Stock Code : 2103

TSRC CORPORATION

Annual Report 2014

Annual Report website of FSC: http://mops.twse.com.tw
The company's website: http://www.tsrc.com.tw
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Spokesman：Alice Yuan
Title：CEO/President Office Assistant Vice President
TEL：02-37016000
E-mail：spokesman@tsrc-global.com

Deputy Spokesman：Su-Fen Huang
Title：Asst. Manager
TEL：02-37016000
E-mail：spokesman@tsrc-global.com

Head office:
18F., 95, Sec. 2, Dunhua S. Rd.,
Taipei City, Taiwan R.O.C.
Tel: 886-2-3701 6000
Fax: 886-2-3701 6868
http://www.tsrc.com.tw
Kaohsiung Factory:
No.2, Singgong Rd., Dashe Dist.,
Kaohsiung City, Taiwan R.O.C.
Tel: 886-7-351 3811-9
Fax: 886-7-351 4705
Gangshan Factory:
No.39, Bengong 1st Rd., Gangshan
Dist., Kaohsiung City, Taiwan R.O.C.
Tel: 886-7-623 3005
Fax: 886-7-622 5481

Stock Agent：SinoPac Securities Co. Ltd. Stock division
Head office：3F., No.17, Bo-ai Rd., Jhongjheng
District, Taipei City 100, Taiwan R.O.C.
TEL：02-23816288
http://www.sinotrade.com.tw

Financial Statement Auditing CPAs:
CPAs：Hung Po Shu, Yu Ann Tine
office：KPMG
Head office：68F., No.7, Sec. 5, Sinyi Rd., Sinyi District,
Taipei City 110, Taiwan R.O.C. (TAIPEI 101)
TEL：02-81016666
http://www.kpmg.com.tw

The name of any exchanges where the company's securities are traded offshore, and the method by which to access information on said offshore securities: No

Contents

Review and analysis of the Company's financial condition and business performance, and risk management

Special items to be noted

A report to shareholders

A report to the shareholders

To all shareholders:

In 2014, after Taiwan Synthetic Rubber Corp. (TSRC)'s SIS and ESBR project in India gradually became operational, quality certifications have been received from many clients and sales also increased progressively. In Kaohsiung, the TPE production line reconstruction is expected to be completed in 2015, which will produce 25,000 tons of high value SEBS products for sale each year. This will contribute towards the annual revenue and profit, in turn maintain steady growth amid the fiercely competitive industry environment and materialize the goal of corporate sustainability.

Review of Operation 2014

Business plan

In 2014, synthetic rubber production in the Asia Pacific region continued to grow, while the tire industry in China was sanctioned by US anti-dumping and anti-subsidy policies, which resulted in low operation rate, in turn causing excess supply in the synthetic rubber market. Advantages of vertical integration, price competition in the petrochemical industries in China and South Korea have caused the price of synthetic rubber to plummet, significantly affecting the profitability of the rubber manufacturers.

In order to overcome the harsh industry environment, TSRC has adopted a marketing strategy of maintaining the price and steadying the supply, flexible production line and stable formula pricing. By strictly implementing cost and expense control, we have maintained a profitability that is superior to others in the same industry. In 2014, our consolidated income was NT$31.869 billion, a 7% reduction from 2013. Our gross profit was NT$3.963 billion and net operating profit was NT$1.94 billion, which were 7% and 6% less than 2013 respectively. Our net after-tax profit margin was NT$1.141 billion, which was 24% less than previous year; the net profit ratio was 3.9% and EPS was NT$1.38.

Status of R&D

In terms of R&D, 22 patents were filed and received.

In response to the development trend of high-value industries, we continue to strengthen the quality of TPE products and improve the manufacturing technology in order to expedite the development of new-spec and high performance products. Furthermore, a comprehensive global technical support network is established to become a trustworthy supplier for our clients around the world.

In resonance with the rapid growing trend of environmental, energy-saving tires worldwide, we strive to develop high performance rubber and provide our clients with the necessary technical services and solutions in order to satisfy the needs of our global tire clients.

Summary of the Business Plan in 2015

In 2015, new production capacity for synthetic rubber continues to be added, while related industries such as the automobile industry no longer grow at a rapid pace, and newly planted natural rubber are gradually entering the harvesting period. Therefore, the excess supply in the synthetic rubber market remains deadlocked. In order to respond to the unfavorable factors in the short-term market, we have formulated solutions to enhance operational efficiency that will be implemented this year. Besides proactively fostering production-marketing integration and preserving our long-term clients, we also aim to increase the sales of new products and product differentiation in the potential markets, hoping to boost capacity utilization and cost reduction in order to strive towards our profit goal.

The development strategy of the Company in the future

We will continue to uphold our corporate philosophy of cherishing resources on Earth, implementing our corporate social responsibility and striving for constant improvement. In addition to developing energy-saving materials and high quality products in order to elevate management efficiency, we also actively seek the best investment opportunities, so as to fortify our business empire, continue to generate outstanding performances as well as repay our shareholders' support and encouragement.

Chairman : Shao Yu Wang

Company's profile

Company's profile

I. Company's profile

(1) Date of incorporation

July 27, 1973

(2) Company history:

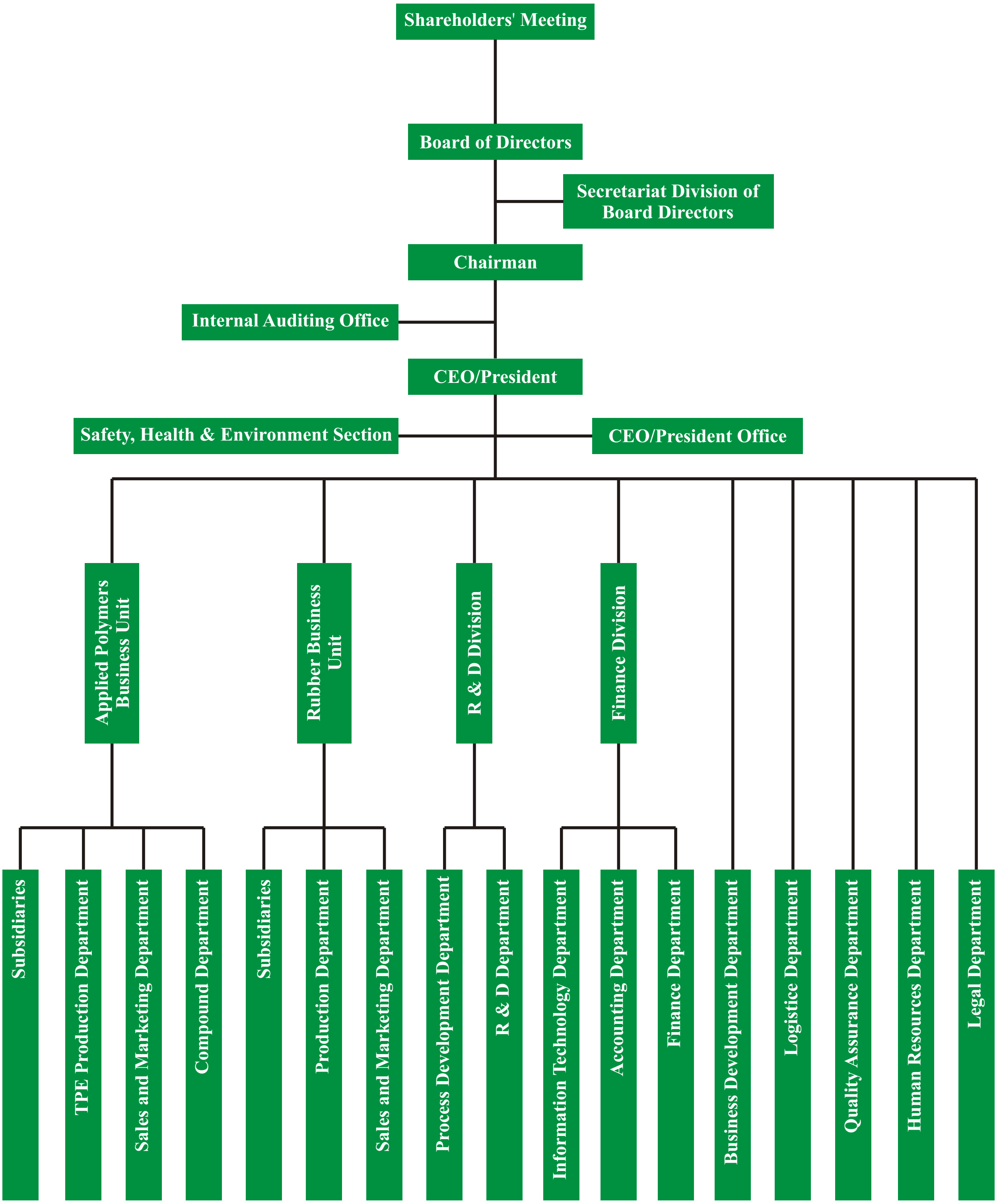
Nov. 1973	Taiwan Synthetic Rubber Corp. was established in Taipei, Taiwan. The factory location was established in Tashe Petrochemical Industrial Park, Kaohsiung, Taiwan. The Company acquired the Styrene Butadiene Rubber technology from B. F. Goodrich to build a 100,000 ton per year of SBR plant
Feb.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

July 2008 Operation of the reinvested Polybus Corporation Pte. Ltd. in Singapore.
May 2009 Started to commercialize BR product in TSRC-UBE(Nantong) Chemical Industrial Company Limited.
May 2009 Signed the SBS technology license agreement with RUSTEP LLC/ OJSC SIBUR HOLDING in Russia.
Dec. 2009 Accredited with OHSAS 18001 & TOSHMS occupational safety and hygiene management system.
Apr. 2010 Launched a 120,000 tons of ESBR joint venture project with Indian Oil Corporation Limited and Marubeni Corporation in Panipat, India.
Jun. 2010 Launched a 30,000 tons of NBR joint venture project with LANXESS in Nantong, China.
Dec. 2010 Signed an share purchase agreement with Exxon Mobil and Dow Chemical to purchase all shares of Dexco Polymers., which produces 32,000 tons of SIS and 30,000 tons of SBS, in USA.
Nov. 2011 Signed a joint venture agreement with CPC Corporation, Taiwan and Fubon Financial Holding Venture Capital Corp. to establish Taiwan Advanced Materials Corp., which produces the C-5 series of products, including isoprene and SIS product.
Aug. 2012 Start to commercialize NBR product in Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd.
Oct. 2012 Expanded SEBS capacity from the yearly capacity of 20,000 to 35,000 tones in TSRC (Nantong) Industrial Ltd.
Jun. 2013 Successfully completed the test run of 25,000 tons of SIS in TSRC (Nantong) Industrial Ltd.
Feb. 2014 ESBR product testing was completed and official production was commenced for ISRL, a joint venture with Indian Oil and Marubeni Corporation in Japan. The annual output is 120,000 tons.

Corporate governance report

I. Company's organization

Structure



Operations of major departments/divisions/business unit

CEO/President Office	Establishment the Company's mid to long-term development strategies, resource integration and allocate, supervise implementation progress for all projects, promote Corporate Social Responsibility (CSR) and related public affairs.
Internal Auditing Office	Supervision, programming and execution of the Company's internal control system.
Safety, Health & Environment Section	Design, creation and implementation of safety, health and environment management.
Finance Division	Establish financial and accounting policies, and the information system integration planning.
R & D Division	New product and process development, design, and implementation. Provide technical service for products, manage patents and Know-How. Optimize, commercialize and standardize of production processes. Design and implement new construction and process improvement projects.
Rubber Business Unit	Design and implementation of Rubber Business Unit's development strategies, sales and production of SBR, BR, NBR products and responsible for operating performance and analysis.
Applied Polymers Business Unit	Design and implementation of Applied Polymers Business Unit's development strategies, sales and production of TPE and compound products, and responsible for the operating performance and analysis.
Legal Department	Handle and maintain the legal affairs related to the Company's interest and right.
Human Resources Department	Design, create and implement human resource policies for organization.
Quality Assurance Department	Responsible for quality management systems, customer complaints, regulations related to product safety; and systems, industrial safety compliance.
Logistics Department	Development of the main raw materials of global procurement strategy for optimal multi-international logistics and integration of the Group's logistics function to create a cost-competitive advantage, and strengthen the synergy of supply chain management.
Business Development Department	Implement Company and business units' strategies, responsible for the business development negotiations.
Finance Department	Planning and management of the business related to the Company's funds, financing activities and reinvested enterprises and investors' activities.
Accounting Department	Drafting of the Company's accounting principle, management of tax affairs, costs and management of production of statement and planning of shareholders' affairs.
IT Department	Plan and establishment the Company information systems and integration to enhance operational management and decision-making effectiveness.
R & D Department	Core technology innovation and development of new opportunities for development, intellectual property management and patent management, and analytical instruments maintenance, management, and R&D related analysis.
Process Development Department	Overall management of process technology & development.
Rubber Business Unit Sales and Marketing Department	Development of mid-and long-term development strategy and implementation of the marketing strategy of Rubber Business Unit and its subsidiaries and other related products as SBR / BR sales plan.
Rubber Business Unit Production Department	Overall management of all factory of Rubber Business Unit to establish the optimum production management system.
Applied Polymers Business Unit-Compound Department	Planning and implementation of the mid-and long-term compound strategies to develop of new target markets; Supervision Gangshan, Shanghai and Jinan plants.
Applied Polymers Business Unit-Sales and Marketing Department	The development of mid-and long-term development strategy and execution promotion TPE product marketing strategies and sales plans, including in ist subsidiaries..
Applied Polymers Business Unit-TPE Production Department	Overall management of all TPE factories of Applied Polymers Business Unit to establish the optimum production management system and execution C5 new construction projects planned project in Taiwan..

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

1. Information on directors and supervisors

Job title	Name	Registered in nationality	Date of appointment	Term of office	Date of first appointment	Shares held when appointed		Shares currently held	
						Share(s)	Stake	Share(s)	Stake
Chairman	Hao Ran Foundation Statutory Representative: Shao Yu Wang	Republic of China	2012.06.06	3	1988.07.27	52,096,381 0	7.30% -	60,171,319 0	7.30% -
Director	Hao Ran Foundation Statutory Representative: Liang Chang	Republic of China	2012.06.06	3	1994.07.27	52,096,381 0	7.30% -	60,171,319 0	7.30% -
Director	Hao Ran Foundation Statutory Representative: Nita Ing	Republic of China	2012.06.06	3	1985.07.27	52,096,381 72,149	7.30% -	60,171,319 83,331	7.30% -
Director	Hao Ran Foundation Statutory Representative: Tzu Wei Lee	Republic of China	2012.06.06	3	2002.09.02	52,096,381 907	7.30% -	60,171,319 1,046	7.30% -
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang	Republic of China	2012.06.06	3	2012.06.06	24,636,796 660	3.40% -	28,455,498 762	3.40% -

Dec. 31, 2014

	Shares currently held by their spouses and children of minor age		Shares held in another person's name		Education degree	Position(s) concurrently held in the company and/or in any other companies	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	Stake	Share(s)	Stake			Job title	Name	Relati-onship
-	176,150	-	0	-	Soochow University /Fudan University PRC	Yung-an Rental Corp., Taiwan Insulation Material Industrial Company. Director of America California Bank	No	No	No
	0	-	0	-	Ph.Din. Economics, Sate University of New York, USA	Chairman of Jardine Matheson, Taiwan, Vice Chairman of Global Financial Services Corporation, Directors of Asia Pacific Energy Development co., Ltd., Taiwan Acceptance Corporation,Yu-lon Motor Co., Ltd., Altek Corporation.,and Maxigen Biotech Inc., Independent Director of HSBC (Taiwan). Cathay Real Estate Co., Ltd. My Humble House Hospitality Management Consulting.	No	No	No
	0	-	0	-	Economics, University of California, Los Angeles, USA	President of Hao Ran Foundation, Chairmen of Continental Holdings Corp., and Continental Engineering Corp.	No	No	No
	0	-	0	-	M.Sc.,Management Science National Chiao Tung University	Directors of Continental Land Development Limited and Tai Ho Development Investment Limited.	No	No	No
	0	-	0	-	Master of Public Administration National Chengchi University	Senior Advisor of Wei Dah Development Co., Director of Metropolis Property Management &Maintenance Corporation., President of Metropolis Industry Co. Ltd., Director of Taiwan High Speed Rail Corporation	No	No	No

Job title	Name	Registered in nationality	Date of appointment	Term of office	Date of first appointment	Shares held when appointed		Shares currently held		
						Share(s)	Stake	Share(s)	Stake	
Director	Wei Dah Development Co., Ltd. Statutory Representative: J. K. Loh	Republic of China	2012.06.06	3	1988.07.27	24,636,796 0	3.40% -	28,455,498 0	3.40% -	
Director	Ching Shan Zhen Corporation Statutory Representative: D. Otto Cheng	Republic of China	2012.06.06	3	2000.07.27	572,906 362,166	0.10% 0.10%	661,705 122,201	0.10% -	
Independent Director	Robert Hung	Republic of China	2012.06.06	3	2012.06.06	0	-	0	-	
Independent Director	Ting Kai(Peter) Wu	Republic of China	2012.06.06	3	2003.07.27	0	-	0	-	
Supervisor	Dragony Investment Corporation Statutory Representative: Miles Hsieh	Republic of China	2012.06.06	3	2003.07.27	21,864,438 0	3.10% -	25,253,425 0	3.10% -	
Supervisor	Tsai-Der Chen	Republic of China	2012.06.06	3	2012.06.06	151	-	174	-	

	Shares currently held by their spouses and children of minor age		Shares held in another person's name		Education degree	Position(s) concurrently held in the company and/or in any other companies	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	Stake	Share(s)	Stake			Job title	Name	Relati-onship
	0	-	0	-	Master of Comparative Jurisprudence, Southern Methodist University, USA	Chairman of Alliance International Law Offices	No	No	No
	99,853	-	109,725	-	Ph.D. in Chemistry, Michigan State University, USA	Independent Supervisor of Ardentec Corporation	No	No	No
	0	-	0	-	Master of Economics, Illinois State University, USA	Independent Director of Wistron Ne-Web Corp.	No	No	No
	0	-	0	-	Master and Ph.D. Columbia University, Executive Enterprise Development of Harvard University, USA	Independent Director of Formosa Laboratories, Inc Member of the Remuneration Committee Yung Zip Chemical Industries Co., Ltd., Yung Shin Global Holding Co., Ltd	No	No	No
	0	-	0	-	Business Administration, Soochow University	Miles Hsieh CPA	No	No	No
	0	-	0	-	Accounting and Statistics, National Cheng Kung University	Secretariat-General Secretariat Division of Board of Continental Holdings Corporation	No	No	No

Major shareholders of corporate shareholders

Dec. 31, 2014

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

Major shareholders of major shareholders of corporate shareholders

Dec. 31, 2014

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

Independency of directors and supervisors(2)

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

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

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

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

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

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

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

(7) Who are not the owners, partners, directors, supervisors, managers and spouses of the experts, proprietorship, partnership, companies or organizations that have provided financial, commercial and legal services and consultation to the company and its affiliates within the recent year; Excluding the remuneration committee referred to in Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Who are not spouses or relatives within 2nd degree of relationship of the other directors

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

(10) Who are not the corporations or representatives defined in Article 27 of the Company Act;

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

Job title	Name	Nationality	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age		
				Share(s)	Stake	Share(s)	Stake	
President	Wei-Hua Tu	Republic of China	2006.09.15	462	0.00%	0	-	
Vice President Rubber Business Unit	Gino C. Y. Chen	Republic of China	2009.04.01	353	0.00%	0	-	
Vice President Applied Polymers Business Unit	Wing-Keung Hendrick Lam	Canada	2004.07.16	0	-	0	-	
Vice President Finance Division	Chung-Zung Kung	Republic of China	2013.07.01	0	-	0	-	

Dec. 31, 2014

	Shares held in another person's name		Education degree	Position(s) concurrently held in the company and/or in any other companies	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	Stake			Job title	Name	Relati-onship
	0	-	Acting President, Asst. Vice President of Marketing Dept. and President of China Business Division, TSRC and / Accounting & Statistics, National Cheng Kung University	Presidents of Shen Hua chemical Industrial Ltd. TSRC(Nantong) Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Nantong Qix Storage Co., Ltd., TSRC (Shanghai) Industrial Ltd., TSRC (Jinan) Industrial Ltd., Polybus Corp. Pte. Ltd., TSRC (Hong Kong) Limited, Trimurti Holding Corp.,Hardison Int'l Corp., Dymas Corp., Triton Int'l Holdings Corp., TSRC Biotech Ltd., TSRC (USA) Investment Corp., Dexco Polymers Operating Company LLC, and TSRC (Lux.) Corporation S.'a.r.l., and President of TSRC (USA) Investment Corp.	No	No	No
	0	-	General Manager of Applied Polymers Business Div., Kaohsiung factory manager., Marketing manager, TSRC and / National Central University	Directors of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Taiwan Advanced Materials Corporation Polybus Corp. Pte. Ltd.	No	No	No
	0	-	Controller of Pacific Industrial Co., Ltd., Assistant Vice President of First Pacific Co., Ltd. and / Shau Kei Wan Industrial School, Hong Kong	Directors of TSRC (Nantong) Industrial Ltd., TSRC (Shanghai) Industrial Ltd., TSRC (Jinan) Industrial Ltd., Taiwan Advanced Materials Corporation, TSRC Biotech Ltd., TSRC (Hong Kong) Limited, Dymas Corp., TSRC (USA) Investment Corp., Dexco Polymers Operating Company LLC, TSRC(Lux.) Corporation S.'a.r.l.,	No	No	No
	0	-	Chief Financial Officer of Tatung Co. Head of Global Credit, TSMC Co. and / MBA, University of Massachusetts	Directors of Shen Hua Chemical Industrial Ltd. TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Polybus Corporation Pte. Ltd. Trimurti Holding Corp., Triton International Holding Corp., TSRC (Hong Kong), TSRC (USA) Investment Corp. Limited, Dexco Polymers Operating Company LLC, TSRC(Lux.) Corporation S.'a.r.l.; Supervisors of TSRC (Nantong) Industrial Ltd., TSRC (Shanghai) Industrial Ltd., TSRC (Jinan) Industrial Ltd.,	No	No	No

