893</u>	<u>1,761,611</u>	<u>828,878</u>	<u>89,932</u>
December 31, 2021					
Non-derivative financial liabilities					
Short-term borrowings	\$ 4,029,764	4,029,764	-	-	-
Accounts payable (including related parties)	1,538,292	1,538,292	-	-	-
Other payables	1,560,933	1,560,933	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	3,169,756	851,952	1,046,502	1,271,302	-
Lease liabilities	491,077	130,861	73,131	154,206	132,879
Deposits received	48,177	-	33,810	11,247	3,120
Derivative financial liabilities					
Other swap contracts:					
Outflow	356	356	-	-	-
	<u>\$ 10,838,355</u>	<u>8,112,158</u>	<u>1,153,443</u>	<u>1,436,755</u>	<u>135,999</u>

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

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(iii) Currency risk

1) Risk exposure

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

	Foreign currency (thousand dollars)	Exchange rate	NTD
December 31, 2022			
Financial assets:			
Monetary assets:			
USD	\$ 69,613	30.7080	2,146,888
EUR	\$ 13,565	32.7102	443,714
JPY	\$ 240,121	0.2324	55,804
CNY	\$ 31,872	4.4078	140,485
Financial liabilities:			
Monetary liabilities:			
USD	\$ 70,621	30.7080	2,168,630
EUR	\$ 10,750	32.7102	351,635
JPY	\$ 239,256	0.2324	55,603
December 31, 2021			
Financial assets:			
Monetary assets:			
USD	\$ 95,757	27.6900	2,651,511
EUR	\$ 19,073	31.3035	597,052
JPY	\$ 262,873	0.2404	63,195
CNY	\$ 84,779	4.3446	368,331
Financial liabilities:			
Monetary liabilities:			
USD	\$ 92,364	27.6900	2,557,559
EUR	\$ 15,702	31.3035	491,528
JPY	\$ 235,269	0.2404	56,559

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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2) Sensitivity analysis

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 foreign currencies had depreciated / appreciated by 1%, the Group's net income before tax would have increased / decreased by \$2,110 thousand and \$5,744 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

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 years ended December 31, 2022 and 2021, foreign exchange gain (loss) (including Derivative financial instruments for non-hedging profit and loss) amounting to \$78,845 thousand and \$10,047 thousand, respectively.

(iv) Interest rate risk analysis

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

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

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have decreased / increased by \$95,332 thousand and \$71,102 thousand for the years ended December 31, 2022 and 2021, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(v) Fair value

1) Hierarchy and fair value of financial instruments

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

	December 31, 2022				
	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)	626,837	626,837	-	-	626,837
Unlisted stocks (domestic and overseas)	796,059	-	-	796,059	796,059
Subtotal	<u>1,422,896</u>	<u>626,837</u>	<u>-</u>	<u>796,059</u>	<u>1,422,896</u>
Total	<u>\$ 1,422,910</u>	<u>626,837</u>	<u>14</u>	<u>796,059</u>	<u>1,422,910</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 36,729	-	36,729	-	36,729
	December 31, 2021				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets	\$ 7,702	-	7,702	-	7,702
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	668,140	668,140	-	-	668,140
Unlisted stocks (domestic and overseas)	792,446	-	-	792,446	792,446
Subtotal	<u>1,460,586</u>	<u>668,140</u>	<u>-</u>	<u>792,446</u>	<u>1,460,586</u>
Total	<u>\$ 1,468,288</u>	<u>668,140</u>	<u>7,702</u>	<u>792,446</u>	<u>1,468,288</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	\$ 356	-	356	-	356

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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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

	<u>Unquoted equity instruments</u>
Balance at January 1, 2022	\$ 792,446
Total gains:	
Recognized in other comprehensive income	3,613
Balance at December 31, 2022	<u>\$ 796,059</u>
Balance at January 1, 2021	\$ 952,645
Total gains:	
Recognized in other comprehensive income	423,391
Transfer into level 1	(583,590)
Balance at December 31, 2021	<u>\$ 792,446</u>

Since Evergreen Steel Corporation was listed in April 2021, its fair value measurement was transferred from the level 3 to level 1.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> · Multipliers of price-to-earnings ratios as of December 31, 2022 and December 31, 2021 was all 9.36~17.59 and 9.45~20.31, respectively · Market liquidity discount rate as of 20% 	<ul style="list-style-type: none"> · the estimated fair value would have been higher if the price-to-earnings ratios would be higher. · the estimated fair value would have been higher if the market liquidity discount would be lower.