Job title	Name	Nationality	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age		
				Share(s)	Stake	Share(s)	Stake	
Vice President R & D Division.	Frank J. Chen	Republic of China	2009.04.01	0	-	0	-	
Asst .Vice President Applied Polymers Business Unit Sales and Marketing Department	Max Tsai	Republic of China	2013.12.01	0	-	0	-	
Asst .Vice President Production Department Rubber Business Unit	R. L. Chiu	Republic of China	2009.04.01	2,046	-	0	-	
Asst. Vice President Internal Auditing Office	Nick Lin	Republic of China	2005.03.21	0	-	0	-	
Asst. Vice President Applied Polymers Business Unit	Chin-Chang Ting	Republic of China	2005.12.30	970	-	0	-	
Asst .Vice President Compound Department Applied Polymers Business Unit	Huang-Cheng Kuo	Republic of China	2013.01.01	667	-	1,052	-	
Asst .Vice President Information Technology Department	Eddy Chao	Republic of China	2008.08.01	2,705	-	0	-	

	Shares held in another person's name		Education degree	Position(s) concurrently held in the company and/or in any other companies	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	Stake			Job title	Name	Relationship
	0	-	Deputy Director, Institute of Chemical Engineering, ITRI, Project Leader of Exxon Chemical Co., and / Ph D of Polymer Science University of Arkon, USA	No	No	No	No
	0	-	General Manager of Marketing in China, Teknor Apex and / Chemical Engineer, Chung Yuan Christian University	No	No	No	No
	0	-	Kaohsiung factory manager and Assistant of Manufacturing Division, TSRC. Vice President & Factory manager of Shen Hua Chemical Industrial Co., Ltd. and / Chemical Engineer, Chung Yuan Christian University,	Director of Lanxess-TSRC (Nantong) Chemical Industrial Co.,	No	No	No
	0	-	Assistant Vice President of Prudential Life Insurance Company, and / Master of Management, National Taipei University of Technology	No	No	No	No
	0	-	Kaohsiung factory manager, TSRC, Presidentand factory manager of Shen Hua Chemical Industrial Ltd. and / Chemical Engineer of Tamkang University	No	No	No	No
	0	-	President of TSRC (Shanghai) Industrial Ltd. Manager of Applied Polymers Division and / Chemistry,Tamkang University	Director of TSRC (Shanghai) Industrial Ltd. and TSRC (Jinan) Industries Ltd.	No	No	No
	0	-	Director-General of Information Division, Siemens Telecommunication Systems Ltd./R&E Engineer of Alcatel Lucent Taiwan and /Master of Management Science of National Chiao Tung University	No	No	No	No

Job title	Name	Nationality	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age		
				Share(s)	Stake	Share(s)	Stake	
Asst .Vice President CEO/President Office	Alice Yuan	Republic of China	2013.08.08	262	-	0	-	
Asst .Vice President Legal Department	Tsung-Han Lin	Republic of China	2009.05.01	3,032	-	6,517	-	
Asst .Vice President Research & Development Division	Jeff Tsai	Republic of China	2011.12.01	18	-	267	-	
Asst .Vice President Finance Department	Christine Liu	Republic of China	2012.02.01	0	-	0	-	
Asst .Vice President Human Resources Department	Alex Liu	Republic of China	2012.04.01	0	-	0	-	
Asst .Vice President Rubber Business Unit Sales and Marketing Department	Tsu-Ti Liu	Republic of China	2013.08.08	0	-	0	-	
Asst .Vice President R & D Division	Ching Ting	Republic of China	2013.10.01	0	-	0	-	

	Shares held in another person's name		Education degree	Position(s) concurrently held in the company and/or in any other companies	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	Stake			Job title	Name	Relati-onship
	0	-	Assistant Vice President and Manager, Rubber Business Unit, Marketing & Sales Department and / Economics, Feng Chia University	No	No	No	No
	0	-	Manager, Legal Affairs and acting Secretariat of the Board, TSRC; LLM, People's University of China, licensed attorney-at-law, passed the civil servant advanced level examination.	No	No	No	No
	0	-	Assistant Vice President of Walsin Technology Corporation, Section Chief of R&D, TSRC and / Chemical Engineering, National Tsing Hua University	No	No	No	No
	0	-	Associate Vice President Bank of America,Taipei Branchand and / MBA, University of California, Los Angeles, USA	Director of Indian Synthetic Rubber Limited Supervisor of Lanxess-TSRC (Nantong) Chemical Industrial Co.,	No	No	No
	0	-	Special Assistant to the General Manager of Taita Chemical Company Ltd., Human Resources Director of Arima Photovoltaic & Optical Corp., and / Labor Relations, Chinese Culture University	No	No	No	No
	0	-	Manager, Sales and Marketing Department, Rubber Business Unit, TSRC. Spokesperson and Assistant Vice President, Sales Department, China Synthetic Rubber Corp., And / MBA, Cambridge College, USA	Sales manager, Polybus Corporation Pte. Ltd; Directors of Shen Hua chemical Industrial Ltd. Lanxess-TSRC (Nantong) Chemical Industrial Co., Indian Synthetic Rubber Limited Thai Synthetic Rubber Co., Ltd.	No	No	No
	0	-	Director of Advanced Technology Project Division, Delsolar Co., Ltd. and/ Ph.D. inChemistry, University of Iowa, USA	No	No	No	No

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

1. Directors' remuneration

<table>
<tr><th rowspan="3">Job title</th><th rowspan="3">Name</th><th colspan="8">Directors remuneration</th><th colspan="2" rowspan="2">Percentage of the total of A, B, C and D accounting for income after tax</th></tr>
<tr><th colspan="2">Reward(A)</th><th colspan="2">Pension fund (B)</th><th colspan="2">Remuneration distributed from earnings (C)</th><th colspan="2">Business execution expenses(D)</th></tr>
<tr><th>The company</th><th>Companies in Financial Report</th><th>The company</th><th>Companies in Financial Report</th><th>The company</th><th>Companies in Financial Report</th><th>The company</th><th>Companies in Financial Report</th><th>The company</th><th>Companies in Financial Report</th></tr>
<tr><td>Chairman</td><td>Hao Ran Foundation Statutory Representative: Shao Yu Wang</td><td rowspan="12">Total 8,620</td><td rowspan="12">Total 8,620</td><td rowspan="12">Total 0</td><td rowspan="12">Total 0</td><td rowspan="12">Total 10,949</td><td rowspan="12">Total 10,949</td><td rowspan="12">Total 3,430</td><td rowspan="12">Total 3,430</td><td rowspan="12">2.02 %</td><td rowspan="12">2.02 %</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory Representative: Liang Chang</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory Representative: Nita Ing</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory Representative: Tzu Wei Lee</td></tr>
<tr><td>Director</td><td>Wei Dah Development Co., Ltd.</td></tr>
<tr><td>Director</td><td>Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang</td></tr>
<tr><td>Director</td><td>Wei Dah Development Co., Ltd. Statutory Representative: J. K. Loh</td></tr>
<tr><td>Director</td><td>Ching Shan Zhen Corporation</td></tr>
<tr><td>Director</td><td>Ching Shan Zhen Corporation Statutory Representative: D. Otto Cheng</td></tr>
<tr><td>Independent Director</td><td>Robert Hung</td></tr>
<tr><td>Independent Director</td><td>Ting Kai(Peter) Wu</td></tr>
</table>

Remark: One leased vehicle and one driver assigned to the Company's. The yearly rent for the leased vehicle is NT$ 983 thousand and the remuneration paid to the driver is NT$ 860 thousand.

Unit: NT$1,000

	Relevant remuneration received by directors who are also employees												Percentage of total of A, B, C, D, E, F and G accounting for income after tax		Whether remuneration from any reinvested companies other than subsidiaries is received?
	Salary, bonus and special allowance(E)		Pension fund (F)		Employees' distributed from earnings(G)				Acquisition of employee stock option certificates(H)		Acquisition Employee rights New shares equity (I)				
					The company		Companies in Financial Report								
	The company	Companies in Financial Report	The company	Companies in Financial Report	Cash dividend Amount	Stock dividend Amount	Cash dividend Amount	Stock dividend Amount	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	
	0	0	0	0	0	0	0	0	0	0	0	0	2.02 %	2.02 %	No

Escalation of remuneration

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

Note: Remuneration distributed from earnings means the remuneration to be distributed to directors from earnings of 2014 subject to the resolution made by the directors' meeting on March 12, 2015 and calculated based on the proportion of the distribution to directors/supervisors in last y ear. The details about the distribution have not yet been resolved before the publication date of the financial statement.

2. Supervisors' remuneration

Unit: NT$1,000

Job title	Name	Supervisors remuneration						Percentage of the total of A, B, and C accounting for income after tax		Whether remuneration from any reinvested companies other than subsidiaries is received?
		Reward(A)		Remuneration distributed from earnings (B)		Business execution expenses(C)				
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	
Supervisor	Dragony Investment Corporation	0	0	Total 1,990	Total 1,990	Total 830	Total 830	0.25 %	0.25 %	No
Supervisor	Dragony Investment Corporation Statutory Representative: Miles Hsieh									
Supervisor	Tsai-Der Chen									

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

Note: Remuneration distributed from earnings means the remuneration to be distributed to supervisors from earnings of 2014 subject to the resolution made by the directors' meeting on March 12, 2015 and calculated based on the proportion of the distribution to directors/supervisors in last year. The details about the distribution have not yet been resolved before the publication date of the financial statement.

3. Presidents' and vice presidents' remuneration

<table>
<tr><th rowspan="2">Job title</th><th rowspan="2">Name</th><th colspan="2">Salary(A)</th><th colspan="2">Pension fund(B)</th><th colspan="2">Bonus, special allowance(C)</th></tr>
<tr><th>The company</th><th>Companies in Financial Report</th><th>The company</th><th>Companies in Financial Report</th><th>The company</th><th>Companies in Financial Report</th></tr>
<tr><td>President</td><td>Wei-Hua Tu</td><td rowspan="5">Total 21,047</td><td rowspan="5">Total 21,047</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">Total 10,175</td><td rowspan="5">Total 10,175</td></tr>
<tr><td>Vice President</td><td>Gino C. Y. Chen</td></tr>
<tr><td>Vice President</td><td>Wing-Keung Hendrick Lam</td></tr>
<tr><td>Vice President</td><td>Chung-Zung Kung</td></tr>
<tr><td>Vice President</td><td>Frank J. Chen</td></tr>
</table>

Remark: One leased vehicle and one driver assigned to the President. The yearly rent for the leased vehicle is NT$ 515 thousand and the remuneration paid to the driver is NT$ 536 thousand.

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

Unit: NT$1,000

	Employees' dividend distributed from earnings (D)				Percentage of the total of A, B, C and D accounting for income after tax (%)		Acquisition of employee stock option certificates		Acquisition Employee rights New shares equity		Whether remuneration from any reinvested companies other than subsidiaries is received?
	The company		Companies in Financial Report		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	
	Cash dividend Amount	Stock dividend Amount	Cash dividend Amount	Stock dividend Amount							
	Total 1,167	0	Total 1,167	0	2.84 %	2.84 %	0	0	0	0	No

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

Dec. 31, 2014

	Job title	Name	Stock dividend amount	Cash dividend amount (NT$1,000)	Total (NT$1,000)	Percentage of the total income after tax (%)
Managers	President	Wei-Hua Tu,	0	Total 3,074	Total 3,074	0.27 %
	Vice President	Gino C. Y. Chen				
	Vice President	Wing-Keung Hendrick Lam				
	Vice President	Chung-Zung Kung				
	Vice President	Frank J. Chen				
	Asst. Vice President	Max Tsai				
	Asst. Vice President	R. L. Chiu				
	Asst. Vice President	Nick Lin				
	Asst. Vice President	Chin-Chang Ting				
	Asst. Vice President	Huang-Cheng Kuo				
	Asst. Vice President	Eddy Chao				
	Asst. Vice President	Alice Yuan				
	Asst. Vice President	Tsung-Han Lin				
	Asst. Vice President	Jeff Tsai				
	Asst. Vice President	Christine Liu				
	Asst. Vice President	Alex Liu				
	Asst. Vice President	Tsu-Ti Liu				
	Asst. Vice President	Ching Ting				
	Accounting Supervisor	Ming-Huang Chen				

Note 1: Employees' bonus plan is according to the resolution of directors' meeting on March 12, 2015. The detailed allocation is not resolved as the day when annual report published.

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

Unit: NT$1,000

Job title	2014		2013	
	Total remuneration	Percentage of over income after tax	Total remuneration	Percentage of over income after tax
Director	22,999	2.02%	24,908	1.45%
Supervisor	2,820	0.25%	3,182	0.19%
President and Vice President	32,389	2.84%	31,257	1.82%
Total	58,208	5.11%	59,347	3.46%

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

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

III. Status of corporate governance implementation

(1) Operation of the Board of Directors:

The Board of Directors held 7 meetings in 2014. The attendance of directors in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remarks
Chairman	Hao Ran Foundation Statutory Representative:Shao Yu Wang	7	0	100%	
Director	Hao Ran Foundation Statutory Representative:Liang Chang	4	3	57%	
Director	Hao Ran Foundation Statutory Representative:Nita Ing	5	2	71%	
Director	Hao Ran Foundation Statutory Representative:Tzu Wei Lee	6	1	86%	
Director	Wei Dah Development Co., Ltd. Statutory Representative:Chin-Shan Chiang	7	0	100%	
Director	Wei Dah Development Co., Ltd. Statutory Representative:J. K. Loh	7	0	100%	
Director	Ching Shan Zhen Corporation Statutory Representative:D. Otto Cheng	6	1	86%	
Independent Director	Robert Hung	7	0	100%	
Independent Director	Ting Kai (Peter) Wu	7	0	100%	

Other matters to be noted:

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

(2) Participation of the Audit Committee or supervisors in the operation of the board of directors.

1.The company has not established an Audit Committee.

2.About supervisors' participation in the operation of the board of directors

The Board of Supervisor held 7 meetings in 2014. The attendance of supervisor in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remarks
Supervisor	Dragony Investment CorporationStatutory Representative:Miles Hsieh	6	1	86%	
Supervisor	Tsai-Der, Chen	7	0	100%	

Other matters to be noted:

1.Formation and job responsibilities of supervisors:

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

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

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

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

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

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

Assessment Items	Status			Reasons and remedies to nonconformity to the Corporate Governance Best-Practice Principles for TSE/OTC Listed Companies
	Yes	No	Abstract Description	
1.Has the company abided by the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to formulate and disclose the corporate governance best practice principles?		v	Although we have not followed the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to formulate and disclose the corporate governance best practice principles, we still consider its relevant regulations to promote corporate governance.	Not yet formulated.
2.Equity structure and shareholders right (1)Has the company formulated internal SOP for handling shareholders' suggestions, doubts, disputes, litigations and implemented them according to the SOP? (2)Does the company hold a list of the company's key shareholders and their ultimate controllers? (3)Has the company established and implemented risk control and firewall mechanism with its affiliated companies? (4)Has the company stipulated internal regulations prohibiting inside personnel trading securities using information that has not yet been disclosed on the market?	(2) v (3) v (4) v	(1) v	(1)The company has not yet established SOP for handling shareholders' suggestions, doubts, disputes and litigations. A related functional department handles such matters. (2)Disclose the list of main shareholders in the company and their ultimate controllers in accordance with the law. (3)The Company's Board of Directors has the auditing commission responsible for auditing the implementation of personnel, assets and finance between the company and affiliates. The inspecting unit will enforce relevant measure for internal audit and control, to ensure the control of risk and compliance with laws. (4)Stipulate moral conduct standard and regulations for executing official duties.	Not yet formulated.
3.The organization of the Board of Directors and their duties (1)Has the board formulated diverse guidelines for different groups and implemented them accordingly? (2)Besides creating the Remuneration Committee and the Audit Committees according to the law, has the company voluntarily established other functional committees? (3)Has the company formulated a performance appraisal method for the board of directors and its evaluation thereof and conducted them regularly every year? (4)Does the company evaluate accountant independence on a regular basis?	(1) v (2) v (4) v	(3) v	(1)The Board has 2 independent directors. An independent director will convene the auditing commission. (2)We have followed the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" and established functional committees such as the independent director, supervisor and audit committees. (3)Although the company has not formulated evaluation methods to assess the performance of the board of directors, the board of directors has numerous functional committees. For the authority of various directors participating in functional committees and their duties, details are documented in the meeting minutes of various functional committees and the board of directors. (4)Before the end of each year, the competent authority examines the assessment and selection report about the commissioned accountant for next year before presenting it to the board for review and appointment in order to ensure its independence.	

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Status</th><th rowspan="2">Reasons and remedies to nonconformity to the Corporate Governance Best-Practice Principles for TSE/OTC Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Description</th></tr>
<tr><td>4.Has the company created a communication channel with its stakeholders and established a stakeholders' area on the company website to respond to important CSR issues that the stakeholders have expressed concerns for?</td><td>v</td><td></td><td>The company's relevant business departmental personnel will keep in touch with stakeholders. The supervisory management of the board of directors will take care of the stakeholders' opinion.</td><td></td></tr>
<tr><td>5.Has the company commissioned professional securities institutions to handle shareholders' meetings?</td><td>v</td><td></td><td>We commissioned Sino Pac Holdings to handle the shareholders' meeting.</td><td></td></tr>
<tr><td>6.Disclosures
(1)Does the company has installed a website for the disclosure of its financial position and status of corporate governance.
(2)Does the company also adopts other means for disclosure. (i.e. English web site, personnel dedicated to collect and disclose company information, establishment of a spokesperson policy, disclosure of the process of investor conference on company web site, etc.)</td><td>v
v</td><td></td><td>(1)The company's related information and annual reports will be posted on the company's website periodically, and important message will be released by the company's spokesman pursuant to laws.
(2)The said enhancement of transparency of information and investors' services includes the expansion of links with revenue, quarterly statement, annual report and shareholders' relationship by means of public information system and the company's website.</td><td></td></tr>
<tr><td>7.Is there any other important information that will facilitate the understanding of the company's corporate governance operations (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' rights, further education of directors and supervisors, implementation of risk management policy and risk evaluation standards, client policy implementation, company's liability insurance for its directors and supervisors and so on)?</td><td>v</td><td></td><td>The company's board of directors has stipulated the “Responsibility Delegation Regulation”, which specifically lays out the board of director's delegation policy toward the managers to clearly divide the responsibilities between the board of directors and managers.</td><td></td></tr>
<tr><td>8.Does the company have a corporate governance self-evaluation report or has it commissioned other professional agencies to conduct the corporate governance report? (If it has, please describe the opinions of the board of directors, results of self-evaluation or external evaluation, major faults or recommendations and improvements).</td><td></td><td>v</td><td>The company only conducts SFI's corporate governance self-evaluation.</td><td></td></tr>
</table>

(4) The salary reward committee information:

(i) Information on salary reward committee

The identity	Conditions / Name	Whether they possess work experience of more than five years and the following professional qualifications: At least lecturers of business, law, finance or accounting departments or other relevant departments/divisions required by the Company's business of public and private colleges/universities	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel possessing licenses after passing national examinations as required by the Company's business	Experience in business, law, finance and accounting, and other work required by the Company's business	Compliance with the circumstances for independency (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	Number of other public companies in which he/she assumes an independent director concurrently	Remarks
Independent Director	Ting Kai (Peter) Wu			v	v	v	v	v	v	v	v	v	3	
Independent Director	Robert Hung			v	v	v	v	v	v	v	v	v	1	

Note1: Please tick " v " in the following blank boxes, if the member meets the following conditions within two years prior to the appointment and in the duration of the appointment.

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

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

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

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

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

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

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

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

(ii) The operation of salary reward situation information

The Company's Remuneration Committee consists of 3 members. The term of office to be fulfilled by the existing members starts from June 13, 2012 until June 12, 2015. The Remuneration Committee has held 4 meetings in 2014 (A). The members' qualifications and attendance are stated as following:

Job title	Name	Frequency of actual attendance(B)	Frequency of proxy attendance	Actual attendance rate (%)(B/A)(Note)	Remarks
Convener	Ting Kai (Peter) Wu	4	0	100%	
Members	Nita Ing	2	1	67%	Dismissed Mar.19, 2014
Members	Robert Hung	4	0	100%	

Other matters to be noted:

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

(5) Fulfillment of social responsibility

Assessment Items	Status			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE / GTSM-Listed Companies and the reasons therefor
	Yes	No	Abstract Description	
1.Implementation of Corporate governance (1)Has the company stipulated CSR policies or systems and reviewed the performance?	v		(1)through the Corporate Social Responsibility (CSR) Committee, the Company continued to promote CSR activities and regularly convened Steering Committee meetings, to review promotional status and strategy of CSR.	No difference
(2)Does the company regularly organize CSR education and training?	v		The policy and direction of education and training strive to boost employee work skills and competiveness. It also encompasses CSR related issues such as environmental protection, energy conservation, labor health and safety and green products in order to respond to changes in the future market and environment. Every year, the annual education and training program is devised according to the internal employee training regulation, company's management guideline, organizational demand and relevant laws, where new employee and current employee general knowledge, professional skill, management competency, qualification and certification are organized. Furthermore, the goal of "lifelong learning" is materialized through internal and external training.	No difference
(3)Has the company established a dedicated (part-time) unit for CSR, which is managed by senior executives and authorized by the board of directors, and reports to the board of directors?	v		Organization of CSR is as follows: Under the Steering Committee headed by the President/CEO, five committees were established: the "Promotion Secretariat", " Corporate Governance Committee", "Employee Caring Committee", " Environmental Protection and Energy Saving Committee", "External Communications Committee" and "Social Caring Committee", actively facing and controlling the CSR management benchmarks of the three aspects: economic, environmental and social. The CSR promotion secretariat compiles the results and opinions every year and reports it to the CSR guidance committee, where the CEO will report the accomplishments as well as future strategies to the board of directors.	No difference
(4)Has the company stipulated a reasonable remuneration policy, integrated the employee performance evaluation system with CSR policy, and established clear, effective reward/punishment mechanism?	v		TSRC ensures reasonable remuneration through the remuneration committee and the remuneration management regulation. Furthermore, health and safety performance is linked to an appraisal system and reflected in the employees' annual performance evaluation; any violations of the regulation will be dealt with in accordance with the reward and punishment regulations.	No difference

Assessment Items	Status			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE / GTSM-Listed Companies and the reasons therefor
	Yes	No	Abstract Description	
2.Development of sustainable environment (1)Does the Company contributed to improving the utilization of all resources and used recycled material that brought minimum load to the environment.	v		In terms of the manufacturing process, the concept of "maximizing energy resource" is introduced. Through the design of manufacturing process, the increase in efficiency and the recycling of raw materials, energy consumption required for production is minimized. We also successfully developed and produced new green products.	No difference
(2)Has the company established an environment management system according to the industry characteristics?	v		The Company continues to operate effectively, under the certifications of ISO 1400, environmental management system. The Company passed QC 080000 certification (hazardous material process flow management system).	No difference
(3)Does the Company paid attention to the impact of the climate change on the operation of the company and established energy saving, carbon reduction and greenhouse gas minimization strategies.	v		(1)The Company established dedicated environmental management organization in accordance with the law, with dedicated environmental management staff in charge of air pollution, waste water, waste and toxic materials. (2)In terms of greenhouse gas reduction plan, we support the national reduction target and cooperate with relevant policies of the authorities. In 2011and 2013, we passed the ISO 14064-1 (greenhouse gas emission) verification for 2005~2010 and 2011~2012 respectively. In addition, we are part of the second group of companies required to declare our greenhouse gas emission quantity by the EPA, therefore we completed the 2013~2014 organizational greenhouse gas auditing and verification in May 2015. (3)In terms of product carbon/water footprint, we have passed the ISO/DIS 14067 (product carbon footprint) and product water footprint verification for 3 representative products. Furthermore, through the implementation of the carbon/water footprint auditing system, TSRC is not only able to monitor the greenhouse gas emission ratio of a product during various stages of its life cycle; we are actively seeking opportunities to reduce carbon emission as well. Moreover, we also choose low carbon materials and components during production or development in an attempt to minimize burden on the environment. (4)In order to continue implementing energy saving and carbon reduction measures, we established the ISO 50001 energy management system in 2013 as well as SGS certification. Additionally, we continued to enhance energy utilization efficiency, reduce management cost and decrease greenhouse gas emission in 2014, while energy consuming equipment and manufacturing process are identified through the energy management system. In December 2014, external verification for the energy management system was completed. In the future, the system serves to assist the company to analyze energy usage and depletion, so as to seek improvement opportunities.	No difference

Assessment Items	Status			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE / GTSM-Listed Companies and the reasons therefor
	Yes	No	Abstract Description	
3.Protection of social commonweal (1)Has the company stipulated relevant management policies and procedures in accordance with related regulations and the International Bill of Human Rights?	v		The company uses the Labor Standards Act and related labor laws as the basis for formulating employee attendance, leave and overtime management regulations. Strict rules are enforced to prohibit forced labor, and all regulations are clearly documented in the CSR manifesto.	No difference
(2)Has the company established an employee complaint mechanism and channel and has it handled complaints adequately?	v		The employee complaint management regulation has been implemented and a complaint email has been created in the company intranet.	No difference
(3)Does the Company provided the employees with safe and healthy working environment and carried out regular training courses regarding safety and health of the employees.	v		Apart from conducting business in accordance with relevant health and safety regulations, we also carry out employee health and safety education and training every year.	No difference
(4)Does the Company established the periodic communication mechanism for employees, and notified employees of any changes in operation that might materially affect employees in reasonable manners.	v		Group bargaining (about once per three years), labors and employer meeting (principle per quarter), labor union members communication meeting (whenever needed), strategic company development meeting (per year), presidents' symposium (whenever needed), workers welfare committee meeting (per quarter), responsible care committee meeting (once per two months), labor, safety & health committee meeting (per quarter), employees unit safety communication meeting (per quarter), labor pension overseeing committee (per quarter), collaboration agreement organization (whenever needed), health promotion workshop (whenever needed), and employees' forum at the internal Portal site.	No difference
(5)Has the company created an effective vocational skill development and training program?	v		The policy and direction of education and training strive to boost employee work skills and competiveness in order to respond to changes in the future market and environment. Every year, the annual education and training program is devised according to the internal employee training regulation, company's management guideline, organizational demand and relevant laws, where new employee and current employee general knowledge, professional skill, management competency, qualification and certification are organized. Furthermore, the goal of "lifelong learning" is materialized through internal and external training.	No difference

Assessment Items	Status			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE / GTSM-Listed Companies and the reasons therefor
	Yes	No	Abstract Description	
(6)Has the company stipulated policies and complaint filing protocols to protect the consumers' rights throughout the R&D, procurement, production, operations and service process?	v		The company does not sell directly to the end user; we sell to our clients. Through annual interactive seminars and interviews (email, telephone interview, questionnaire and so on), we are able to ensure the health and safety of our clients when using our products. Quality assurance convenes related units to conduct the survey, analyze the cause and examine the response method in order to propose appropriate solutions. The cause of the customer complaint and solution are compiled to form an investigation report according to the handling method of various customer complaints in order to quickly resolve the problem of quality and hazardous substance free product deliveries. In addition, we have also created the "CSR email" (csr.admin@tsrc.com) for various stakeholders to communicate with us and offer their feedback.	No difference
(7)Has the company abided by relevant regulations and international standards concerning the marketing and labeling of products and services?	v		For the first delivery of the company's 8 major products, SDS2 will be included clearly marking banned substance information, waste disposal method and usage condition. SDS can also be provided any time as per the clients' request.	No difference
(8)Before the company decides to collaborate with a supplier, does it assess the supplier's past record to determine if it has had any influence on the environment and the society?	v		The "Supplier code of conduct" was formulated based on the spirit of CSR, where our partners are requested to obey the local laws, and they may not force or extort labor, while legal working hours and benefits must be observed. Our partners are strictly prohibited from hiring child labor, and they may not cooperate with any supplier that hire child labor. We demand that our partners respect and encourage their employees to abide by the local law and develop employee welfare organizations.	No difference
(9)Does the contract between the company and major suppliers include the right to terminate or cancel the contract should the supplier violate the company's CSR policies, resulting in considerable impact on the environment and the society?	v		New supplier evaluation already includes the supplier safety ability assessment and for raw material suppliers, CSR evaluation is conducted and assistance is provided to implement necessary correctional measures.	No difference

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Status</th><th rowspan="2">Differences from the Corporate Social Responsibility Best Practice Principles for TWSE / GTSM-Listed Companies and the reasons therefor</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Description</th></tr>
<tr><td>4.Enhancing the disclosure of information
(1)Does the company disclose relevant and reliable CSR related information on its website and on the MOPS?</td><td>v</td><td></td><td>The Company' s official website already has a section for "Corporate Social Responsibility" that discloses relevant information.</td><td>No difference</td></tr>
<tr><td colspan="5">5.Does the company has established the CSR implementation policy according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, describe the difference between the actual implementation and the regulations of the Principle.
The Company established the CSR Committee in 2010. in the Company fully strengthened the depth of CSR activities in accordance with the CSR Best Practice Principles for Publicly Listed Companies.</td></tr>
<tr><td colspan="5">6.Other important in formation that is helpful to understand the operation of CSR :
(1)External consultants establishing the CSR mechanism.
(2)Continued Solution Styrene Butadiene Rubber (SSBR) is used in tire manufacturing. It can reduce oil consumption and waste gas emission by cars, reducing the impact on the environment.
(3)Participating in the Taiwan Responsible Care Association and Chemical Awareness and Emergency Response Association, Taiwan, fulfilling member obligations and ensuring the safety and health of the community/society.
(4)The Manufacturing Process Safety Management Guidelines, Product Management Guidelines, Contractor Safety Management Guidelines, Distribution Management Guidelines, Waste Management and Reduction Management Guidelines and Emergency Reaction Management Guidelines are established based on the safety standards of Taiwan Responsible Caring Association. The established sub-committees of "Manufacturing Process Safety", "Product Regulations and Rules", "Contractor Safety", "Distribution Safety", "Energy Saving and Reduction", "Emergency Reaction" and "Legislation and Discipline" continued to operate. Plant "Safety, Health, Environmental Protection and Green" policies are implemented with a reinforced "Technology, Equipment, Staff and Community" policy.
(5)Environmental accounting was established in 2010 (including safety, health and environmental protection expense). Statistics of several environmental accounting expenses every year have also been completed for the purpose of management and continuous improvement in environmental safety and health.
(6)The Company continued to purchase Mid-autumn Festival gift boxes from the Children Are Us Foundation to help disadvantaged communities.
(7)Through the association of companies in the industrial sector, the Company continues to promote neighboring and community support development events.</td></tr>
<tr><td colspan="5">7.CSR reports certified by relevant certification agencies should be elaborated:
The company's CSR report was written under the GRI G4 guideline and obtained third party AA1000 verification.</td></tr>
</table>

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

Fulfillment of operation in good faith

Assessment Items	Status			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons therefor
	Yes	No	Abstract Description	
1.Define the and program for operation in good faith (1)Has the company defined its ethical management policy and approach in its company charter and external documents, as well as the commitment of the board of directors and executives in actively implementing such management policy? (2)Has the company stipulated plans against unethical conducts and clearly defined the SOP, good practice guide, punitive measures, complaint system and ensure their proper implementation? (3)Has the company taken precautionary measures against unethical conducts and business activities stipulated by Article 7.2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"	v v v		All of the Company's directors/supervisors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the disciplinary procedure for violations in said codes in accordance with the Company's "Reward & Punishment Policy". Aforementioned regulations are the responsibilities of the company's board of directors secretariat and human resources department.	No difference
2.Fulfillment of operation in good faith (1)Has the company assessed the ethical record of its partners and stipulated the ethical behavior clause in the contract? (2)Has the company established a dedicated (part-time) unit subsidiary to the board of directors to promote ethical management, and has the unit regularly reported its status to the board of directors? (3)Has the company stipulated policies to prevent the conflict of interest, provided adequate complaint channel and ensured of its proper implementation? (4)Has the company created an effective accounting system, internal control system in implementing ethical management, and conducted regular evaluations through the internal auditing unit or commission an accountant to conduct the evaluation? (5)Has the company regularly organized internal and external education and training concerning ethical management?	v v v v v		We make sure that we only conduct business with qualified suppliers through the "Supplier Evaluation and Management Regulation", and we announce our stance on refusing to collaborate with unethical companies to our suppliers when enquire for quotation. All of the Company's directors/supervisors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the disciplinary procedure for violations in said codes in accordance with the Company's "Reward & Punishment Policy"	No difference

Assessment Items	Status			Differences from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons therefor
	Yes	No	Abstract Description	
3.Status of the company's reporting mechanism. (1)Has the company stipulated a specific reporting and reward system, established a convenient reporting channel and assigned appropriate personnel to the accused? (2)Has the company stipulated SOP and relevant confidentiality system to investigate the matter in question? (3)Has the company taken measures to protect the reporter from being wrongfully treated?	v v v		The company adopted relevant regulations and channels based on the "Complaint Regulation" and employee opinions gathered from the intranet (EIP), furthermore, the "Reward and Punishment Regulation" also stipulates procedures for the reporting and punishment of violations.	No difference
4.Enhance the disclosure of information (1)Has the company disclosed the performance of its ethical management on the company website and the MOPS?	v		The Company's intranet (EIP) has disclosed the "Code of Professional Conduct", which may be followed by all employees when performing their job duty.	No difference
5.If the Company has defined its ethical corporate management practice in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the operation thereof and difference between the Principles and the practice defined by the Company: The Company executed the operation in accordance with the "Ethical Code" and "Code of Professional Conduct", and there is no difference between them and said Principles.				
6.Any other important information helpful to comprehend the Company's operation in good faith : None				

(7) TSRC and its subsidiaries have not stipulated corporate governance regulation and other related regulations.

(8) Vital information for improving corporate governance for TSRC and its subsidiaries.

1. Advanced study of directors/supervisors

Job title	Name	Date of advanced study	Hosted by	Programs	Hours
Independent Director	Robert Hung	Nov. 12, 2014	Taiwan Corporate Governance Association	Exploring director compensation for damage to the third party and the legal responsibilities of shadow director.	3
Chief Accountant	Ming-Huang Chen	Sep. 18, 2014	Accounting R&D Foundation	Brand management and corporate governance.	3

2. Important information treatment procedure

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

(9)Information about enforcement of internal control system

1.Declaration of Internal Control

TSRC Corporation

Declaration of Internal Control System

Date: March 12, 2015

TSRC Corporation has conducted internal audit in accordance with its Internal Control System covering the period from 2014, and hereby declares as follows:

1. The company acknowledges and under stands that, the establishment, enforcement and preservation of internal control system is the responsibility of the Board and managers, and that the company has already established such system. The mission is to reasonably ensure the effect and efficiency of operation (including profitability, performance and security of assets), the reliability of financial reporting and the compliance with relevant legal rules.
2. There is limitation inherent to internal control system, no matter how perfect the design is. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcomings will be corrected immediately.
3. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies " (hereinafter referred to as "the Criteria") promulgated by the Securities and Futures Commission of the Ministry of Finance. The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control is composed by five elements, namely, 1.Control Environment 2. Risk Evaluation 3. Control Operation 4. Information and Communication and 5.Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
4. The company has adopted the aforementioned internal control system for internal audit on the effectiveness of the design and enforcement of the internal control system.
5. Based on the aforementioned audit findings, the company holds that has reasonably preserved the achievement of the aforementioned goals within the aforementioned period of internal control (including the monitoring over the subsidiaries), including the effectiveness and efficiency in operation, reliability in financial reporting and compliance with relevant legal rules, and that the design and enforcement of internal control are effective.
6. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and illegal practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on March 12, 2015 with presence of 9 directors at unanimous consent

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

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

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

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

1. The important resolutions made by shareholders' regular meetings in 2014
(1) Recognition of the Company's business report and financial statements for 2013;
(2) Recognition of the allocation of earnings for 2013;
(3) The company's proposal for new share issue through capitalization of earnings was approved.
(4) The amendment to the company's "Corporate Charter" was approved.
(5) The amendment to the company's "Rules of Procedure for Shareholder Meetings" was approved.
(6) The amendment to the company's "Director and Shareholder Election Rule" was approved.
(7) The amendment to the company's "Procedure for Handling Acquisition and Disposal of Assets".

2. Implementation of the resolutions made by shareholders' regular meetings:
With respect to the allocation of earnings for 2013, the directors' meeting resolved that July 22, 2014 should be the ex-dividend record date and the cash dividends should and stock dividends new share capital increase be allocated on August 29, 2014.

3. Important resolutions made by directors' meetings:

Date	Conference Name	Important resolutions
May. 08, 2014	Board of Directors	The company's change of spokesperson change was approved.
		Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.
Jun. 26, 2014	Board of Directors	Resolved the recording date for the distribution of shareholder dividends.
Nov. 06, 2014	Board of Directors	Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.
Mar. 12, 2015	Board of Directors	Resolved that the shareholders' regular meeting for 2015 should be called.
		Resolved that allocation of earnings for 2014 should be approved.

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

(13)In 2013 and until the annual report being published the chairman, general manager, accounting manager, chief financial officer, chief of internal audit officer and director of research and development and other Dismissal : None

IV. Information public expenses of CPA

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

Unit: NT$1,000

Name of the accounting firm	Name of the CPA		Audited public expenses	Non-audited public expenses					CPA's audit period	Remarks
				System design	Industrial & commercial registration	Human resource	Other	Subtotal		
KPMG Taiwan	Po Shu Hung	Ann Tine Yu	5,340	0	135	0	150	285	Jan. 01, 2014 to Dec. 31, 2014	Other non-audit fees are mainly for IFRS related services.

Escalation of remuneration \ Project		Audited public expenses	Non-audited public expenses	Total
1	2,000,000 below	0	285	285
2	2,000,000 (inclusive of 2,000,000)-4,000,000	0	0	0
3	4,000,000 (inclusive of 4,000,000)-6,000,000	5,340	0	5,340
4	6,000,000 (inclusive of 6,000,000)-8,000,000	0	0	0
5	8,000,000 (inclusive of 8,000,000)-10,000,000	0	0	0
6	10,000,000 (inclusive of 10,000,000) above	0	0	0

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

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

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

V. Information change of CPA-No.

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

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

Job title	Name	2014		February 28, 2015	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Shao Yu Wang	–	–	–	–
Director Corporate representative of the director Corporate representative of the director Corporate representative of the director Corporate representative of the director	Hao Ran Foundation Statutory Shao Yu Wang Liang Chang Nita Ing Tzu Wei Lee	– – – – –	– – – – –	– – – (42,000) –	– – – – –
Director Corporate representative of the director Corporate representative of the director	Wei Dah Development Co., Ltd. Chin-Shan Chiang J. K. Loh	– – –	– – –	– – –	– – –
Director Corporate representative of the director	Ching Shan Zhen Corporation D. Otto Cheng	– (92,000)	– –	– –	– –
Independent Director	Robert Hung	–	–	–	–
Independent Director	Ting Kai (Peter) Wu	–	–	–	–
Supervisor Corporate representative of the supervisor	Dragony Investment Corporation Miles Hsieh	– –	– –	– –	– –
Supervisor	Tsai-Der Chen	–	–	–	–
President	Wei-Hua Tu	–	–	–	–
Vice President	Gino C. Y. Chen	–	–	–	–
Vice President	Wing-Keung Hendrick Lam	–	–	–	–
Vice President	Chung-Zung Kung	–	–	–	–
Vice President	Frank J. Chen	–	–	–	–
Asst. Vice President	Max Tsai	–	–	–	–
Asst. Vice President	R. L. Chiu	–	–	–	–
Asst. Vice President	Nick Lin	–	–	–	–
Asst. Vice President	Chin-Chang Ting	–	–	–	–
Asst. Vice President	Huang-Cheng Kuo	–	–	–	–
Asst. Vice President	Eddy Chao	–	–	–	–
Asst. Vice President	Alice Yuan	–	–	–	–
Asst. Vice President	Tsung-Han Lin	–	–	–	–
Asst. Vice President	Jeff Tsai	–	–	–	–
Asst. Vice President	Christine Liu	–	–	–	–
Asst. Vice President	Alex Liu	–	–	–	–
Asst. Vice President	Tsu-Ti Liu	–	–	–	–
Asst. Vice President	Ching Ting	–	–	–	–
Chief Accountant	Ming-Huang Chen	–	–	–	–