- 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>
December 31, 2022				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 9,953	(9,953)
December 31, 2021				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 9,904	(9,904)

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.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(aa) Financial risk management

(i) Overview

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

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

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

(ii) Risk management framework

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

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

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Credit risk

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

1) Accounts receivable and Notes Receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's Accounts Receivable and Notes Receivable are mainly due from customers in China, each constituting 23% and 26% of the total amount of the receivables as of December 31, 2022, and 2021.

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

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

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

2) Investments

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

3) Guarantees

The Group's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided by the Group as of December 31, 2022 and 2021, are disclosed in note 7 "Related-party Transactions."

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

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

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

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

The Group does not hedge against investments of related parties.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2) Interest rate risk

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

3) Other market price risk

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

(ab) Capital management

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

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

	December 31, 2022	December 31, 2021
Total liabilities	\$ 15,842,270	12,705,945
Total equity	<u>20,731,263</u>	<u>20,123,818</u>
Total assets	<u>\$ 36,573,533</u>	<u>32,829,763</u>
Debts ratio	<u>43 %</u>	<u>39 %</u>

As of December 31, 2022, the debts ratio increased is mainly resulted from increasing loan borrowings.

(ac) 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 years ended December 31, 2022 and 2021.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ad) Reconciliation of liabilities arising from financing activities

Reconciliations of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 was as follows:

	January 1, 2022	Cash flows	Non-cash changes			December 31, 2022
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Long-term borrowings (including current portion)	\$ 2,753,932	37,367	63,118	-	-	2,854,417
Other long-term borrowings (including current portion)	349,922	(5,372)	-	5,217	-	349,767
Short-term borrowings (including short-term commercial paper payable)	4,006,365	2,086,794	233,993	1,884	-	6,329,036
Lease liabilities	486,283	(152,943)	13,852	3,778	228,517	579,487
Total liabilities from financing activities	<u>\$ 7,596,502</u>	<u>1,965,846</u>	<u>310,963</u>	<u>10,879</u>	<u>228,517</u>	<u>10,112,707</u>

	January 1, 2021	Cash flows	Non-cash changes			December 31, 2021
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Long-term borrowings (including current portion)	\$ 4,463,864	(1,682,714)	(27,218)	-	-	2,753,932
Other long-term borrowings	349,341	(3,575)	-	4,156	-	349,922
Short-term borrowings	3,789,276	299,003	(81,914)	-	-	4,006,365
Lease liabilities	632,090	(145,875)	(12,142)	3,463	8,747	486,283
Total liabilities from financing activities	<u>\$ 9,234,571</u>	<u>(1,533,161)</u>	<u>(121,274)</u>	<u>7,619</u>	<u>8,747</u>	<u>7,596,502</u>

(7) **Related-party transactions**

(a) Parent company and ultimate controlling party

Montrion Corporation is the ultimate controlling party of the Company. It indirectly controls Han-De Construction Co., Ltd. and Wei-Dar Development Co., Ltd., who held more than half of the members of the directors of the Company through their shares.

(b) Names and relationship with related parties

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

Name of related party	Relationship with the Group
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.	Other related parties of one consolidated entity

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Name of related party</u>	<u>Relationship with the Group</u>
Metropolis Property Management Corporation	Other related parties of the Group
Continental Engineering Corporation	"
WFV Corporation	"
Continental Consulting Limited Company	"
UBE (Shanghai) Ltd.	Subsidiary of other related parties of one consolidated entity

(c) Significant transactions with related parties

(i) Operating revenue

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

	<u>2022</u>	<u>2021</u>
Associates	\$ <u>3,412</u>	<u>6,837</u>

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

(ii) Purchases

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

	<u>2022</u>	<u>2021</u>
Other related parties	\$ <u>178,074</u>	<u>304,804</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 related parties. The amounts recognized as revenue, other income and expenses were as follows:

	<u>2022</u>	<u>2021</u>
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 172,282	152,999
Joint ventures		
Indian Synthetic Rubber Private Limited	67,130	71,256
Others joint ventures	6,709	7,263
Other related parties		
Others related parties	(18,495)	(15,357)
	<u>\$ 227,626</u>	<u>216,161</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Lease—Rental income

	<u>2022</u>	<u>2021</u>
Associates	\$ 2,487	2,443
Other related parties	4,489	4,472
	<u>\$ 6,976</u>	<u>6,915</u>

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

(v) Receivables from related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other receivables	Associates		
	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 31,017	29,013
Other receivables	Joint ventures		
	Indian Synthetic Rubber Private Limited	11,227	18,192
	Others	626	733
		<u>\$ 42,870</u>	<u>47,938</u>

(vi) Payables to related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable	Other related parties	\$ 33,236	1,316
Other payables	Joint ventures	1,382	1,246
Other payables	Other related parties	1,578	1,817
		<u>\$ 36,196</u>	<u>4,379</u>

(vii) Guarantees

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 308,546	500,576
Joint ventures		
Indian Synthetic Rubber Private Limited	1,022,576	922,077
	<u>\$ 1,331,122</u>	<u>1,422,653</u>

(Continued)

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 1,261	1,782
Joint ventures		
Indian Synthetic Rubber Private Limited	<u>23,725</u>	<u>25,975</u>
	<u>\$ 24,986</u>	<u>27,757</u>

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 142,453	140,150
Post-employment benefits	<u>1,329</u>	<u>1,225</u>
	<u>\$ 143,782</u>	<u>141,375</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Restricted savings deposits (recorded as other non-current assets)	Bank guarantee for electricity usage	\$ 1,237	1,153
Machinery etc. (recorded as property, plant and equipment)	Guarantee for long-term borrowings	<u>120,802</u>	<u>148,688</u>
		<u>\$ 122,039</u>	<u>149,841</u>

(9) Commitments and contingencies

(a) The unused letters of credit outstanding

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
The Group's unused letters of credit outstanding	<u>\$ 1,123,836</u>	<u>842,971</u>

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Total amounts of construction in progress contracts	<u>\$ 1,263,653</u>	<u>377,273</u>
Cumulative payments	<u>\$ 448,595</u>	<u>305,883</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

(12) **Other**

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

By nature	Year ended December 31, 2022			Year ended December 31, 2021		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	953,878	714,708	1,668,586	904,453	683,656	1,588,109
Labor and health insurance	108,511	69,220	177,731	91,960	59,449	151,409
Pension	85,351	35,569	120,920	71,396	31,866	103,262
Others (note 1)	243,029	143,983	387,012	226,863	160,722	387,585
Depreciation (note 2)	1,021,649	137,655	1,159,304	929,625	143,418	1,073,043
Amortization	10,226	123,320	133,546	7,096	115,476	122,572

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

Note 2: Depreciation expenses excluded expenses for investment property recognized under other income and expenses, amounting to \$14,725 thousand for the years ended December 31, 2022 and 2021.

(b) To comply with the policy, Shen Hua signed a relocation compensation contract with Nantong Management Office and Nantong Nengda on December 4, 2021. It also signed an investment agreement for its new factories with Nantong Management Office at the compensated amount of CNY479,677 thousand. Following the agreement schedule, Shen Hua will return the right to use the land after moving and demolishing its immovable assets in 2024. As for the movable assets, they will be transported to the new factories for further operation.

	December 31, 2022	December 31, 2021
Cumulative compensation received	\$ <u>212,166</u>	<u>-</u>
Prepaid land-use right price for new location	\$ <u>596,499</u>	<u>-</u>
Provision for demolish and relocation	\$ <u>245,298</u>	<u>241,799</u>

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the years ended December 31, 2022:

(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 (Note 1)	Maximum financing limit for the lender (Note 2)
													Item	Value		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Entrusted loans	Yes	148,731	44,078	-	3.103%	2	-	Operating capital	-		-	152,996	305,991
2	Polybus Corporation Pte Ltd	TSRC	Account receivable-related parties	Yes	686,928	-	-	0.288%	2	-	Operating capital	-		-	4,169,671	8,339,342
3	TSRC (Hong Kong) Limited	TSRC	Account receivable-related parties	Yes	176,880	-	-	0.284%	2	-	Operating capital	-		-	1,800,344	3,600,687
3	TSRC (Hong Kong) Limited	TSRC (Vietnam) Co., Ltd.	Account receivable-related parties	Yes	128,840	122,832	92,124	2.00%~5.45%	2	-	Operating capital	-		-	1,800,344	3,600,687
4	TSRC Specialty Materials LLC	TSRC (USA) Investment Corporation	Account receivable-related parties	Yes	429,330	-	-	0.12%~0.44%	2	-	Operating capital	-		-	1,188,188	2,376,375

Note 1: The loan limit extended per party 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 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: The fund of loan and the loan to the other party 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 (Note 3)	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)	840,630	460,620	50,822	-	2.49 %	(Note 3)	Y		
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	605,766	308,546	6,895	-	1.67 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,072,593	1,022,576	545,067	-	5.52 %	(Note 3)			
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	669,196	555,815	297,868	-	3.00 %	(Note 3)	Y		
0	TSRC	TSRC Specialty Materials LLC	4	(Note 2)	322,100	307,080	66,895	-	1.66 %	(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 \$11,115,930 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$27,789,825 thousand.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Securities held as of December 31, 2022 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand NTD

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2022	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	626,837	2.91 %	626,837	209,878	
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	599,999	169,506	5.42 %	169,506	65,143	
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income—non-current	5,657,000	389,937	3.90 %	389,937	64,296	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	837,552	236,616	7.57 %	236,616	58,626	
					1,422,896		1,422,896	397,943	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding NT\$300 million or 20% of the Company's paid-in capital: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the Company's paid-in capital: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the Company's paid-in capital: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding NT\$100 million or 20% of the Company's paid-in capital:

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	349,547	11.37 %	70 days	-	-	(42,656)	(11.32) %	
TSRC	TSRC (Lux.) Corporation S.A R.L	Parent and subsidiary companies	Sale	(349,547)	(3.10) %	70 days	-	-	42,656	3.89 %	
TSRC Specialty Materials LLC	TSRC	Parent and subsidiary companies	Purchase	230,118	6.47 %	70 days	-	-	(35,349)	(11.30) %	
TSRC	TSRC Specialty Materials LLC	Parent and subsidiary companies	Sale	(230,118)	(2.04) %	70 days	-	-	35,349	3.22 %	
Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	219,391	23.17 %	40 days	-	-	(45,945)	(31.17) %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	Related parties	Sale	(219,391)	(3.63) %	40 days	-	-	45,945	7.86 %	
Polybus Corporation Pte Ltd	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	676,903	71.47 %	40 days	-	-	(86,218)	(58.50) %	
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd	Related parties	Sale	(676,903)	(8.40) %	40 days	-	-	86,218	6.31 %	
TSRC (Lux.) Corporation S.A R.L	TSRC Specialty Materials LLC	Related parties	Purchase	647,106	21.05 %	90 days	-	-	(132,835)	(35.25) %	
TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L	Related parties	Sale	(647,106)	(13.56) %	90 days	-	-	132,835	21.57 %	
TSRC (Lux.) Corporation S.A R.L	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	2,066,220	67.21 %	70 days	-	-	(208,083)	(55.21) %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L	Related parties	Sale	(2,066,220)	(34.20) %	70 days	-	-	208,083	35.61 %	

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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	208,083	8.07	-		80,539	-
TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L	Related parties	132,835	4.34	-		50,239	-

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

Note 2: Until March 9, 2023.

- (ix) Trading in derivative financial instruments: Please refer to note 6(b).
- (x) Business relationships and significant intercompany transactions:

Unit: thousand NTD

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			Percentage of the total consolidated revenue or total assets
				Account name	Amount	Trading terms	
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Sales revenue	58,052	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.17 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	77,013	"	0.23 %
0	TSRC	TSRC (Lux.) Corporation S.A R.L	1	Sales revenue	349,547	"	1.03 %
0	TSRC	TSRC (Lux.) Corporation S.A R.L	1	Accounts receivable	42,656	"	0.12 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	53,408	"	0.16 %
0	TSRC	TSRC Specialty Materials LLC	1	Sales revenue	230,118	"	0.68 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	58,168	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.17 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other receivable	94,058	"	0.25 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	45,387	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.13 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	3	Sales revenue	219,391	"	0.65 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	3	Accounts receivable	45,945	"	0.13 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L	3	Sales revenue	2,066,220	"	6.11 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.A R.L	3	Accounts receivable	208,083	"	0.57 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	323,242	"	0.96 %
1	TSRC (Nantong) Industries Ltd.	TSRC Specialty Materials LLC	3	Sales revenue	38,194	"	0.11 %