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

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

July 21 , 2014

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share(s)	Stake	Share(s)	Stake	Share(s)	Stake	Name/name	Relationship	
Panama Banco industrial company	69,524,417	8.4%	0	–	0	–	N0	N0	
Hao Ran Foundation Statutory	60,171,319	7.3%	0	–	0	–	Nita Ing	Chairman of the Foundation	
Hao Ran Foundation Statutory Chairman: Shao Yu Wang	0	–	176,150	–	0	–	N0	N0	
Hao Ran Foundation Statutory Chairman:Liang Chang	0	–	0	–	0	–	N0	N0	
Hao Ran Foundation Statutory Chairman:Nita Ing	83,331	–	0	–	0	–	Hao Ran foundation Statutory	Chairman of the Foundation	
Hao Ran Foundation Statutory Chairman:Tzu Wei Lee	1,046	–	0	–	0	–	N0	N0	
Tamerton Group Limited	34,578,143	4.2%	0	–	0	–	N0	N0	
Cathay life insurance Co. Ltd. Chairman: Cai Hong Tu	34,526,650	4.2%	0	–	0	–	N0	N0	
Nan Shan Life Insurance Company, Ltd Chairman:Guo Wende	31,653,300	3.8%	0	–	0	–	N0	N0	
Metacity Development Corporation Chairman: Zeng Wang Mei-Xiang	30,431,403	3.7%	0	–	0	–	N0	N0	
Fubon Life Insurance Co. Ltd. Chairman: Cheng Pen Yuan	29,926,050	3.6%	0	–	0	–	N0	N0	
Wei Dah Development Co., Ltd.	28,455,498	3.4%	0	–	0	–	N0	N0	
Wei Dah Development Co., Ltd. Chairman: Chin-Shan Chiang	762	–	0	–	0	–	N0	N0	
Wei Dah Development Co., Ltd. Chairman: J. K. Loh	0	–	0	–	0	–	N0	N0	
Dragony Investment Corporation	25,253,425	3.1%	0	–	0	–	N0	N0	
Dragony Investment Corporation Chairman: Miles Hsieh	0	–	0	–	0	–	N0	N0	
Labor Insurance Fund	19,732,960	2.4%	0	–	0	–	N0	N0	

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

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

Note 1: the Company's long-term investment

Fundraising status

Fundraising status

I. Capital and shares

(1) Source of capital and types of shares

March 20, 2015

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

Year/ month	Issue price (NT$)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NT$1,000)	Shares(s) (1,000 shares)	Amount (NT$1,000)	Source of stock capital	Property other than cash offset against capital	Other
Jun 2006	10	750,000	7,500,000	649,909	6,499,095	403,981,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 0950124967 dated June 20, 2006
Jun 2011	10	900,000	9,000,000	714,900	7,149,004	649,909,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1000028593 dated June 22, 2011
Jun 2012	10	900,000	9,000,000	786,390	7,863,904	714,900,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1010027239 dated June 19, 2012
Jun 2014	10	900,000	9,000,000	825,709	8,257,099	393,195,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1030023928 dated June 25, 2014

March 20, 2015

Type of shares	Authorized stock capital (shares)			Remarks
	Listed Shares	Non-listed shares	Total	
Common stocks	825,709,978	74,290,022	900,000,000	
Preferred stocks	–	–	–	

Information related to general report system-not applicable

(2)Shareholders' structure

July 21, 2014

Shareholder's Structure / Quantity	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign Institutions & Natural Persons	Total
Number of persons	7	14	162	65,381	377	65,941
Share(s)	33,483,714	106,542,152	181,636,512	233,020,355	271,027,245	825,709,978
Stake(%)	4.06	12.90	22.00	28.22	32.82	100.00

(3) Equity diffusion

Par value NT$10/ July 21, 2014

Range of shares held	Number of shareholders	Shares held	Stake (%)
1-999	29,418	8,220,056	1.00
1,000-5,000	25,472	54,260,430	6.57
5,001-10,000	5,684	37,884,512	4.59
10,001- 15,000	2,361	28,029,634	3.39
15,001- 20,000	840	14,418,056	1.75
20,001- 30,000	899	21,420,335	2.59
30,001- 50,000	559	21,147,561	2.56
50,001- 100,000	369	25,121,444	3.04
100,001-200,000	165	22,113,905	2.68
200,001-400,000	64	17,989,540	2.18
400,001-600,000	21	10,038,021	1.22
600,001-800,000	16	10,700,382	1.30
800,001-1,000,000	15	13,354,607	1.62
1,000,001 above	58	541,011,495	65.51
Total	65,941	825,709,978	100.00

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

(4) Major shareholders

July 21, 2014

Shares / Shareholders	Shares held	Stake (%)
Panama Banco Industrial Company	69,524,417	8.4%
Hao Ran Foundation Statutory	60,171,319	7.3%
Tamerton Group Limited	34,578,143	4.2%
Cathay Life Insurance Co. Ltd.	34,526,650	4.2%
Nan Shan Life Insurance Company, Ltd	31,653,300	3.8%
Metacity Development Corporation.	30,431,403	3.7%
Fubon Life Insurance Co. Ltd.	29,926,050	3.6%
Wei Dah Development Co., Ltd.	28,455,498	3.4%
Dragony Investment Corporation	25,253,425	3.1%
Labor Insurance Fund	19,732,960	2.4%

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

Unit: NT

Item \ Fiscal year			2014	2013	As of Feb. 28, 2015
Market price per share	Maximum		47.00	62.80	40.30
	Minimum		31.25	40.30	32.60
	Average		40.66	54.83	36.45
Net worth per share	Before distribution		19.63	19.81	–
	After distribution		(Note 1)	18.44	–
Earnings per share	Weighted average share(s)		825,709,978	786,390,456	825,709,978
	EPS	Before adjustment	1.38	1.90	–
		After adjustment	(Note 1)	1.81	–
Dividends per share	Cash dividend (Note 1)		1.52	1.37	–
	Dividends (Note 1)	Dividend distributed from earnings	0	0.50	–
		Dividend distributed from additional paid-in capital	–	–	–
	Cumulative outstanding dividends (Note 2)		–	–	–
Cash dividend yield (note 5)	Price-earnings (P/E) ratio (Note 3)		29.46	30.29	–
	Price-dividend (P/D) ratio (Note 4)		26.75	40.02	–
	Cash dividend yield (note 5)		3.7%	2.5%	–

Note 1: The dividends for 2014 have not yet resolved by the shareholders' meeting.

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

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

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

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

(6) Dividend policy and implementation status

1. Dividend policy

The business operated by the Company has matured and been stable, and the Company is orienting itself towards globalization and diversification. In order to cope with the Company's long-term programming to ensure the perpetual growth of the enterprise, the Company sets the dividend policy as following: the profit of annual final account, if any, shall deduct the tax and make up the loss in past years, then withdraw 10% as legal reserve fund. The rest shall be distributed or reserved as special reserve pursuant to the Securities and Exchange Act. The distributable earnings shall be the balance, if any, plus the unappropriated earnings in the previous period, which shall be distributed in the following manners:

1) 97% for shareholders' dividend

2) 1% for directors'/supervisors' remuneration

3) 2% for employees' bonus

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

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

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

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

Cash dividends to be distributed are NT$ 1.52 per share.

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

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

1. Percentage or scope of employees' bonus and directors'/supervisors' remuneration referred to in the company's articles of association. Please refer to the dividend policy.
2. The Company determined to pay cash dividends for fiscal year 2013. The basis of, and the actual estimation of employee bonus, remuneration to directors and supervisors are in compliance with the Articles of Associate. There is no difference in the amount between the actual and the projected payment.
3. Information on resolution of the Board on payout of employee bonus:
   (1)The Company shall pay NT$25,878,000 to employees as cash dividends, NT$12,939,000 to directors and supervisors as remunerations for fiscal year 2014, the stated amount is identical with the actual amount paid.
   (2)The proposed distribution of employees' stock bonus and accounted for the issue of individuals or individual financial reporting net income and staff bonus total aggregate number of proportion - this provision of notapplicable.
   (3)The estimated EPS net of the payout of employee bonus, remunerations to directors and supervisors under consideration not applicable, the Company has no plan to pay out employee stock dividends.

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

Unit: NT$1,000

	Distribution after shareholders' meeting	Distribution plan drafted at the directors' meeting	Variance
Employees' bonus	30,321	30,321	0
Director'/supervisors' remuneration	15,160	15,160	0

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

II. Corporate bonds - none

III. Preferred shares - none

Overseas depository receipts - none

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

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

V. Implementation of funds utilization plans

1. Description of plans - none
2. Status of implementation - none

Overview of business operations

Overview of business operations

TSRC Corporation and subsidiaries

I. Description of businesses

(1) Business Scope

1. Major business and product lines:

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

2. Product Portfolio

Unit: NT$1,000

Items	Revenue in 2014	Percentage of Total Turnover %
Synthetic rubber	31,096,752	97.58%
Non-synthetic rubber	737,756	2.31%
Other	34,066	0.11%
Total	31,868,574	100.00%

3. New Developments

Item
(1) Continue to develop SSBR rubber products for high performance, environmental and energy-saving tires.
(2) Develop high quality NBR rubber products
(3) Develop differentiated ESBR rubber products.
(4) Improve the product quality and the production process of SBS and SIS products to explore international markets.
(5) Develop HSBC with high added value to meet the needs of downstream overseas customers.

(2) Industry Overview:

In 2014, car sales in China was 23.49 million vehicles, exhibiting an annual growth rate of 6.9%, making China the top nation in the world for 6 consecutive years in terms of car sales. Despite the outstanding performance, it is still far below the 2013 figure, which was 14.1%. In particular, 19.7 million passenger cars were sold (9.9% annual growth) and 3.79 million commercial vehicles were sold (6.5% annual growth). In 2014, car sales in China remained steady; however, due to the slow-down in the overall economy, the growth rate was lower than expected at the beginning of the year. Generally speaking, the growth in the car industry is exhibiting signs of gradual slowdown. In addition, investigation for the US Anti-Dumping and Countervailing Duties was commenced during the second half of the year also affected the confidence of Chinese tire manufacturers exporting to the US.

In 2014, the Asian synthetic rubber remained in a state of supply surplus. The low price of natural rubber and drastic price fluctuation of the upstream raw materials further add to the troubles faced by synthetic rubber manufacturers, in turn adversely affecting their profitability. Fortunately, the company has secured supply contracts with numerous major clients towards the end of 2013, and we flexibly adjusted the operation rate and purchased raw materials just in time depending on the market condition. Our conscientious and careful approach to business enabled us to maintain a certain level of profitability for the year.

During the first half of 2014, the global economy gradually recovered, which indirectly increased the demand of TPE's downstream industries (adhesives and plastic modifiers). However, incidents that were instrumental in shaping the future global economy took place; for instance, the US entered the post QE era, Japan's economic stimulus package, global oil price decline and the recent currency crisis in Russia etc. As a result, the global economic performance in 2014 was not as optimistic as expected. Looking ahead to 2015, the global economy still exhibited a trend of slight accelerated growth driven by the US economy, and the demand for TPE is expected to rise as well. Nonetheless, whether the Euro region and the momentum of Chinese economic growth will improve or continue to deteriorate is still the key observation point for the strength of economic expansion and industry development.

In 2014, the TPE market exhibited excess supply, in particular in the SIS market, where price competitions have occurred among local Chinese manufacturers, thereby affecting profitability. However, since TSRC has already implemented market segmentation strategies, together with our adequate global strategy, we have maintained TSRC's TPE sales above a certain standard.

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

(3) Overview of technology and R&D

1. R&D expenses

Unit: NT$1,000

Fiscal year	2014
R&D expenses	363,035

2. Successfully developed technology or products

Item	Result
Patents	Awarded with 16 patents and filed 6 patent applications.
NBR product development	Successful new product and quality enhancement.
Differentiated ESBR product development	Product performance has reached market leading brand standard and received recognition from major tire manufacturers.
Developing high quality SBS and SIS products	Completed the development of high quality SBS and SIS and development of the international market.
Developing advanced TPE production technology	Implemented new man manufacturing technology to increase TPE's product stability and performance.

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

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

Long-term plans:

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

Short-term plans:

1. In support of the EU tire label, we continue to develop and promote the low rolling-resistance S-SBR (Solution-polymerized styrene-butadiene rubber) market.
2. Development and promotion of high-oil resistant NBR applicable to car components.
3. In response to the construction of the new E-SBR factory in India and commencement of production, we continue to develop potential local and export clientele, as well as satisfy the needs of our main clients.
4. Proactively visit major tire clients throughout the world, promote SSBR product application with our strategic partners to increase market share.
5. Develop new markets and applications for SIS.
6. Develop high-flow SEBS products and product applications.
7. Establish global supply chain to effectively manage transnational supply conditions, achieve optimized profit and offer outstanding customer service.
8. Strengthen technical platform and customer development, focus resources on promoting the high-end shoe material market (develop international brand), integrate internal production and technology in order to create barrier to entry and actively achieve the market sales objective.
9. Continue to expand the product application of Advanced Shoe Material for businesses with their own brands, such as Crocs, Nike, and New Balance; effectively integrate the operation of marketing management team (MMT).
10. Develop opportunities for the application of TPR in the automotive industry as a response to the mandate of weight reductions and material recycling in automobiles.
11. Develop TPR waterproof roll. Such environment friendly waterproof material is a product that is energy-saving, environment friendly, high performance, highly durable, and system-compatible. With the intensity of market development, the Company can explore the fields of new product application.

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

(1) Market Analysis

1. Major product distribution areas

Unit: NT$1,000/ton

Name of product	2014		Exported territories
	Sales volume	Sales amount	
Synthetic rubber	453,108	31,096,752	Japan, Thailand, China, Malaysia, Vietnam, U.S.A., Germany, Portugal, Germany
Non-synthetic rubber	8,002	737,756	China, South East Asia, Europe and Americas

2. Market share:

E-SBR：Asia is a major sales market with the Chinese market constituting the highest market share of 62%, followed by Taiwan's 15%, Thailand's 13% and Japan's 4%.

S-SBR：Actively expand market share, with the major sales market concentrated in Japan and China (54% and 28% respectivly).

BR：Asia is a major sales market with the Chinese market constituting the highest market share of 30%, followed by Thailand's 21%, Taiwan's 14% and Japan's 10%.

TPE：TSRC's SIS and SEBS elastomer business constitute approximately 20% and 12% of the global volume respectively. In terms of sales ratio, the TSRC's sales make up roughly 40%, 30% and 30% of the total sales in America, Euro region and Asia.

TPR：Taiwan's sales industry constitutes 10%, Chinese market constitutes 86% and other export markets constitute 4%.

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

According to forecast by LMC Automotive, the global demand for natural rubber (NR) in 2015 is 12.22 million tons, demonstrating an annual growth of 4%. Between 2007 and 2009, the continued cultivation of new rubber tree species constantly increased NR supply. However, the reduction in rubber price also affected the rubber farmers' willingness to tap rubber. Therefore, the surplus demand of NR will also continue to expand in 2015, yet it will not be able to support the increase in the price of synthetic rubber. The addition of new synthetic rubber manufacturers has resulted in management predicaments in the E-SBR and BR industries in Asia, such as the excess capacity and saturated development. Consequently, policy to constantly pursue product differentiation will become an integral part of management in the future.

Within the TPE product line, commodity SBS and SIS are in a state of excess supply. In the second half of 2014, due to price competition from SIS manufacturers in the China region, the price of commodity SIS was low, but profitability in the high value-added application market remained good. Since introducing production technology from American firm Dexco, TSRC has demonstrated significant development in the high value-added market to successfully implement market segmentation. Looking ahead in 2015, thanks to the strong economic recovery, the demand for TPE is expected to grow steadily; together with TSRC's comprehensive supply deployment and stable supply, the TSRC's TPE sales is projected to grow in 2015.

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

Over the recent years, TSRC has actively expanded our overseas sales locations in East Asia, Thailand in Southeast Asia and India in South Asia through co-partnerships. Our product distribution network is more comprehensive and diverse than other competitors in Asia.

However, most our major competitors in Asia possess the advantage of vertical integration with upstream raw material suppliers, while TSRC obtains raw material almost entirely from outside suppliers, therefore raw material cost has become a relative disadvantage for the company.

In light of this, TSRC has planned the most adequate production locations by ideally distributing the group's resources. On the other hand, we also actively forged international alliances with upstream petrochemical raw material suppliers to ensure faultless raw material supply, and we discreetly evaluated potential investment opportunities in new markets.

Competition in the Styreneic Block Copolymers (SBCs) market is becoming increasingly fierce, how to avoid competition in the low price market is TSRC's dedicated goal in the TPE industry. In the future, TSRC's involvement in the TPE industry will concentrate on adhesives and plastic modifiers, with particular emphasis on developing differentiated products and applications. At present, TSRC's TPE materials have exhibited considerable growth in the special purposes market such as rubber for bathroom application, elastic film, special purpose tapes and packaging materials, where advantages such as high performance product attributes, industry service capabilities and global supply integration are used to generate the maximum differentiation from our competitors. Recently, we are also actively developing several new products such as high flow SEBS, nonlinear structure of special purpose adhesive and SIS products that are suitable for repeated applications. Furthermore, we strive to enhance our competitive edge through new product collaborations with our clients.

Major international forecasting agencies are expressing optimism toward the global economic performance in 2015. In particular, the US-led recovery remains the same, while the economic recovery in Europe has shown signs of slowing down. In Asia, Japan continues to exhibit steady growth pace, while the Chinese economy has slowed down compared to 2014 due to greater uncertainty. Other regions in Asia are expected to continue their recovery progress by following the global economic trend. Overall, the global economic outlook for 2015 will be more optimistic than 2014. However, faced with the international trend of regional economic integration, besides improving our production process, capacity and product quality, we also aim to accelerate industry application, transformation and strengthen collaboration with our target clients in terms of new technology and new product in the industry, thereby maintaining TSRC's TPR competitiveness.

(2) Important application and production process of major products

Main product important use:

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

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

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

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

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

Outline of production process:

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

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

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

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

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

(3) Supply of major raw materials

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

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

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

1. Major Suppliers with 10 % or more in procurement

Unit: NT$1,000

	2014				2013			
Item	Suppliers	Amount	Percentage of total net procurement (%)	Relationto the issuer	Suppliers	Amount	Percentage of total net procurement (%)	Relationto the issuer
1	CPC	2,867,628	11%	No	CPC	2,786,778	10%	No
	Others	23,604,338	89%		Others	24,200,491	90%	
	Total	26,471,966	100%		Total	26,987,269	100%	
Causes	1. Although the market price for butadiene in 2014 was down by about 20% compared to 2013, but additional purchases from CPC also increased the net purchase. 2. The remaining raw material prices remained the same as the supply situation in 2013, therefore CPC's net purchase ration was increased.							

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

(5) Output by product

NT$1,000/ton

Product	2014			2013		
	Capacity	Output	Output value	Capacity	Output	Output value
Synthetic rubber	584,000	463,604	26,794,704	573,600	471,962	28,634,251
Non-synthetic rubber	19,750	7,808	568,302	19,750	7,844	304,155
Total	603,750	471,412	27,363,006	593,350	479,806	28,938,406

(6) Sales by product

NT$1,000/ton

Product	2014				2013			
	Domestic		Export		Domestic		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Synthetic rubber	295,773	22,417,871	157,335	8,678,881	289,062	19,396,468	181,919	14,251,415
Non-synthetic rubber	5,607	501,095	2,395	236,661	5,732	516,167	2,324	221,473
Others	–	34,066	–	–	–	25,628	–	11,848
Total	301,380	22,953,032	159,730	8,915,542	294,794	19,938,263	184,243	14,484,736

III. Employees' information

Item \ Fiscal year		2014	2013	February 28, 2015
	Direct workers	760	800	761
	Indirect workers	692	682	686
	Total of employees	1,452(persons)	1,482(persons)	1,447(persons)
	Average age	39.2(years old)	38.4(years old)	39.3(years old)
	Average seniorities	10.5(years)	10.0(years)	10.5(years)
Education level (%)	Ph.D.	1%	1%	1%
	Master	12%	12%	12%
	Bachelor	62%	61%	62%
	Senior high school	21%	21%	21%
	Below senior high school	4%	5%	4%

IV. Expenses of environmental protection

(1) Loss for environmental pollution

	2014	February 28, 2015
Pollution (Type and degree)	On June 25, 2014, our Company underwent the "Random Test on Equipment Components" from the Environment Protection Bureau of Kaohsiung City. The result of the test was that two pieces of equipment components exceeded the 2,000 PPM of punishable leaking net value stated in the "Evaporating Organic Material Control and Emission Standards of Kaohsiung City."	The Environment Protection Bureau of Kaohsiung City tested "Cylinder gas audit.," "Emission Channel," and "Vicinity Odor" at our plant, and our Company met the legal requirements.
Counterpart, or authority imposing fines	Kaohsiung Factory	No
Compensation and fines	NT$ 100,000	No
Other loss	No	No

(2) Countermeasures

1. Improvement actions to be taken	
1) Environmental protection capital expenditure to be spent in the following three years	
Pollution prevention equipment to be purchased, or contents of the expenditure	Production process waste gas processing system improvement and implementation of solvent change.
	Reduction use of solvent and release of volatile organic compounds.
	Replacement of old boilers and chimneys.
	Soil and groundwater pollution investigation and monitoring.
	Wastewater quality improvement through wastewater COD reduction.
	Repairing, maintenance and operation of pollution prevention equipments.
	Decrease and recycling of waste articles.
	Energy saving, carbon reduction and decrease of greenhouse gas emission.

Estimated improvement	Compliance with the requirements of environmental protection laws.
	Ensure that consumed of raw materials and reducing environmental the impact.
	Decrease of resident's complaints.
	Maintenance of working environmental quality.
	Elimination of fines.
	Achieve purpose of saving energy and reducing.
	Reduction of the contribution to global warming.
	Reduce energy consumed.
Amount	Total investment amount at NT$ 209,910,000.
2) Influence after improvement	
Influence on income	Reduce the cost of decreased production as a result of protests or fines.
Influence on competitive status	Lowering of parking ratio and upgrading of productivity.
2. Parts where no countermeasures have been taken	
1) Causes	No
2) Status of pollution	No
3) Potential loss and compensation	No

V. Labor relations

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

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

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

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

The Company also holds large-scale events for celebration of plants and year-end party to enhance the interaction with employees.

The Company also provides employees with cash gifts for marriage, birth and injury/sickness, Funeral establishes restaurants for employees and reimburses employees' meal expenses, and designates a dedicated nurse in the medical center, and also provides doctor's diagnosis and medical nursing services.

With respect to employees' training, the rules for employees' training are followed. The training plans are set based on the Company's business policies, units' requirements and relevant laws/regulations, and the general knowledge, professional skill and management ability programs for the newly recruited and employees are handled according to the plans. Meanwhile, the "life-time learning" goal is fulfilled through such training modes as OJT, Off-JT and SD., including the training fees in 2014 in the amount of NT$6,220,000. There were about 7,900 trainees. The average training fees per person were NT$ 4,000 and the training hours per person were 31 hours.

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

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

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

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

(2) No loss resulting from dispute over labors has been suffered by the Company in 2014 and until February 28, 2015.

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

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

VI. Material contracts

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture contract for BR	UBE Industries Ltd., Marubeni Techno Rubber Corporation UBE (Thailand) Co., Ltd	Oct. 20, 1995 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of BR plant with the annual capacity of 50,000 tons in Thailand	
Joint Venture Agreement for Butadiene Rubber	UBE Industries Ltd., Marubeni Petrochemicals Investment B.V.	Oct. 25, 2006 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of BR plant with the annual capacity of 72,000 tons in China	
Technology License Agreement	TSRC (Jinan) Industrial Ltd.	July 1, 2008 to December 31, 2020	Technology license agreement for use compound technology	
Thermoplastic elastomer technology license agreement	JSC VORONEZHSYNTHEZKAUCHUK	May 27, 2009 until 10 years after the official production termination	Technology license agreement for production of thermoplastic elastomers with annual capacity of 50,000 tons.	
Joint venture agreement for annual production of 120 thousand-ton styrene-butadiene (E-SBR) rubber.	Indian Oil, Corporation, Marubeni Petrochemicals Investment B. V. Netherlands	Apr. 3, 2010 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of ESBR plant with the annual capacity of 120,000 ton in India	
Styrene -butadiene (E-SBR) technology license agreement	Indian Synthetic Rubber Limited	Sep. 1, 2010 until termination of the cooperative relationship	A license for India Synthetic Rubber Co., Ltd. to use styrene -butadiene (E-SBR) production technology	
Shareholders Agreement	Lanxess Hong Kong Limited Lanxess AG	May 7, 2010 until termination of the cooperative relationship	Joint Venture for establishment, production, sale and operation of NBR plant with the annual capacity of 30,000 tons in China	
Acrylonitrile -butadiene rubber (NBR) technology license agreement	Lanxess-TSRC(Nantong) Chemical Industrial Co., Ltd.	Dec. 1, 2010 until termination of the cooperative relationship	A license for Lanxess TSRC (Nantong) Chemical Industrial Co Ltd. to use NBR production technology	

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture agreements for Taiwan Advanced Materials Corporation	Fubon Financial Holding Venture Co.,Ltd, CPC Corporation, Taiwan	November 8, 2011 until termination of the cooperative relationship	Three factories stated below were built: (1)C5 Separation factory with annual capacity of 150,000 tons; (2)SIS synthesis factory with annual capacity of 30,000 tons (3)C5 Tackifiers factory with annual capacity of 19,000 tons	
Medium and long term loan agreement	Bank Of Taiwan	August 28, 2014 to November 25, 2119	Loaned NT$1,000,000,000	Reimbursed amount cannot be mobilized again.
Medium and long term loan agreement	Taipei Fubon Bank	August 28, 2014 to September 25, 2119	Loaned NT$500,000,000	Reimbursed amount cannot be mobilized again.
Medium and long term loan agreement	Mega Bank	October 3, 2014 to November 25, 2119	Loaned NT$500,000,000	Reimbursed amount cannot be mobilized again.

Overview of financial status

Overview of financial status

TSRC Corporation and subsidiaries

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

(1) Condensed balance sheet

Unit: NT$1,000

Item \ Fiscal year		Financial information for the recent years					
		Independent			Consolidated		
		2014	2013	2012	2014	2013	2012
Current assets		4,303,033	3,836,060	5,247,291	15,659,546	15,295,687	17,697,494
Property, plant and equipment		2,406,647	2,429,360	2,461,725	10,071,167	10,255,107	9,921,124
Intangible assets		61,045	79,310	79,012	2,467,432	2,506,846	2,590,677
Other assets		15,321,868	14,559,149	13,403,557	4,958,508	5,314,724	5,365,783
Total assets		22,092,593	20,903,879	21,191,585	33,156,653	33,372,364	35,575,078
Current liability	Before distribution	3,646,329	4,043,157	4,106,642	10,445,749	10,719,593	11,261,851
	After distribution	(Note)	5,120,512	6,151,257	(Note)	11,796,948	13,306,466
Non-Current liability		2,241,604	1,285,525	1,449,793	4,572,506	5,097,806	6,368,168
Total liability	Before distribution	5,887,933	5,328,682	5,556,435	15,018,255	15,817,399	17,630,019
	After distribution	(Note)	6,406,037	7,601,050	(Note)	16,894,754	19,674,634
Equity attributable to shareholders of the parent		16,204,660	15,575,197	15,635,150	16,204,660	15,575,197	15,635,150
Capital stock		8,257,099	7,863,904	7,863,904	8,257,099	7,863,904	7,863,904
Additional paid-in capital		849	849	849	849	849	849
Retained earnings	Before distribution	6,194,132	6,536,125	7,083,507	6,194,132	6,536,125	7,083,507
	After distribution	(Note)	5,458,770	5,038,892	(Note)	5,458,770	5,038,892
Other equity		1,752,580	1,174,319	686,890	1,752,580	1,174,319	686,890
Treasury stock		–	–	–	–	–	–
Non-controlling interest		–	–	–	1,933,738	1,979,768	2,309,909
Total shareholders' equity	Before distribution	16,204,660	15,575,197	15,635,150	18,138,398	17,554,965	17,945,059
	After distribution	(Note)	14,497,842	13,590,535	(Note)	16,477,610	15,900,444

Note: The earnings in 2014 will be distributed subject to the resolution of the shareholders' meeting in 2015.

Condensed income statement

Unit: NT$1,000

Item \ Fiscal year	Financial information for the recent years					
	Independent			Consolidated		
	2014	2013	2012	2014	2013	2012
Operating revenue	12,265,005	12,934,484	17,056,436	31,868,574	34,422,999	45,364,375
Gross profit	1,389,526	1,598,652	2,318,736	3,963,338	4,267,101	6,036,491
Operating Profit	668,983	730,492	1,366,553	1,939,858	2,064,932	3,967,602
Non-operating income and expenses	452,372	748,264	1,332,424	(392,314)	37,070	(87,817)
Net income before tax	1,121,355	1,478,756	2,698,977	1,547,544	2,102,002	3,879,785
Net income	1,141,338	1,495,011	2,534,808	1,243,746	1,715,482	3,139,901
Other comprehensive income (loss)	565,480	489,651	(581,762)	624,067	522,061	(692,064)
Total comprehensive income	1,706,818	1,984,662	1,953,046	1,867,813	2,237,543	2,447,837
Net income attributable to shareholders of the parent	1,141,338	1,495,011	2,534,808	1,141,338	1,495,011	2,534,808
Net income attributable to non-controlling interests	–	–	–	102,408	220,471	605,093
Total comprehensive income attributable to shareholders of the parent	1,706,818	1,984,662	1,953,046	1,706,818	1,984,662	1,953,046
Total comprehensive income attributable to non-controlling interests	–	–	–	160,995	252,881	494,791
EPS (Note)	1.38	1.81	3.07	1.38	1.81	3.07

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

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

Unit: NT$1,000

Item \ Fiscal year		Financial information for the recent years					
		Independent			Consolidated		
		2014	2013	2012	2014	2013	2012
Current assets		5,257,379	6,970,348	5,640,790	17,778,821	22,211,193	13,739,202
Funds and investment		11,684,596	11,605,591	7,650,768	2,834,775	2,146,686	1,855,074
Fixed assets		2,260,060	2,087,607	1,753,248	9,719,459	8,723,540	6,987,437
Intangible assets		100,145	71,442	34,536	3,213,218	3,356,446	413,476
Other assets		1,886,340	1,901,065	1,915,790	2,013,195	2,104,709	2,087,109
Total assets		21,188,520	22,636,053	16,995,132	35,559,468	38,542,574	25,082,298
Current liability	Before distribution	4,106,642	3,955,914	2,981,578	10,620,859	11,202,189	7,886,758
	After distribution	6,151,257	7,530,416	5,256,261	12,665,474	14,776,691	10,161,441
Long-term liability		–	–	100,000	5,293,081	5,088,720	1,037,357
Other liability		1,272,110	1,512,689	954,884	1,525,851	1,558,731	990,267
Total liability	Before distribution	5,378,752	5,468,603	4,036,462	17,439,791	17,849,640	9,914,382
	After distribution	7,423,367	9,043,105	6,311,145	19,484,406	21,424,142	12,189,065
Capital stock		7,863,904	7,149,004	6,499,095	7,863,904	7,149,004	6,499,095
Additional paid-in capital		69,003	69,003	69,003	69,003	69,003	69,003
Retained earnings	Before distribution	7,269,599	8,984,752	6,167,579	7,269,599	8,984,752	6,167,579
	After distribution	5,224,984	5,410,250	3,242,987	5,224,984	5,410,250	3,242,987
Unrealized gain (loss) on financial products		–	–	5,980	–	–	5,980
Cumulative translation adjustment		688,778	1,002,365	257,903	688,778	1,002,365	257,903
Net loss not recognized as pension cost		(88,782)	(44,940)	(48,156)	(88,782)	(44,940)	(48,156)
Total shareholders' equity	Before distribution	15,809,768	17,167,450	12,958,670	18,119,677	20,692,934	15,167,916
	After distribution	13,765,153	13,592,948	10,683,987	16,075,062	17,118,432	12,893,233

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

Unit: NT$1,000

Fiscal year / Item	Financial information for the recent years					
	Independent			Consolidated		
	2012	2011	2010	2012	2011	2010
Operating revenue	17,056,436	20,612,158	15,264,239	45,364,375	55,075,318	36,685,708
Gross profit	2,312,355	4,519,028	2,631,609	6,030,109	12,329,572	6,585,506
Operating profit (loss)	1,217,126	3,331,817	1,747,421	3,836,279	10,176,146	5,030,999
Non-operating income	1,691,310	3,892,623	2,174,943	387,599	528,255	519,836
Non-operating expenses and loss	161,940	189,139	137,725	296,574	265,555	296,019
Net income before tax	2,746,496	7,035,301	3,784,639	3,927,304	10,438,846	5,254,816
Cumulative effect of changes in accounting principles	－	4,914	－	－	1,919	－
Net income	2,574,249	5,741,765	3,279,162	3,179,342	7,481,231	4,088,790
EPS (note)	3.11	6.95	3.97	3.11	6.95	3.97

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

(4) CPA's name and auditing opinion

Fiscal year	CPA's name	Auditing opinion
2014	Po Shu Hung Ann Tine Yu	Unqualified opinion
2013	Po Shu Hung Ann Tine Yu	Unqualified opinion
2012	Mei Hsueh Yang Chia-Hsiu Chen	Unqualified opinion
2011	Mei Hsueh Yang Ya Ling Chen	No reservation for amended version.
2010	Mei Hsueh Yang Ya Ling Chen	Unqualified opinion

II. Financial analysis for the recent five years

(1) Financial analysis

Item	Fiscal year	Independent 2014	Independent 2013	Independent 2012	Consolidated 2014	Consolidated 2013	Consolidated 2012
Financial structure (%)	Debt ratio	26.65	25.49	26.22	45.29	47.40	49.56
	Long-term capital property, plant and equipment ratio	766.47	694.04	694.02	225.50	220.89	245.07
Solvency %	Current ratio	118.01	94.88	127.78	149.91	142.69	157.15
	Quick ratio	72.05	50.78	73.16	93.75	89.73	102.66
	Interest Coverage ratio	30.72	50.67	92.25	8.77	12.37	18.00
Operating performance	Receivables turnover (time)	8.00	7.78	6.85	8.03	7.17	6.42
	Average number of days receivables outstanding	45.64	46.92	53.28	45.45	50.90	56.85
	Inventory turnover (time)	6.42	5.73	6.52	4.86	5.13	5.98
	Account payable turnover (time)	15.49	15.64	15.21	19.55	18.45	18.07
	Average number days of sales	56.85	63.70	55.98	75.10	71.15	61.04
	Property, plant and equipment turnover rate (time)	5.07	5.29	7.18	3.14	3.36	4.81
	Total assets turnover (time)	0.57	0.61	0.77	0.96	1.00	1.22
Profitability	Return on assets (%)	5.45	7.22	11.62	4.24	5.42	8.95
	Return on shareholders' equity (%)	7.18	9.58	15.41	6.97	9.66	16.22
	Percentage of net profit over paid-in capital (%)(Note 7)	13.58	18.80	34.32	18.74	26.73	49.34
	Net profit ratio (%)	9.31	11.56	14.86	3.90	4.98	6.92
	EPS (NT$)	1.38	1.81	3.07	1.38	1.81	3.07
Cash flow	Cash flow ratio (%)	11.07	42.24	30.03	19.49	39.19	52.90
	Cash flow adequacy ratio (%)	(Note)	(Note)	(Note)	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	-2.89	-1.52	-10.68	2.27	4.99	2.23
Leverage	Operating leverage	5.32	1.26	2.47	4.93	1.15	2.23
	Financial leverage	1.06	1.04	1.02	1.11	1.10	1.06

Independent

1. Increased current ratio is caused by increased accounts receivable this year.
2. Increased quick ratio is caused by increased accounts receivable this year.
3. Decreased interest protection multiples is caused by decreased profit before tax this year.

4. Decreased return on asset is caused by decreased profit after tax this year.
5. Decreased return on equity is caused by decreased profit after tax this year.
6. Decreased profit before tax on capital stock is caused by decreased profit before tax and capital increase this year.
7. Decreased earnings per share is caused by decreased profit after tax this year.
8. Decreased cash flow ratio is caused by decreased net cash flow this year.
9. Decreased cash reinvestment ratio is caused by decreased net cash flow this year.

Consolidated

1. Decreased interest protection multiples is caused by decreased profit before tax this year.
2. Decreased return on asset is caused by decreased profit after tax this year.
3. Decreased return on equity is caused by decreased profit after tax this year.
4. Decreased profit before tax on capital stock is caused by decreased profit before tax and capital increase this year.
5. Decreased net profit margin is caused by the fact that the reduction margin of profit after tax was higher than the reduction margin of net sales.
6. Decreased earnings per share is caused by decreased profit after tax this year.
7. Decreased cash flow ratio is caused by decreased net cash flow this year.
8. Decreased cash reinvestment ratio is caused by decreased net cash flow this year.

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

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

Item		Fiscal year	Financial information for the recent years					
			Independent			Consolidated		
			2012	2011	2010	2012	2011	2010
Financial structure (%)	Debt ratio		25.39	24.16	23.75	49.04	46.31	39.53
	Percentage of long-term funds in fixed assets		699.53	822.35	744.83	240.89	295.54	231.92
Solvency %	Current ratio		128.02	176.20	189.19	167.40	198.28	174.21
	Quick ratio		73.18	117.35	128.39	110	135	128
	Interest Coverage ratio		94	363	205	18	52	33
Operating performance	Receivables turnover (time)		6.70	8.20	8.03	6.42	8.06	8.28
	Average number of days receivables outstanding		54	45	45	57	45	44
	Inventory turnover (time)		6.34	7.66	7.77	5.75	7.69	8.32
	Account payable turnover (time)		15.32	14.97	15.42	18.07	18.99	17.16
	Average number days of sales		58	48	47	63	47	44
	Fixed assets turnover (time)		7.55	9.87	8.71	4.67	6.31	5.25
	Total assets turnover (time)		0.80	0.91	0.90	1.28	1.43	1.46
Profitability	Return on assets (%)		11.44	29.06	20.26	9.09	24.05	17.77
	Return on shareholders' equity (%)		15.61	38.12	26.14	16.38	41.72	27.90
	Percentage in additional paid-in capital %	Operating income	15.48	46.61	26.89	48.78	144.08	77.40
		Income before tax	34.93	98.41	58.23	49.94	146.02	80.84
	Net profit ratio (%)		15.09	27.86	21.48	7.01	13.58	11.15
	EPS (loss) (NT$)(Note)		3.11	6.95	3.97	3.11	6.95	3.97
Cash flow	Cash flow ratio (%)		65.37	60.01	54.09	55.73	50.63	43.05
	Cash flow adequacy ratio (%)		80.21	92.50	77.74	76.69	80.62	77.93
	Cash flow reinvestment ratio (%)		(3.66)	0.39	(2.21)	1.67	6.82	1.77
Leverage	Operating leverage		2.77	1.99	4.57	2.31	1.75	4.26
	Financial leverage		1.02	1.01	1.01	1.06	1.02	1.03

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

1. Financial structure:

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

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

2. Solvency:

1) Current ratio＝current assets／current liability

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

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

3. Operating performance:

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

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

3) Inventory turnover＝Sales cost／average inventory

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

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

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

7) Total assets turnover＝Net sales／Total assets

4. Profitability:

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

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

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

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

5. Cash flow:

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

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

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

6. Leverage:

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

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

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

This report is to certify that the financial statement 2014 prepared by the Board as audited and certified by KPMG, as well as the business report and proposal for distribution of earnings, complies with Article 219 of the Company Act.

To:
Annual Shareholders' Meeting 2015

TSRC Corporation

Supervisor: Dragony Investment Corporation
Representative: Miles Hsieh

Supervisor: Tsai-Der, Chen

Date: March 17, 2015

V. Consolidated financial statement

Declaration

The companies that should be included in the preparation for consolidated financial statements of affiliated companies as required by "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are identical to those that should be incorporated into the parent-subsidiary consolidated financial statements as required by IAS 27, which is approved by the Financial Supervisory Commission, in year 2014 (from January 1, 2014 to December 31, 2014) at our Company. Furthermore, the information that should be disclosed in consolidated financial statements of affiliated companies has been disclosed in said parent-subsidiary consolidated financial statements. Therefore, our Company will not prepare another set of consolidated financial statements of affiliated companies.

Declared by:

TSRC Corporation

Chairman: Shao Yu Wang

Date: March 12, 2015

Independent Auditors' Report

The Board of Directors
TSRC Corporation:

We have audited the accompanying consolidated balance sheets of TSRC Corporation and subsidiaries (the Group) as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income as well as the consolidated statements of changes in stockholders' equity and of cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the R.O.C. Financial Supervisory Commission.

We have also audited the standalone financial statements of TSRC Corporation as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income as well as the consolidated statements of changes in stockholders' equity and of cash flows for the years ended December 31, 2014 and 2013, on which we have issued an unqualified audit opinion.