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
2	TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L	3	Sales revenue	647,106	The transaction is not significantly different from normal transactions, and the collection terms were about two months	1.91 %
2	TSRC Specialty Materials LLC	TSRC (Lux.) Corporation S.A R.L	3	Accounts receivable	132,835	"	0.36 %
3	Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd	3	Sales revenue	676,903	The transaction is not significantly different from normal transactions, and the collection terms were about two months	2.00 %
3	Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd	3	Accounts receivable	86,218	"	0.24 %
3	Shen Hua Chemical Industries Co., Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Sales revenue	49,535	"	0.15 %
4	TSRC (Lux.) Corporation S.A R.L	TSRC	2	Other income and expenses	42,857	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.13 %
4	TSRC (Lux.) Corporation S.A R.L	TSRC	2	Other receivable	44,587	"	0.12 %
5	TSRC (Hong Kong) Limited	TSRC (Vietnam) Co., Ltd.	3	Account receivable-related parties	92,124	The loan term was one year	0.25 %

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2022 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2022	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2022	December 31, 2021	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 %	16,625,264	1,005,495	1,203,074	1,203,074	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 %	659,062	109,442	(25,763)	(25,763)	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 %	139,786	38,376	(33,068)	(6,441)	Subsidiary (note 2)
TSRC	TSRC (Vietnam) Co., Ltd.	8 VVIP 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	387,585	342,742	-	100.00 %	195,502	387,585	(89,784)	(89,784)	Subsidiary
Trimurti Holding Corporation	Polybus Corporation Pte Ltd	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,999,122 (USD65,101)	1,999,122 (USD65,101)	105,830,000	100.00 %	8,339,342	1,999,122	998,627	998,627	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F Bcc Group Life Assurance Tower 136 Dses Voews Road Central	Investment corporation	3,189,026 (USD103,850)	3,189,026 (USD103,850)	103,850,000	100.00 %	3,600,687	3,189,026	(674)	(674)	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	905,057 (USD29,473)	905,057 (USD29,473)	222,861,375	50.00 %	1,258,286	905,057	427,752	213,876	-
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.A R.L	39-43 avenue de la Liberte L-1931 Luxembourg	International commerce and investment corporation	2,449,000 (EUR74,870)	2,449,000 (EUR74,870)	74,869,617	100.00 %	3,184,003	2,449,000	(31,331)	(31,331)	Indirectly owned subsidiary

Unit: thousand NTD/thousand USD/thousand EUR

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2022	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2022	December 31, 2021	Shares	Percentage of ownership	Book value				
TSRC (Lux.) Corporation S.A R.L.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808	Investment corporation	2,949,503 (USD96,050)	2,949,503 (USD96,050)	130	100.00 %	3,053,602	2,949,503	(7,155)	(7,155)	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	TSRC Specialty Materials LLC	23027 Elkana Deane Lane, Katy, Texas 77449-3696	Production and sale of TPE	6,713,291 (USD218,617)	6,713,291 (USD218,617)	-	100.00 %	2,376,375	6,713,291	105,533	105,533	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	1,535 (USD50)	1,535 (USD50)	50,000	100.00 %	57,906	1,535	928	928	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	147,368 (USD4,799)	147,368 (USD4,799)	4,798,566	80.52 %	599,118	147,368	(33,068)	(26,627)	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	346,540 (USD11,285)	346,540 (USD11,285)	7,522,337	37.78 %	238,527	346,540	(159,265)	(60,170)	-

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.708; EUR1 to NTD32.7102).