KPMG
Po Shu Hung
Ann Tine Yu
March 12, 2015

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2014 and 2013

(expressed in thousands of New Taiwan dollar)

Unit: NT$1,000

Assets	Dec.31, 2014 Amount	%	Dec.31, 2013 Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	$ 5,092,877	15	4,994,973	15
Notes receivable, net (note 6(c))	652,449	2	807,638	2
Accounts receivable, net (note 6(c))	3,388,626	10	3,087,887	9
Other receivable (notes 6(c) and 7)	267,462	1	130,251	—
Current income tax assets	93,521	—	116,685	—
Inventories (note 6(d))	5,843,927	19	5,633,218	17
Other current assets (note 6(i))	320,684	1	525,035	2
Total current assets	15,659,546	48	15,295,687	45
Non-current assets:				
Available-for-sale financial assets—non-current (note 6(b))	1,083,079	3	1,005,832	3
Investments accounted for under equity method (note 6(e))	1,351,021	4	1,779,228	5
Property, plant and equipment (note 6(f))	10,071,167	30	10,255,107	31
Investment property (note 6(g))	1,655,225	5	1,669,950	5
Intangible assets (note 6(h))	2,467,432	7	2,506,846	8
Deferred income tax assets (note 6(m))	244,580	1	267,510	1
Other non-current assets (notes 6(i) and 8)	624,603	2	592,204	2
Total non-current assets	17,497,107	52	18,076,677	55
Total assets	$ 33,156,653	100	33,372,364	100

See accompanying notes to these financial Statements (Continued)

Liabilities and Stockholders' Equity	Dec.31, 2014 Amount	%	Dec.31, 2013 Amount	%
Current liabilities:				
Short-term loans (notes 6(j) and 8)	$ 5,487,318	17	5,805,694	17
Current portion of long-term borrowings (notes 6(j) and 8)	1,805,780	5	1,200,944	4
Short-term commercial paper payable (note 6(j))	499,402	2	798,856	2
Accounts payable	1,294,127	4	1,527,291	5
Accounts payable－related parties (note 7)	33,889	－	－	－
Current income tax liabilities	38,233	－	128,352	－
Other payable (notes 6(l) and 7)	1,054,244	3	1,075,144	3
Other current liabilities (note 6(j))	232,756	1	183,312	1
Total current liabilities	10,445,749	32	10,719,593	32
Non-current liabilities:				
Long-term loans (notes 6(j) and 8)	3,336,022	10	3,653,931	11
Provision liabilities－non-current (note 6(m))	38,358	－	47,320	－
Deferred income tax liabilities (note 6(m))	777,826	2	903,655	3
Other non-current liabilities (notes 6(e), 6(j) and 6(l))	420,300	1	492,900	1
Total non-current liabilities	4,572,506	13	5,097,806	15
Total liabilities	15,018,255	45	15,817,399	47
Equity attributable to shareholders of the parent (notes 6(m), 6(n) and 6(s)):				
Common stock	8,257,099	24	7,863,904	24
Capital surplus	849	－	849	－
Retained earnings:				
Legal reserve	3,504,631	11	3,355,130	10
Unappropriated earnings	2,689,501	8	3,180,995	10
	6,194,132	19	6,536,125	20
Other equities:				
Financial statement translation differences for foreign operations	1,569,373	5	1,064,983	3
Unrealized gain (loss) on valuation of available-for-sale financial assets	183,207	1	109,336	－
	1,752,580	6	1,174,319	3
Total stockholders' equity	16,204,660	49	15,575,197	47
Non-controlling interests	1,933,738	6	1,979,768	6
Total equity	18,138,398	55	17,554,965	53
Total liabilities and stockholders' equity	$ 33,156,653	100	33,372,364	100

See accompanying notes to these financial Statements

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

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2014			2013	
		Amount	%	Amount	%
Revenue (note 6(p))	$	31,868,574	100	34,422,999	100
Operating costs (notes 6(d), 6(f), 6(h), 6(i), 6(l), 6(n) and 7)		27,905,236	88	30,155,898	88
Gross profit		3,963,338	12	4,267,101	12
Operating expenses (notes 6(c), 6(f), 6(g), 6(h), 6(i), 6(k), 6(l) and 6(n)):					
Selling expenses		1,007,374	3	1,033,162	3
General and administrative expenses		836,165	3	904,716	3
Research and development expenses		363,035	1	389,147	1
Total operating expenses		2,206,574	7	2,327,025	7
Other income and expenses, net (note 6(g), 6(l), 6(q) and 7)		183,094	1	124,856	–
Operating profit		1,939,858	6	2,064,932	5
Non-operating income and expenses (notes 6(e) and 6(r)):					
Interest income		109,856	–	97,576	–
Other gains and losses		59,473	–	278,235	1
Finance costs		(199,286)	–	(184,832)	–
Share of loss of associates and joint ventures accounted for under equity method		(362,357)	(1)	(153,909)	1
Total non-operating income and expenses		(392,314)	(1)	37,070	2
Net income before tax		1,547,544	5	2,102,002	7
Less: income tax expenses (note 6(m))		303,798	1	386,520	1
Net income		1,243,746	4	1,715,482	6
Other comprehensive income (loss) (notes 6(l), 6(n) and 6(s)):					
Financial statement translation differences for foreign operations		562,977	2	408,615	1
Unrealized gain on valuation of available-for-sale financial assets		73,871	–	111,224	–
Actuarial gains (losses) on defined benefit plans		(12,781)	–	2,222	–
Less: income tax expense relating to components of other comprehensive income (loss)		–	–	–	–
Other comprehensive income (loss), net of tax		624,067	2	522,061	1
Total comprehensive income	$	1,867,813	6	2,237,543	7
Net income attributable to:					
Shareholders of the parent	$	1,141,338	4	1,495,011	5
Non-controlling interests		102,408	–	220,471	1
	$	1,243,746	4	1,715,482	6
Total comprehensive income attributable to:					
Shareholders of the parent	$	1,706,818	5	1,984,662	6
Non-controlling interests		160,995	1	252,881	1
	$	1,867,813	6	2,237,543	7
Basic earnings per share (in New Taiwan dollars) (note 6(o))					
EPS (in New Taiwan dollars)	$	1.38		1.81	

See accompanying notes to these financial Statements

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

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	Equity attributable to shareholders of the parent										
			Retained earnings			Other equity adjustments					
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Financial statement translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Total	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
Balance at January 1, 2013	$ 7,863,904	849	3,097,705	3,985,802	7,083,507	688,778	(1,888)	686,890	15,635,150	2,309,909	17,945,059
Appropriations and distributions:											
Legal reserve	–	–	257,425	(257,425)	–	–	–	–	–	–	–
Cash dividends	–	–	–	(2,044,615)	(2,044,615)	–	–	–	(2,044,615)	(583,022)	(2,627,637)
Net income	–	–	–	1,495,011	1,495,011	–	–	–	1,495,011	220,471	1,715,482
Other comprehensive income (loss)	–	–	–	2,222	2,222	376,205	111,224	487,429	489,651	32,410	522,061
Total comprehensive income (loss)	–	–	–	1,497,233	1,497,233	376,205	111,224	487,429	1,984,662	252,881	2,237,543
Balance at December 31, 2013	$ 7,863,904	849	3,355,130	3,180,995	6,536,125	1,064,983	109,336	1,174,319	15,575,197	1,979,768	17,554,965
Appropriations and distributions:											
Legal reserve	–	–	149,501	(149,501)	–	–	–	–	–	–	–
Cash dividends	–	–	–	(1,077,355)	(1,077,355)	–	–	–	(1,077,355)	(207,025)	(1,284,380)
Stock dividends	393,195	–	–	(393,195)	(393,195)	–	–	–	–	–	–
Net income	–	–	–	1,141,338	1,141,338	–	–	–	1,141,338	102,408	1,243,746
Other comprehensive income (loss)	–	–	–	(12,781)	(12,781)	504,390	73,871	578,261	565,480	58,587	624,067
Total comprehensive income (loss)	–	–	–	1,128,557	1,128,557	504,390	73,871	578,261	1,706,818	160,995	1,867,813
Balance at December 31, 2014	$ 8,257,099	849	3,504,631	2,689,501	6,194,132	1,569,373	183,207	1,752,580	16,204,660	1,933,738	18,138,398

See accompanying notes to these financial Statements

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

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2014	2013
Cash flows from operating activities:		
Consolidated net income before tax	$ 1,547,544	2,102,002
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	921,228	910,846
Amortization	188,958	188,665
Provision for bad debt	735	–
Interest expenses	199,286	184,832
Interest income	(109,856)	(97,576)
Dividend income	(50,857)	(41,267)
Share of loss of associates and joint ventures accounted for under equity method	362,357	153,909
Losses (gains) on disposal of property, plant and equipment, net	6,090	(54)
Amortization of long-term prepaid rent	12,325	12,111
Total adjustments to reconcile profit and loss	1,530,266	1,311,466
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	155,189	600,745
Accounts receivable	(301,474)	1,206,227
Other receivable	(137,619)	156,050
Inventories	(210,709)	470,960
Other current assets	192,026	(61,697)
Total changes in operating assets, net	(302,587)	2,372,285
Net changes in operating liabilities:		
Accounts payable	(233,164)	(156,485)
Accounts payable－related parties	33,889	(58,134)
Other current liabilities	29,477	(8,613)
Accrued pension liabilities	(13,493)	(12,145)
Other non-current liabilities	2,456	(136,725)
Total changes in operating liabilities, net	(180,835)	(372,102)
Total changes in operating assets / liabilities, net	(483,422)	2,000,183
Total adjustments	1,046,844	3,311,649
Cash provided by operating activities	2,594,388	5,413,651
Interest income received	104,403	82,849
Interest expense paid	(189,568)	(180,197)
Income tax paid	(473,652)	(1,115,796)
Net cash provided by operating activities	2,035,571	4,200,507

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2014	2013
Cash flows from investing activities:		
Increase in long-term investments accounted for under equity method	(6,341)	–
Acquisition of property, plant and equipment	(480,312)	(922,538)
Proceeds from disposal of property, plant and equipment	966	2,228
Increase in intangible assets	–	(248)
Increase (decrease) in other non-current assets	(32,399)	22,816
Dividend received	50,857	41,267
Net cash used in investing activities	(467,229)	(856,475)
Cash flows from financing activities:		
Decrease in short-term loans	(318,376)	(388,485)
Increase (decrease) in short-term commercial paper payable	(311,516)	449,415
Increase in long-term loans	2,325,034	689,026
Repayment of long-term loans	(2,038,107)	(1,593,408)
Decrease in capital lease liabilities	(6,287)	–
Decrease in other non-current liabilities	–	(5,811)
Cash dividends paid	(1,286,916)	(2,621,308)
Net cash used in financing activities	(1,636,168)	(3,470,571)
Effects of changes in exchange rates	165,730	(25,651)
Increase (decrease) in cash and cash equivalents	97,904	(152,190)
Cash and cash equivalents at beginning of period	4,994,973	5,147,163
Cash and cash equivalents at end of period	$ 5,092,877	4,994,973

See accompanying notes to these financial Statements

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

TSRC CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2014 and 2013
(expressed in thousands of New Taiwan dollars, unless otherwise stated)

(1) Organization and Business Scope

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting, and the registered address is 18F., No. 95, Sec. 2, Dunhua S. Rd., Taipei City. The consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies and in jointly controlled companies. The Group is mainly engaged in the manufacture, import and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on March 12, 2015.

(3) New Standards and Interpretations Not Yet Adopted

(a) International Financial Reporting Standards 2013 (IFRSs 2013) endorsed by the Financial Supervisory Commission ("FSC") but not yet in effect.

According to ruling No. 1030010325 issued by the FSC on April 3, 2014, all Taiwan Stock Exchange Corporation and GreTai Securities Market listed companies shall prepare financial reports according to IFRSs 2013 endorsed by the FSC from 2015 onward (not including IFRS 9 Financial Instruments). A summary of the new announcements, revisions, and amendments of standards and interpretations which were announced by the International Accounting Standards Board ("IASB") is as follows:

New announcements/revisions/amendments of standards and interpretations	Effective date per IASB
Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
Amendment to IFRS 1: Government Loans	January 1, 2013
Amendment to IFRS 7: Disclosures Transfers of Financial Assets	July 1, 2011
Amendment to IFRS 7: Disclosures Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 10 Consolidated Financial Statements	January 1, 2013(subsidiaries effective on January 1, 2014)
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013
Amendment to IAS 1: Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12: Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Revision to IAS 19 Employee Benefits	January 1, 2013
Revision to IAS 27 Separate Financial Statements	January 1, 2013
Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Except for the following, the Group assessed that adopting IFRSs 2013 will not have significant impacts on the consolidated financial statements.

i) Amendments to IAS 1－Presentation of Items of Other Comprehensive Income

According to the amendments to IAS 1, items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The aforementioned allocation basis will not be strictly enforced prior to the adoption of the amendments.

ii) IFRS 12－Disclosure of Interests in Other Entities

IFRS 12 requires a broader disclosure of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated entities. The objective of IFRS 12 is to specify the disclosure information provided. The Group expects the application of IFRS 12 will result in more extensive disclosures of interests in other entities in the financial statements.

iii) IFRS 13－Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Group assessed that the adoption of IFRS 13 will have no significant impact on the financial position and results of operation of the Group. The Group will include the required disclosures.

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

The new standards and amendments issued by the IASB that may have an impact to the consolidated financial statements but not yet endorsed by the FSC are summarized as follows:

New announcements/revisions/amendments of standards and interpretations	Effective date per IASB
IFRS 9 Financial Instruments	January 1, 2018
Amended IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amended IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
Amended IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	January 1, 2016
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendments to IAS 27: Equity method in seperate financial statements	January 1, 2016
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 Levies	January 1, 2014

The Group is currently evaluating the impact of the abovementioned standards and amendments on the Group's financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

(4) Significant Accounting Policies

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

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

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

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

ii) Functional and presentation currency

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

(c) Basis of consolidation

i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its the subsidiaries.

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

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

i. Changes in ownership

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

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

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			Dec. 31, 2014	Dec. 31, 2013	
TSRC Corp.	Trimurti Holding Corporation	Investment	100.00%	100.00%	
TSRC Corp.	Hardison International Corporation	Investment	100.00%	100.00%	
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00%	100.00%	(Note 1)
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%	

Name investor	Name of investee	Scope of business	Percentage of ownership Dec. 31, 2014	Dec. 31, 2013	Description
TSRC (HONG KONG) Limited	TSRC (Jinan) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products			
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%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Co,. Ltd.	Production and sale of synthetic rubber products	65.44%	65.44%	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00%	55.00%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	100.00%	100.00%	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of synthetic rubber products	100.00%	100.00%	(Note 2)
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00%	100.00%	
Hardison International Corporation	TSRC Biotech Ltd.	Investment	100.00%	100.00%	
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	50.00%	50.00%	

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

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

(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.

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

Foreign currency differences arising from remeasurement are recognized in profit or loss, except for the difference resulting from available-for-sale equity investment which is recognized in other comprehensive income arising from the remeasurement.

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 entity shall classify an asset as current when:

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

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

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

iv. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

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

iii. The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or

iv. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(f) Cash and cash equivalents

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

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

(g) Financial instruments

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

i) Financial assets

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

i. Receivables

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

The Group considers evidence of impairment for receivables at both a specific asset and collective level. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. However, the reversing amount cannot exceed the amortized balance of the assets assuming no impairment was recognized in prior periods.

ii. Available-for-sale financial assets

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

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

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

iii. Derecognition of financial assets

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

ii) Financial liabilities and equity instruments

i. Classification of debt or equity

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

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

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

ii. Other financial liabilities

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

iii. Derecognition of financial liabilities

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

iv. Offsetting of financial assets and liabilities

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

v. Financial guarantee contract

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

A financial guarantee contract not designated as at fair value through profit or loss issued by the Group is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies.

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

(j) Interest in joint venture

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

(k) Property, plant and equipment

i) Recognition and measurement

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

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

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

ii) Reclassification to investment properties

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

iii) Subsequent cost

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

iv) Depreciation

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

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

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

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

i. Land improvements8~30 years

ii. Buildings3~60 years

iii. Machinery5~40 years

iv. Furniture and fixtures, and other equipment3~8 years

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

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or to use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and the depreciation expense is calculated using the depreciable amount. The depreciation method, the useful life, and the residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

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

(m) Leases

i) Lessor

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

ii) Lessee

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

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

(n) Intangible assets

i) Goodwill

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

ii) Other intangible assets

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

iii) Subsequent expenditure

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

iv) Amortization

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

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

i. Computer software3 years

ii. Industrial technology and know-how10~20 years

iii. Patent20 years

iv. Non-compete agreement3 years

v. Customer relationship18 years

vi. Trademark and goodwill Uncertain useful life

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

(o) Impairment－non-financial assets

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

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

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

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

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

(p) Provisions

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

(q) Revenue

i) Sale of goods

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

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

ii) Rendering of services

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

iii) Rental income

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

(r) Employee benefits

i) Defined contribution plans

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

ii) Defined benefit plans

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

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

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

iii) Short-term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income tax

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

Current taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

i) Assets and liabilities that are initially recognized but are not related to the business merge and have no effect on net income or taxable gains (losses) during the transaction.

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

iii) Initial recognition of goodwill.

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

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

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

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

i. levied by the same taxing authority; or

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

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

(t) Earnings per share

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

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

(u) Operating segments

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

(5) Use of Judgements and Estimates

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

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

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

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

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

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

(6) Description of Significant Accounts

(a) Cash and cash equivalents

		Dec. 31, 2014	Dec. 31, 2013
Cash on hand	$	448	496
Checking and savings deposits		727,058	1,144,468
Time deposits		3,944,620	3,720,095
Commercial paper with reverse sell agreements		420,751	129,914
Consolidated cash flow statement cash and cash are listed	$	5,092,877	4,994,973

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

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

		Dec. 31, 2014	Dec. 31, 2013
Unlisted stocks (domestic or overseas)	$	1,083,079	1,005,832

Please refer to note 6(r) for dividend income.

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

		2014		2013	
Fluctuation in market price at reporting date		Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$	108,308	－	100,583	－
Decrease 10%	$	(108,308)	－	(100,583)	－

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

		Foreign currency amount	Exchange rate	NTD
Dec. 31, 2014 THB	$	171,257	0.9670	165,606
Dec. 31, 2013 THB		188,101	0.9135	171,831

As of December 31, 2014 and 2013, the Group did not pledge its available-for-sale financial instruments.

(c) Notes and accounts receivable, and other receivable

	Dec. 31, 2014	Dec. 31, 2013
Notes receivable	$ 652,449	807,638
Accounts receivable	3,389,505	3,088,031
Other receivable	267,462	130,251
Less: allowance for impairment	879	144
	$ 4,308,537	4,025,776

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

	Dec. 31, 2014	Dec. 31, 2013
Past due 0~30 days	$ 49,193	88,909
Past due 31~120 days	2,768	1,758
Past due 121~180 days	1,496	144
	$ 53,457	90,811

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2014	$ 144	−	144
Impairment loss recognized	848	−	848
Effect of changes in exchange rate	(113)	−	(113)
Balance at December 31, 2014	$ 879	−	879

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

Impairment loss recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Group does not hold any collateral for the collectible amounts.
The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

(d) Inventories

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

	Dec. 31, 2014	Dec. 31, 2013
Raw materials	$ 1,467,815	1,868,697
Supplies	90,652	74,441
Work in progress	424,506	513,196
Finished goods	3,360,434	2,913,206
Merchandise	500,520	263,678
	$ 5,843,927	5,633,218

As of December 31, 2014 and 2013, the Group's inventories were not provided as pledged assets.

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

	2014	2013
Loss (gain) on market value of inventory	$ (78,434)	36,243
Income from sale of scrap	(58,758)	(67,512)
Loss (gain) on physical count	295	(307)
Loss on idle capacity	159,920	115,161
Total	$ 23,023	83,585

Gain on market value of inventory in 2014 account for the sale or use of inventory recognized as loss on market value of inventory in 2013.

(e) Investments accounted for under equity method

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

	Dec. 31, 2014	Dec. 31, 2013
Associate:		
Asia Pacific Energy Development Co., Ltd.	$ 454,454	405,873
Indian Synthetic Rubber Limited	263,534	518,607
Joint venture:		
Taiwan Advanced Materials Corp.	633,033	705,317
Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd.	(11,054)	149,431
	$ 1,339,967	1,779,228

i) Associates

For the years ended December 31, 2014 and 2013, the Group recognized its share of profit (loss) from the associates of $(180,739) thousand and $80,587 thousand, respectively.

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

	Dec. 31, 2014	Dec. 31, 2013
Total assets	$ 7,873,033	6,821,785
Total liabilities	$ 5,833,223	4,127,721

	2014	2013
Revenue	$ 2,169,818	303,858
Net income for the period	$ (657,484)	212,900

ii) Joint ventures

For the years ended December 31, 2014 and 2013, the Group recognized its share of loss from the joint ventures of $181,618 thousand and $234,496 thousand, respectively.

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

	Dec. 31, 2014	Dec. 31, 2013
Current assets	$ 1,198,727	1,545,326
Non-current assets	2,353,430	2,183,830
	$ 3,552,157	3,729,156
Current liabilities	$ 1,551,440	1,013,912
Non-current liabilities	617,643	976,537
	$ 2,169,083	1,990,449

	2014	2013
Income	$ 998,228	1,396,348
Expenses and losses	$ 1,360,951	1,856,195

iii) Collateral

As of December 31, 2014 and 2013, the Group's investments accounted for under the equity method were not provided as pledged assets.

(f) Property, plant and equipment

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

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Cost or deemed cost:									
Balance at Jan. 1, 2014	$	614,101	80,421	4,278,994	19,020,521	194,744	94,596	426,096	24,709,473
Additions		–	–	–	6,955	487	–	476,817	484,259
Disposals		–	–	(4,942)	(140,470)	(12,227)	–	–	(157,639)
Reclassification		–	–	30,041	447,907	7,241	–	(498,863)	(13,674)
Effect of changes in exchange rates		–	1,337	105,541	658,909	5,600	–	7,680	779,067
Balance at Dec. 31, 2014	$	614,101	81,758	4,409,634	19,993,822	195,845	94,596	411,730	25,801,486
Balance at Jan. 1, 2013	$	614,101	79,805	3,622,756	17,058,542	216,558	94,596	1,722,202	23,408,560
Additions		–	–	1,172	63,349	18,385	–	804,293	887,199
Disposals		–	–	–	(95,795)	(29,023)	–	–	(124,818)
Reclassification		–	–	524,817	1,636,162	(17,747)	–	(2,173,435)	(30,203)
Effect of changes in exchange rates		–	616	130,249	358,263	6,571	–	73,036	568,735
Balance at Dec. 31, 2013	$	614,101	80,421	4,278,994	19,020,521	194,744	94,596	426,096	24,709,473
Depreciation and impairment loss:									
Balance at Jan. 1, 2014	$	–	78,369	1,737,984	12,509,774	128,239	–	–	14,454,366
Depreciation		–	472	139,371	749,867	16,793	–	–	906,503
Disposal		–	–	(4,942)	(133,612)	(12,029)	–	–	(150,583)
Effect of changes in exchange rates		–	1,296	38,531	469,594	10,612	–	–	520,033
Balance at Dec. 31, 2014	$	–	80,137	1,910,944	13,595,623	143,615	–	–	15,730,319
Balance at Jan. 1, 2013	$	–	77,294	1,554,679	11,722,649	132,814	–	–	13,487,436
Depreciation		–	484	137,050	741,261	17,326	–	–	896,121
Disposal		–	–	–	(95,795)	(26,849)	–	–	(122,644)
Reclassification		–	–	–	4,161	(4,161)	–	–	–
Effect of changes in exchange rates		–	591	46,255	137,498	9,109	–	–	193,453
Balance at Dec. 31, 2013	$	–	78,369	1,737,984	12,509,774	128,239	–	–	14,454,366

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Carrying value:									
Dec. 31, 2014	$	614,101	1,621	2,498,690	6,398,199	52,230	94,596	411,730	10,071,167
Dec. 31, 2013	$	614,101	2,052	2,541,010	6,510,747	66,505	94,596	426,096	10,255,107

TSRC (Jinan) Industries Ltd. performed the asset impairment test by estimating the future cash flows. Impairment loss was recognized thereon as the estimated amount of future cash flows was less than the carrying value.
The Group's property, plant and equipment was not provided as pledged assets.

(g) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2014	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2014	$	1,073,579	741,889	1,815,468
Balance as at January 1, 2013	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2013	$	1,073,579	741,889	1,815,468
Depreciation:				
Balance as at January 1, 2014	$	–	145,518	145,518
Depreciation		–	14,725	14,725
Balance as at December 31, 2014	$	–	160,243	160,243
Balance as at January 1, 2013	$	–	130,793	130,793
Depreciation		–	14,725	14,725
Balance as at December 31, 2013	$	–	145,518	145,518
Carrying value:				
Balance as at December 31, 2014	$	1,073,579	581,646	1,655,225
Balance as at December 31, 2013	$	1,073,579	596,371	1,669,950
Fair value:				
Balance as at December 31, 2014				$ 3,148,146
Balance as at December 31, 2013				$ 2,830,216

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(q) for further information.
The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser. The range of yields applied to the net annual rentals to determine the fair value of the property was as follows:

Region	2014	2013
Da'an Dist., Taipei City	2.18%~2.34%	2.55%~2.70%

The Group has rented a parcel of land, but has decided not to treat this property as investment property because it is not the Group's intention to hold it for capital appreciation or rental income. Accordingly, the property is still recorded under property, plant and equipment.
As of December 31, 2014 and 2013, the Group's investment properties were not provided as pledged assets.

(h) Intangible assets

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

	Industrial technology and know-how	Computer software	Goodwill	Patent and trademark	Customer relationship	Non-compete agreement	Total
Costs:							
Balance at Jan. 1, 2014	$ 993,533	176,721	205,721	595,808	1,075,206	8,985	3,055,974
Reclassification	−	13,674	−	−	−	−	13,674
Effect of changes in exchange rates	57,753	2,988	12,144	28,442	63,470	530	165,327
Balance at Dec. 31, 2014	$ 1,051,286	193,383	217,865	624,250	1,138,676	9,515	3,234,975
Balance at Jan. 1, 2013	$ 956,565	141,792	200,130	579,806	1,045,983	8,741	2,933,017
Additions	−	248	−	−	−	−	248
Reclassification	−	30,203	−	−	−	−	30,203
Effect of changes in exchange rates	36,968	4,478	5,591	16,002	29,223	244	92,506
Balance at Dec. 31, 2013	$ 993,533	176,721	205,721	595,808	1,075,206	8,985	3,055,974
Amortization:							
Balance at Jan. 1, 2014	$ 206,296	106,075	−	64,253	164,267	8,237	549,128
Amortization	58,311	45,604	−	23,723	60,562	758	188,958
Effect of changes in exchange rates	15,545	2,858	−	(1,861)	12,395	520	29,457
Balance at Dec. 31, 2014	$ 280,152	154,537	−	86,115	237,224	9,515	767,543
Balance at Jan. 1, 2013	$ 138,110	57,522	−	39,916	101,693	5,099	342,340
Amortization	56,986	46,077	−	23,256	59,369	2,977	188,665
Effect of changes in exchange rates	11,200	2,476	−	1,081	3,205	161	18,123
Balance at Dec. 31, 2013	$ 206,296	106,075	−	64,253	164,267	8,237	549,128
Carrying value:							
Dece. 31, 2014	$ 771,134	38,846	217,865	538,135	901,452	−	2,467,432
Dec. 31, 2013	$ 787,237	70,646	205,721	531,555	910,939	748	2,506,846

In 2014 and 2013, the amortization of intangible assets was recorded as follows:

	2014	2013
Operating cost	$ 3,354	2,463
Operating expense	$ 185,604	186,202

(i) Prepaid rent on land

		Land lease prepayment
Cost:		
January 1, 2014	$	618,137
Effects of changes in exchange rates		20,513
December 31, 2014	$	638,650
January 1, 2013	$	586,624
Effects of changes in exchange rates		31,513
December 31, 2013	$	618,137
Amortization:		
January 1, 2014	$	92,357
Amortization		12,325
Effects of changes in exchange rates		3,494
December 31, 2014	$	108,176
January 1, 2013	$	86,909
Amortization		12,111
Effects of changes in exchange rates		(6,663)
December 31, 2013	$	92,357
Carrying value:		
December 31, 2014	$	530,474
December 31, 2013	$	525,780
December 31, 2014		
Current	$	12,325
Non-current	$	518,149
	$	530,474
December 31, 2013		
Current	$	12,111
Non-current		513,669
	$	525,780

As of December 31, 2014 and 2013, the Group's prepaid rent on loan was not provided as pledged assets for long-term loans and credit lines.

(j) Short-term and long-term loans

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

i) Short-term loans

	Dec. 31, 2014			
	Range of interest rates (%)	Year of maturity		Amount
Unsecured loans	0.80~6.00	2015	$	5,040,942
Secured loans	1.26~1.50	2015		446,376
Total			$	5,487,318

	Dec. 31, 2013			
	Range of interest rates (%)	Year of maturity		Amount
Unsecured loans	0.82~6.40	2014	$	5,202,411
Secured loans	1.43~1.50	2014		603,283
Total			$	5,805,694

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

As of December 31, 2014 and 2013, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $20,061,739 thousand, and $17,061,361 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2014		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	DAH CHUNG BILLS FINANCE LTD.	1.12~1.15	$ 150,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	1.15	350,000
			500,000
Less: discount			598
Total			$ 499,402

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

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

iii) Long-term loan

	Dec. 31, 2014			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	1.08~2.48	2015~2017	$ 3,726,148
Unsecured loans	CNY	6.15~6.40	2015	165,654
Unsecured loans	NTD	1.67	2017~2019	1,250,000
Total				$ 5,141,802
Current				$ 1,805,780
Non-current				3,336,022
Total				$ 5,141,802

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

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

iv) Collateral of loans

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

v) Special agreements of loan contracts

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

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

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

iii. Duration: 5 years (draw-down on 31 March 2011) ; TSRC (USA) Investment Corporation could extend the maturity for another two years.

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

v. Repayment term: Principal that Trimurti Holding Corporation borrowed is repaid semi-annually in 8 installments starting 18 months after the date of initial utilization of the loan. Principal amount of the loan that TSRC (USA) Investment Corporation borrowed is repaid semi-annually in 7 installments starting 24 months from the date of initial utilization of the loan.

Each of the first 6 installments is 10% of the principal, and the final installment is 40% of the principal.

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

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

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

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

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

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

As of December 31, 2014 and 2013, the Group was in compliance with the covenants described above.

vi) Finance lease liabilities

The Group has entered into a lease contract for leasing a parcel of land from the Industrial Development Bureau of the Ministry of Economic Affairs for the period from June 29, 2004, to June 28, 2024. During the term of the lease, the Group has an option to purchase the rented land from the Industrial Development Bureau of the Ministry of Economic Affairs through a formal application. Once the application is approved, the rental and deposit paid during the lease period can be offset against the purchase price. The Group intends to purchase the rented land after the contract expires.

The finance lease liabilities payable were as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2014			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	31,787	4,252	27,535
	$ 67,107	5,382	61,725

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2013			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	38,851	5,028	33,823
	$ 74,171	6,158	68,013

(k) Operating leases

i) Lessee

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

	Dec. 31, 2014	Dec. 31, 2013
Less than five years	$ 267,870	254,272
More than five years	188,311	188,895
	$ 456,181	443,167

The Group leases offices and factory facilities under operating leases. The leases typically run for a period of 1 to 20 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.
For the years ended December 31, 2014 and 2013, lease expenses were $112,045 thousand and $137,067 thousand, respectively.

ii) Lessor

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

	Dec. 31, 2014	Dec. 31, 2013
Less than five years	$ 206,818	308,359

(l) Employee benefits

i) Defined benefit plans

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

	Dec. 31, 2014	Dec. 31, 2013
Present value of unfunded benefit obligation	$ 269,632	270,344
Present value of funded benefit obligation	384,238	387,707
Total present value of obligation	653,870	658,051
Fair value of plan assets	(384,238)	(387,707)
Deficit of the plan	269,632	270,344
Recognized liabilities for defined benefit obligation	$ 269,632	270,344

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

i. Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Labor Pension Fund Supervisory Committee.
Minimum annual distributions of the funds by the Committee shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.
The Group's Bank of Taiwan labor pension reserve account balance amounted to $384,238 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Labor Pension Fund Supervisory Committee.

ii. Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2014 and 2013, were as follows:

		2014	2013
Defined benefit obligation, January 1	$	658,051	711,151
Benefits paid by the plan		(40,072)	(70,272)
Current service cost and interest		21,742	21,839
Actuarial losses (gains)		14,149	(4,667)
Defined benefit obligation, December 31	$	653,870	658,051

iii. Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2014 and 2013, were as follows:

		2014	2013
Fair value of plan assets, January 1	$	387,707	426,440
Contributions made		27,363	26,401
Benefits paid by the plan		(40,072)	(70,272)
Expected return on plan assets		7,872	7,583
Actuarial gains (losses)		1,368	(2,445)
Fair value of plan assets, December 31	$	384,238	387,707

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2014 and 2013, were as follows:

		2014	2013
Current service cost	$	8,738	9,498
Interest on obligation		13,004	12,341
Expected return on plan assets		(7,872)	(7,583)
	$	13,870	14,256
Cost of sales	$	8,655	8,657
Operating expenses		3,852	4,301
Other income and expenses		1,363	1,298
	$	13,870	14,256
Actual return on plan assets	$	9,240	5,138

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

The Group's actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013, were as follows:

		2014	2013
Cumulative amount, January 1	$	(50,327)	(52,549)
Recognized during the period		(12,781)	2,222
Cumulative amount, December 31	$	(63,108)	(50,327)

vi. Actuarial assumptions

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

	2014	2013
Discount rate	2.00%	2.00%
Expected return on plan assets	2.00%	2.00%
Future salary increases	1.50%	1.50%

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

vii. Experience adjustments on historical information

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Present value of defined benefit plans	$ 653,870	658,051	711,151	654,184
Fair value of plan assets	(384,238)	(387,707)	(426,440)	(410,471)
Net liabilities (assets) of defined benefit obligations	$ 269,632	270,344	284,711	243,713
Experience adjustments arising on the present value of defined benefit plans	$ 14,149	(4,667)	48,165	−
Experience adjustments arising on the fair value of plan assets	$ (1,368)	2,445	4,384	−

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date is $27,652 thousand.

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

As of December 31, 2014, the present value of the Group's defined benefit obligation was $653,870 thousand. If the discount rate had increased or decreased by 0.25%, the Group's accrued pension liabilities would have decreased by $15,243 thousand or increased by $15,801 thousand, respectively.

ii) Defined contribution plans

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

The Group's pension costs under the defined contribution plan were $95,591 thousand and $87,548 thousand for the years 2014 and 2013, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

iii) Short-term employee benefit liabilities

	Dec. 31, 2014	Dec. 31, 2013
Compensated absence liabilities	$ 32,029	30,637

(m) Income tax

i) Income tax expenses (income)

The amount of the Group's income tax for the years ended December 31, 2014 and 2013, was were as follows:

	2014	2013
Current income tax expense		
Current period	$ 399,994	530,570
10% surtax on undistributed earnings	−	27,221
Adjustment for prior periods	6,703	(8,261)
	406,697	549,530
Deferred tax benefit		
Origination and reversal of temporary differences	(102,899)	(163,010)
Income tax expenses on continuing operations	$ 303,798	386,520

Reconciliations of the Group's income tax expense and the profit before tax for 2014 and 2013 were as follows:

	2014	2013
Income before tax	$ 1,547,544	2,102,002
Income tax calculated on pretax accounting income at statutory rate	$ 263,082	357,340
Effect of tax rates in foreign jurisdiction	243,775	297,259
Dividend income	(7,734)	(7,015)
Previously underestimated (overestimated) income tax	6,703	(8,261)
Foreign investment income	(198,291)	(275,858)
R&D tax credits utilized	(17,106)	(12,981)
10% surtax on undistributed earnings	–	27,221
Others	13,369	8,815
Total	$ 303,798	386,520

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2014 and 2013 were as follows:

Deferred tax assets:	Provision for retirement benefit	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at Jan. 1, 2014	$ 48,225	51,548	50,316	117,421	267,510
Recognized in profit or loss	(2,647)	(4,390)	(16,409)	516	(22,930)
Balance at Dec. 31, 2014	$ 45,578	47,158	33,907	117,937	244,580
Balance at Jan. 1, 2013	$ 50,314	66,047	31,766	65,359	213,486
Recognized in profit or loss	(2,089)	(14,499)	18,550	52,062	54,024
Balance at Dec. 31, 2013	$ 48,225	51,548	50,316	117,421	267,510

Deferred tax liabilities:	Foreign investment income accounted for under equity method	Depreciation difference between financial and tax reporting	Land value increment tax	Others	Total
Balance at Jan. 1, 2014	$ 647,543	121,226	56,683	78,203	903,655
Recognized in profit or loss	(137,171)	16,848	–	(5,506)	(125,829)
Balance at Dec. 31, 2014	$ 510,372	138,074	56,683	72,697	777,826
Balance at Jan.1, 2013	$ 804,842	99,914	56,683	51,202	1,012,641
Recognized in profit or loss	(157,299)	21,312	–	27,001	(108,986)
Balance at Dec. 31, 2013	$ 647,543	121,226	56,683	78,203	903,655

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2012, excluding those from 2009.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

	Dec. 31, 2014	Dec. 31, 2013
Derived from year 1997 and prior years	$ 1,637	1,637
Derived from year 1998 and thereafter	2,687,864	3,179,358
	$ 2,689,501	3,180,995

		Dec. 31, 2014	Dec. 31, 2013
Balance of imputation credit account (ICA)	$	317,513	427,938

The imputation tax credit ratio of earnings to be distributed in 2015 is estimated at 12.02%. The actual imputation tax credit ratio of earnings distributed in 2014 was 14.63%.

(n) Capital and other equity

As of December 31, 2014 and 2013, the total value of authorized ordinary shares amounted to $9,000,000 thousand, with par value of $10 per share, of which 825,709,978 shares, and 786,390,400 shares, respectively, were issued.

i) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2014 and 2013, were as follows:

		Dec. 31, 2014	Dec. 31, 2013
Share premium	$	849	849

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

i) Retained earnings

i. 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.

ii. Special earnings reserve

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

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

iii. Distribution of retained earnings

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

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

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

For the years 2014 and 2013, the estimated amounts of employees' bonuses were $25,878 thousand and $30,321 thousand, respectively, and the estimated amounts of directors' and supervisors' emoluments were $12,939 thousand and $15,160 thousand, respectively. Such amounts were estimated by multiplying after-tax income by the percentage of distribution of employees' bonuses and directors' and supervisors' emoluments, and recorded as cost of sales or operating expenses in the respective periods. The employees' bonuses and directors' and supervisors' emoluments for the year 2014 were prepared by the board of directors and are subject to the resolutions of the shareholders' meeting. The relevant information can be obtained from the Market Observation Post System after the shareholders' meeting. The difference between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, shall be accounted for as a change in accounting estimates and recognized in profit or loss in 2015.

For the years 2013 and 2012, the estimated amounts of employees' bonuses were $30,321 thousand and $42,157 thousand, respectively, and the estimated amounts of directors' and supervisors' emoluments were $15,160 thousand and $21,078 thousand, respectively. The estimated amounts were consistent with the resolutions approved by the shareholders' meeting of the Company, and related information can be accessed through the Market Observation Post System.

The appropriations of 2013 and 2012 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 11, 2014, and June 18, 2013, respectively, were as follows:

	2013		2012	
Dividends distributed to common shareholders:	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Cash	$ 1.37	1,077,355	2.60	2,044,615
Stock	0.5	393,195	–	–
Total		1,470,550		2,044,615

iii) Other equities

	Foreign exchange differences arising from foreign operation	Available-for-sale financial assets	Total
Balance as of January 1, 2014	$ 1,064,983	109,336	1,174,319
Foreign exchange differences arising from foreign operation	504,390	–	504,390
Unrealized gains (losses) from available-for-sale financial assets	–	73,871	73,871
Balance as of December 31, 2014	$ 1,569,373	183,207	1,752,580
Balance as of January 1, 2013	$ 688,778	(1,888)	686,890
Foreign exchange differences arising from foreign operation	376,205	–	376,205
Unrealized gains (losses) from available-for-sale financial assets	–	111,224	111,224
Balance as of December 31, 2013	$ 1,064,983	109,336	1,174,319

(o) Earnings per share (EPS)

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

i) Basic EPS

	2014	2013
Net income attributable to common shareholders of the Company	$ 1,141,338	1,495,011
Weighted-average number of common shares	825,710	825,710
Basic EPS (in NT dollars)	$ 1.38	1.81

ii) Diluted EPS

	2014	2013
Net income attributable to common shareholders of the Company (diluted)	$ 1,141,338	1,495,011
Weighted-average number of common shares (basic) Impact of potential common shares	825,710	825,710
Effect of employees bonuses	1,084	1,022
Weighted-average number of shares outstanding (diluted)	826,794	826,732
Diluted EPS (in NT dollars)	$ 1.38	1.81

(p) Revenue

The details of the Group's revenue for the years ended December 31, 2014 and 2013, are as follows:

	2014	2013
Sale of goods	$ 31,834,508	34,385,523
Service income	34,066	37,476
	$ 31,868,574	34,422,999

(q) Other income and expenses

The components of the Group's other income and expenses for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Rental income	76,532	76,614
Royalty income	44,112	31,489
Net service income (expenses), net	41,714	26,642
Depreciation of investment properties	(14,725)	(14,725)
Net other income (expenses), net	35,461	4,836
	183,094	124,856

(r) Non-operating income and expenses

i) Other gains and losses

The components of the Group's other gains and losses for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Dividend income	$ 50,857	41,267
Foreign exchange gain (loss), net	8,610	230,948
Gain (loss) on disposal of property, plant and equipment, net	(6,090)	54
Other	6,096	5,966
	$ 59,473	278,235

ii) Finance costs

The components of the Group's finance costs for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Interest expenses	$ 199,286	184,832

(s) Reclassification of components of other comprehensive income

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

	2014	2013
Available-for-sale financial assets		
Net change in fair value for current period	$ 73,871	111,224
Net change in fair value reclassified to profit or loss	–	–
Net changes in fair value recognized in other comprehensive income	$ 73,871	111,224

(t) Financial instruments

i) Categories of financial instruments

i. Financial assets

	Dec. 31, 2014	Dec. 31, 2013
Available-for-sale financial assets	1,083,079	1,005,832
Cash and cash equivalents	5,092,877	4,994,973
Notes, accounts, and other receivables	4,308,537	4,025,776
Total	$ 10,484,493	10,026,581

ii. Financial liabilities

	Dec. 31, 2014	Dec. 31, 2013
Financial liabilities measured at amortized cost:		
Short-term loans	5,487,318	5,805,694
Short-term commercial paper payable	499,402	798,856
Accounts payable (including related parties)	1,328,016	1,527,291
Other payable	1,054,244	1,075,144
Long-term loans (including current portion)	5,141,802	4,854,875
Subtotal	13,510,782	14,061,860
Financial guarantee contracts	38,358	47,320
Total	$ 13,549,140	14,109,180

ii) Credit risk

i. Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2014 and 2013, the maximum credit risk exposure amounted to $10,484,493 thousand, and $10,026,581 thousand, respectively.

ii. Concentration of credit risk

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

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

iii) Liquidity risk

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

		Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2014								
Non-derivative financial liabilities								
Short-term loans	$	5,487,318	5,539,336	4,525,408	1,013,928	–	–	–
Short-term commercial paper payable		499,402	500,000	500,000	–	–	–	–
Accounts payable (including related parties)		1,328,016	1,328,016	1,328,016	–	–	–	–
Other payable		1,054,244	1,054,244	1,054,244	–	–	–	–
Long-term loans (including current portion)		5,141,802	5,285,795	924,968	954,162	1,889,835	1,516,830	–
Financial guarantee contracts		38,358	2,344,123	406,080	–	704,173	600,144	633,726
	$	13,549,140	16,051,514	8,738,716	1,968,090	2,594,008	2,116,974	633,726
December 31, 2013								
Non-derivative financial liabilities								
Short-term loans	$	5,805,694	5,844,600	4,897,085	947,515	–	–	–
Short-term commercial paper payable		798,856	800,000	800,000	–	–	–	–
Accounts payable (including related parties)		1,527,291	1,527,291	1,527,291	–	–	–	–
Other payable		1,075,144	1,075,144	1,075,144	–	–	–	–
Long-term loans (including current portion)		4,854,875	4,994,615	597,050	642,112	1,726,503	2,028,950	–
Financial guarantee contracts		47,320	2,402,805	171,955	–	393,040	1,239,409	598,401
	$	14,109,180	16,644,455	9,068,525	1,589,627	2,119,543	3,268,359	598,401

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

iv) Currency risk

i. Risk exposure

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

		Foreign currency	Exchange rate	NTD
December 31, 2014				
Financial assets:				
Monetary assets:				
USD	$	53,949	31.7180	1,711,161
EUR	$	12,106	38.3500	464,251
JPY	$	45,334	0.2632	11,932
CNY	$	287,114	5.0760	1,457,392
Financial liabilities:				
Monetary liabilities:				
USD	$	184,031	31.7180	5,837,094
EUR	$	14,583	38.3500	559,277
JPY	$	102,324	0.2632	26,932
CNY	$	642	5.0760	3,260

		Foreign currency	Exchange rate	NTD
December 31, 2013				
Financial assets:				
Monetary assets:				
USD	$	43,893	29.9500	1,314,605
EUR	$	12,022	41.0600	493,603
JPY	$	31,947	0.2831	9,044
CNY	$	471,434	4.9130	2,316,154
Financial liabilities:				
Monetary liabilities:				
USD	$	162,810	29.9500	4,876,168
EUR	$	9,042	41.0600	371,271
JPY	$	36,014	0.2831	10,196

ii. Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and loan and accounts and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the NTD against the USD, Euro, CNY and JPY as of December 31, 2014 and 2013, would have increased (decreased) the net income after tax by $22,358 thousand and $9,175 thousand, respectively. The analysis was performed on the same basis for both periods.

v) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities. The following sensitivity analysis is based on the risk exposure to interest rates of the non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the floating-rate liabilities as of the reporting date are outstanding for the whole year.