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:

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, 2022	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2022	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2022	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	1,265,784 (USD41,220)	(2)a.	-	-	-	-	332,811	65.44 %	828,329	217,791 (note 2)	2,450,932	4,786,340
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	709,355 (USD23,100)	(2)c.	117,673 (USD3,832)	-	-	117,673 (USD3,832)	(170,002)	28.34 %	201,031	(48,179) (note 3)	258,053	358,308
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	168,894 (USD5,500)	(2)b.	120,375 (USD3,920)	-	-	120,375 (USD3,920)	30,217	100.00 %	168,894	30,217 (note 2)	305,991	-
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	92,124 (USD3,000)	(2)d.	46,062 (USD1,500)	-	-	46,062 (USD1,500)	1,952	50.00 %	46,062	976 (note 2)	57,604	74,060
TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	1,228,320 (USD40,000)	(2)a.	30,708 (USD1,000)	-	-	30,708 (USD1,000)	498,796	55.00 %	675,576	274,338 (note 2)	1,123,698	-
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,228,179 (USD105,125)	(2)a.	204,147 (USD6,648)	-	-	204,147 (USD6,648)	377,804	100.00 %	3,228,179	377,804 (note 2)	3,897,485	440,864
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,375,718 (USD44,800)	(2)a.	-	-	-	-	312,041	50.00 %	687,859	156,020 (note 3)	667,783	-

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 (Hong Kong) Limited then investing in Mainland China.
 - c. Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.
 - d. Through the establishment of Triton International Holdings Corporation then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

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

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

Note 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.708).

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

(ii) Limitation on investment in Mainland China:

Company name	Unit: thousand NTD/thousand USD		
	Accumulated investment amount in Mainland China as of December 31, 2022	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	518,965 (USD16,900)	5,752,683 (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 18, 2021. 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 12, 2021 to August 11, 2024.

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

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.708).

(iii) Significant transactions:

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

(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

(a) General information

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

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

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

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

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

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	2022			
	Synthetic rubber	Non- synthetic rubber	Others	Total
Revenue:				
Revenue from external customers	\$ 33,119,706	721,491	-	33,841,197
Interest revenue	74,867	1,791	8,472	85,130
Total revenue	\$ 33,194,573	723,282	8,472	33,926,327
Interest expenses	\$ 163,329	12,139	-	175,468
Depreciation and amortization	\$ 1,174,431	118,419	14,725	1,307,575
Share of profit of equity-accounted investees (associates and jointly controlled entities)	\$ 369,896	-	(59,194)	310,702
Reportable segment profit or loss	\$ 3,249,724	(174,873)	(6,119)	3,068,732
Reportable segment assets and liabilities (note)	\$ -	-	-	-
	2021			
	Synthetic rubber	Non- synthetic rubber	Others	Total
Revenue:				
Revenue from external customers	\$ 31,440,852	1,092,386	-	32,533,238
Interest revenue	24,125	5,546	405	30,076
Total revenue	\$ 31,464,977	1,097,932	405	32,563,314
Interest expenses	\$ 101,319	9,422	-	110,741
Depreciation and amortization	\$ 1,083,837	111,778	14,725	1,210,340
Share of profit of equity-accounted investees (associates and jointly controlled entities)	\$ 787,419	-	14,622	802,041
Reportable segment profit or loss	\$ 4,638,104	7,821	987,063	5,632,988
Reportable segment assets and liabilities (note)	\$ -	-	-	-

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Geographical information

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

<u>Geographical information</u>	<u>2022</u>	<u>2021</u>
Revenue from external customers:		
China	\$ 13,445,972	13,941,357
United States	4,430,779	3,924,935
Taiwan	3,024,108	2,785,420
Vietnam	2,306,385	1,978,784
Thailand	1,698,054	1,686,829
Germany	1,678,279	1,403,295
Indonesia	737,503	542,843
Japan	732,579	684,196
Other countries	<u>5,787,538</u>	<u>5,585,579</u>
Total	<u>\$ 33,841,197</u>	<u>32,533,238</u>
	<u>December 31,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Non-current assets:		
China	\$ 7,270,699	6,836,200
Taiwan	4,622,912	4,576,866
United States	1,609,869	1,605,206
Other countries	<u>649,638</u>	<u>603,801</u>
Total	<u>\$ 14,153,118</u>	<u>13,622,073</u>

Non-current assets include property, plant and equipment, right-of-use assets, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets.

(d) Information about major customers

For the years 2022 and 2021, the Group had no major customer who constituted 10% or more of net sales.