If the interest rate had increased / decreased by 1%, the Group's net income would have increased / decreased by $89,444 thousand and $93,522 thousand for the years ended December 31, 2014 and 2013, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

vi) Fair value and Carrying amount

i. Fair value and carrying amount

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

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

		Level 1	Level 2	Level 3	Total
December 31, 2014					
Available-for-sale financial assets	$	−	1,083,079	−	1,083,079
December 31, 2013					
Available-for-sale financial assets	$	−	1,005,832	−	1,005,832

The different levels have been defined as follows:

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

(u) Financial risk management

i) Overview

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

i. Credit risk

ii. Liquidity risk

iii. Market risk

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

ii) Risk management framework

The Group's finance department is responsible for the establishment and management of the Group's risk management framework and policies. It is overseen by and reports to management, the Precursory 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 Precursory 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 Precursory Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Precursory Audit Committee.

iii) Credit risk

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

i. Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2014 and 2013, there was no geographical concentration of credit risk regarding the Group's revenue.

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

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

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

ii. Investments

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

iii. Guarantees

The Group's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided by the Group as of December 31, 2014 and 2013, are disclosed in note 7 "Related-party Transactions."

iv) Liquidity risk

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

v) Market risk

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

i. Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan dollar (NTD), US dollar (USD), Euro (EUR), and Chinese Yuan (CNY). The currencies used in these transactions are the NTD, EUR, USD, Japanese Yen (JPY) and CNY.

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

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

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

The Group does not hedge against investments of related parties.

ii. Interest rate risk

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

iii. Other market price risk

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

(v) Capital management

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

The Group's target is to achieve a return on capital of between 12% and 15% percent; in 2014 and 2013, the return was 6.86% and 9.77%, respectively. In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.76% and 1.56%, respectively. The Group's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	Dec. 31, 2014	Dec. 31, 2013
Total liabilities	$ 15,018,255	15,817,399
Less: cash and cash equivalents	5,092,877	4,994,973
Net debt	$ 9,925,378	10,822,426
Total equity	$ 18,138,398	17,554,965
Debt-to-adjusted-capital ratio	55%	62%

(7) Related-party Transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

i) Purchases

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

	2014	2013
Other related parties	$ 469,479	409,454

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

ii) Service income and expenses

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

	2014	2013
Associates and joint ventures	$ 215,877	181,672
Other related parties	9,840	20,139
	$ 225,717	201,811

iii) Receivable from related parties

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

Accounts	Type of related parties	Dec. 31, 2014	Dec. 31, 2013
Other receivable	Associates and joint ventures	$ 93,540	43,815

iv) Payable to related parties

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

Accounts	Type of related parties	Dec. 31, 2014	Dec. 31, 2013
Accounts payable	Other related parties	$ 33,889	－

v) Lending to related parties

The amount of lending to related parties was as follows:

	Dec. 31, 2014	Dec. 31, 2013
Joint venture	$ 101,520	－

The rate on lending to related parties was 7%. The loan lending to related parities was unsecured loan, and no bad debt should be provided after the assessment by the Group.

vi) Guarantees

As of December 31, 2014 and 2013, the Group had provided guarantees on the bank loans of associates and joint ventures. The credit limits of the guarantees were $2,750,203 thousand, and $2,402,805 thousand, respectively, and accordingly, the Group increased provision liabilities and investments accounted for under equity method by $38,358 thousand, and $47,320 thousand, respectively.

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

		2014	2013
Short-term employee benefits	$	77,683	71,371
Post-employment benefits		1,933	1,518
	$	79,616	72,889

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object		Dec. 31, 2014	Dec. 31, 2013
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	$	6,978	7,510
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production		4,614	4,460
		$	11,592	11,970

(9) Significant Commitments and Contingencies

(A) As of December 31, 2014 and 2013, the Group's unused letters of credit outstanding for purchases of materials were $1,157,685 thousand, and $1,733,819 thousand, respectively.

(b)As of December 31, 2014 and 2013, the Group's signed construction and design contracts with several factories totaled $177,181 thousand, and $82,994 thousand, respectively, of which $100,576 thousand, and $40,971 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events

The board of directors of the Group decided to dispose 100% of the holding equity in TSRC (Jinan) on January 29, 2015. The Group has signed a framework agreement with potential counterparty in February, 2015. As of March 12, 2015, the Group has not signed any shares exchange contract.

(12) Others

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

By function / By nature	2014			2013		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	791,693	565,015	1,356,708	704,388	554,084	1,258,472
Labor and health insurance	72,054	49,396	121,450	68,132	47,930	116,062
Pension (Note 1)	70,599	36,110	106,709	63,073	36,161	99,234
Others (note 2)	122,396	64,226	186,622	113,519	65,912	179,431
Depreciation (Note 3)	726,832	179,671	906,503	727,208	168,913	896,121
Amortization	3,354	185,604	188,958	2,463	186,202	188,665

Note 1: Pension expenses excluded expenses for employees on international assignments amounting to $2,752 thousand and $2,570 thousand for the years 2014 and 2013, respectively.

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

Note 3: Depreciation expenses for investment property recognized under other income and expenses amounting to $14,725 thousand for both 2014 and 2013 were excluded.

(13) Other Disclosures

(a) Information on significant transactions

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

i) Loans extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Jinan) Industries Ltd.	Loan	Yes	32,994	32,994	32,994	4%	2	–	Operating capital	–	–	–	132,597 (Note 1)	265,194 (Note 2)
2	Trimurti Holding Corporation	TSRC (Lux.) Corporation S.'a.r.l.	Loan	Yes	383,500	–	–	LIBOR+ 1%	2	–	Operating capital	–	–	–	5,642,293 (Note 1)	11,284,586 (Note 2)
3	TSRC (Nantong) Industries Ltd.	Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	Loan	Yes	101,520	101,520	101,520	7%	2	–	Operating capital	–	–	–	322,536 (Note 3)	1,290,143 (Note 4)

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. and Trimurti Holding Corporation should not be over 10% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly, by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.
Note 2: The maximum loan extended to all parties of TSRC (Shanghai) Industries Ltd. and Trimurti Holding Corporation 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 loan limit extended per party of TSRC (Nantong) Industries Ltd. should not be over 10% of total equity of the most recent financial statements audited or reviewed by a CPA.
Note 4: The total loan limit of TSRC (Nantong) Industries Ltd. should not be over 40% of total equity of the most recent financial statements audited or reviewed by a CPA.
Note 5: TSRC (Shanghai) Industries Ltd., TSRC (Jinan) Industries Ltd., TSRC (Nantong) Industries Ltd., Trimurti Holding Corporation and TSRC (Lux) Corporation S.'a.r.l are 100.00% owned by TSRC. Lanxess-TSRC (Nantong) chemical Industries Co., Ltd. is a foreign investment company with TSRC holding 50% of its equity.
Note 6: Credit period: The financing period should not be over one year.
Note 7: Nature of financing activities is as follows:
(1) if there are transactions between these two parties, the number is "1".
(2) if it is necessary to loan to other parties, the number is "2".
Note 8: Transactions within the Group were eliminated in the consolidated financial statements.

ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements /guarantees to third parties on behalf of company in China
		Name	Relationship with the company										
0	TSRC Corp.	TSRC (USA) Investment Corporation	3	(Note 2)	3,964,750	3,171,800	1,744,490	–	19.57%	(Note 3)	Y		
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	3	(Note 2)	1,110,130	1,110,130	1,110,130	–	6.85%	(Note 3)	Y		Y
0	TSRC Corp.	TSRC (Jinan) Industries Ltd	3	(Note 2)	71,366	71,366	71,366	–	0.44%	(Note 3)	Y		Y
0	TSRC Corp.	Lanxess-TSRC (Nantong) Chemical Industrial Company Ltd	6	(Note 2)	1,871,653	1,693,993	1,041,664	–	10.45%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Limited	6	(Note 2)	1,056,210	1,056,210	1,056,210	–	6.52%	(Note 3)			

Note 1: The guarantee's relationship with the guarantor is as follows:
(1) Ordinary business relationship.
(2) A subsidiary whose common stock is more than 50% directly owned by the guarantor.
(3) An investee whose common stock is more than 50% owned by the parent company and its subsidiary in aggregate.
(4) The parent company owns, directly or indirectly via subsidiaries, more than 50% of the guarantor's common stock.
(5) A company in the same trade that is mutually guaranteed pursuant to the covenants of a construction contract upon contracting a project.
(6) A company that is guaranteed proportionately according to the guarantor's ownership percentage due to co-investment by various investors.

Note 2: The guaranteed amount is limited to 50% of issued capital, amounting to $4,128,550 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $24,306,990 thousand.

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

iii) Securities held as of December 31, 2014
(excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2014	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC Corp.	Taiwan High Speed Rail Corporation	–	Available-for-sale financial assets – non-current	50,000,000	216,500	0.77%	216,500	500,000	
TSRC Corp.	Evergreen Steel Corporation	–	Available-for-sale financial assets – non-current	12,148,000	401,491	3.00%	401,491	209,878	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	599,999	69,120	5.42%	69,120	65,143	
TSRC Corp.	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets – non-current	5,657,000	299,482	3.90%	299,482	64,296	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	837,552	96,486	7.57%	96,486	60,555	
TSRC Biotech Ltd.	Pulse Metric Inc.	–	Available-for-sale financial assets – non-current	312,500	–	6.23%	(Note 1)		
TSRC Biotech Ltd.	CytoPharm, Inc.	–	Available-for-sale financial assets – non-current	95,108	–	0.17%	(Note 1)		
					1,083,079		1,083,079	899,872	

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

iv) Accumulated holding amount of a single security in excess of $100 million or 20% of the Company issued share capital: None.
v) Acquisition of real estate in excess of $100 million or 20% of the Company issued share capital: None.
vi) Disposal of real estate in excess of $100 million or 20% of the Company issued share capital: None.
vii) Sales to and purchases from related parties in excess of $100 million or 20% of the Company issued share capital:

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

Unit: thousand dollars

Name of company	Counter -party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
TSRC Corp.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(194,054)	(1.58)%	70 days	—	—	39,207	2.26%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties	Purchase	194,054	6.78%	70 days	—	—	(39,207)	(10.59)%	
Shen Hua Chemical Industries Co., Ltd	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	298,934	4.36%	14 days	—	—	(26,487)	(9.12)%	
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	170,544	11.12%	14 days	—	—	(7,402)	(10.51)%	
Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd	Related parties	Purchase	503,618	64.47%	40 days	—	—	(136,003)	(62.98)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd	Related parties	Sale	(503,618)	(11.85)%	40 days	—	—	136,003	20.21%	
Shen Hua Chemical Industries Co., Ltd	Polybus Corporation Pte Ltd	Related parties	Sale	(164,383)	(2.01)%	40 days	—	—	75,299	7.24%	
Polybus Corporation Pte Ltd	Shen Hua Chemical Industries Co., Ltd	Related parties	Purchase	164,383	21.04%	40 days	—	—	(75,299)	(34.87)%	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	1,333,734	46.59%	30 days	—	—	(91,798)	(24.80)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,333,734)	(28.10)%	30 days	—	—	91,798	22.99%	

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 (Namtong) Industries Ltd	Related parties	Purchase	1,341,657	46.87%	70 days	—	—	(241,982)	(65.36)%	
TSRC (Namtong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,341,657)	(31.57)%	70 days	—	—	241,982	35.96%	

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

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate (Note 1)	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
TSRC (Namtong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	241,982	5.79	—	—	161,290	—
TSRC (Namtong) Industries Ltd	Polybus Corporation Pte Ltd	Related parties	136,003	7.41	—	—	54,662	—

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

Note 2: Until March 12, 2015.

ix) Derivative financial instrument transactions: None.

x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Sales revenue	77,192	The transaction is not significantly different from normal transactions, and the terms were about two months	0.24%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Other income and expenses	44,496	〃	0.14%
0	TSRC Corp.	TSRC (Lux.) Corporation S.' a. r. l.	1	Sales revenue	194,054	〃	0.61%
0	TSRC Corp.	TSRC (Lux.) Corporation S.' a. r. l.	1	Accounts receivable	39,207	〃	0.12%
1	TSRC (Nantong) Industries Ltd	TSRC (Shanghai) Industries Ltd	3	Sales revenue	83,506	〃	0.26%

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
1	TSRC (Nantong) Industries Ltd	Polybus Corporation Pte. Ltd	3	Sales revenue	503,618	〃	1.58%
1	TSRC (Nantong) Industries Ltd	Polybus Corporation Pte. Ltd	3	Accounts receivable	136,003	〃	0.41%
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	1,341,657	〃	4.21%
1	TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	241,982	〃	0.73%
1	TSRC (Nantong) Industries Ltd	TSRC-UBE(Nantong) Chemical Industrial Company Limited	3	Other income and expenses	147,812	〃	0.46%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	1,333,734	The transaction is not significantly different from normal transactions, and the terms were about one months	4.19%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	91,798	〃	0.28%
3	Shen Hua Chemical Industries Co., Ltd	Polybus Corporation Pte. Ltd	3	Sales revenue	164,383	The transaction is not significantly different from normal transactions, and the terms were about two months	0.52%
3	Shen Hua Chemical Industries Co., Ltd	Polybus Corporation Pte. Ltd	3	Accounts receivable	75,299	〃	0.23%
4	TSRC-UBE(Nantong) Chemical Industrial Company Limited	Shen Hua Chemical Industries Co., Ltd	3	Sales revenue	37,977	〃	0.12%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Note 4	1,110,130	–	–
0	TSRC Corp.	TSRC (USA) Investment Corporation	1	〃	3,171,800	–	–
0	TSRC Corp.	TSRC (Jinan) Industries Ltd	1	〃	71,366	–	–

Note 1: Company numbering is as follows:
(1) Parent company -0.
(2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:
(1) 1 represents downstream transactions.
(2) 2 represents upstream transactions.
(3) 3 represents sidstream transactions.

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

Note 4: The Company guarantees for bank loans of investees.

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

(b) Information on investees:

The following is the information on investees for the year 2014 (excluding information on investees in China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2014	Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2014	Dec. 31, 2013	Shares	Percentage of ownership	Book value				
TSRC Corp.	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%	11,228,754	1,005,945	328,942	325,841	Subsidiary
TSRC Corp.	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%	614,849	109,442	68,709	68,709	Subsidiary
TSRC Corp.	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%	115,653	38,376	85,727	16,700	Subsidiary (Note 2)
TSRC Corp.	Taiwan Advanced Materials Corp.	26F-2, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	633,033	720,000	(46,383)	(22,264)	–
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd	9. Temasek Boulevard, 31F Suntec Tower 2, Singapore 038989	International commerce and investment corporation	2,064,874 (USD 65,101)	2,064,874 (USD 65,101)	105,830,000	100.00%	6,491,469	2,064,847	468,836	462,976	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai HK	Investment corporation	2,469,246 (USD 77,850)	2,469,246 (USD 77,850)	77,850,000	100.00%	2,897,938	2,469,246	111,656	111,656	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	672,422 (USD 21,200)	665,761 (USD 20,990)	106,734,375	30.00%	263,534	672,422	(869,656)	(260,897)	–
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.'a. r. l.	34-36 avenue de la Liberte L-1930 Luxembourg	International commerce and investment corporation	1,948,180 (EUR 50,800)	1,948,180 (EUR 50,800)	50,800,000	100.00%	2,588,968	1,948,180	118,533	118,533	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	2711Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware.19808.	Investment corporation	2,686,418 (EUR 70,050)	2,686,418 (EUR 70,050)	100	100.00%	2,534,973	2,686,418	114,584	114,584	
TSRC(USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston,TX 77079	Production and sale of synthetic rubber products	6,109,426 (USD 192,617)	6,109,426 (USD 192,617)	100	100.00%	2,000,926	6,109,426	396,425	339,811	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	1,586 (USD50)	1,586 (USD50)	50,000	100.00%	111,701	1,586	(72)	(72)	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	152,215 (USD 4,799)	152,215 (USD 4,799)	4,798,566	80.52%	499,361	152,215	85,727	69,027	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd	4th F1., Harbour Centre, P.O.BOX613,George Town, Grand Cayman	Investment corporation	95,788 (USD 3,020)	95,788 (USD 3,020)	3,020,210	100.00%	5	95,788	–	–	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	357,938 (USD 11,285)	357,938 (USD 11,285)	7,522,337	37.78%	454,454	357,938	212,717	80,158	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD31.718; EUR1 to NTD38.35).
Note 2: TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation.
Note 3: Transactions within the Group were eliminated in the consolidated financial statements.

(c) Information on investment in China:

i) Information on investment in China:

Unit: thousand dollars

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2014	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2014	Net income of investee	Direct / indirect investment holding percentage	Maximum investment in 2014	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
Shen Hua Chemical Industries Co., Ltd	Production and sale of synthetic rubber products	1,307,416 (USD 41,220)	(2)a.	–	–	–	–	316,235	65.44%	1,307,416	206,944 (Note 2)	2,023,139	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	732,686 (USD 23,100)	(2)c.	121,543 (USD3,832)	–	–	121,543 (USD3,832)	327,989	28.34%	732,686	92,936 (Note 3)	493,221	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	174,449 (USD 5,500)	(2)b.	124,335 (USD3,920)	–	–	124,335 (USD3,920)	4,053	100.00%	174,449	4,053 (Note 2)	265,194	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	95,154 (USD 3,000)	(2)d.	47,577 (USD1,500)	–	–	47,577 (USD1,500)	(10)	50.00%	95,154	(5) (Note 2)	101,758	–
TSRC -UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,268,720 (USD 40,000)	(2)a.	31,718 (USD1,000)	–	–	31,718 (USD1,000)	(15,824)	55.00%	1,268,720	(8,406) (Note 2)	944,630	–
TSRC (Nantong) Industries Ltd	Production and sale of synthetic rubber products	2,192,507 (USD 69,125)	(2)a.	210,861 (USD6,648)	–	–	210,861 (USD6,648)	430,867	100.00%	2,192,567	430,867 (Note 2)	3,225,357	–
TSRC (Jinan) Industries Ltd	Production and sale of compounding materials	71,366 (USD 2,250)	(2)b.	71,366 (USD2,250)	–	–	71,366 (USD2,250)	(12,401)	100.00%	71,366	(12,401) (Note 2)	(58,789)	–
Lanxess-TSRC (Nantong) Chemical Industrial Company Ltd	Production and sale of NBR	786,606 (USD 24,800)	(2)a.	–	–	–	–	(306,986)	50.00%	786,606	(159,354) (Note 3)	(11,054)	–

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 NTD31.718).

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

ii) Limitation on investment in Mainland China:

Unit: thousand dollars

Company name	Accumulated investment amount in China as of December 31, 2014	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC Corp.	607,400(USD19,150)	4,482,864(USD141,335)(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 November 1, 2012. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from November 11, 2012 to October 10, 2015.

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 NTD31.718).

iii) Significant transactions with investees in China:
Related information is provided in note 13(a).

(14) Segment Information

(a) General information

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

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed.

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

The operating segment accounting policies are consistent with those described in note 4 "Significant Aaccounting Policies". The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

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

	2014				
	Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 31096,752	737,756	34,066	—	31,868,574
Inter-segment revenues	3,768,721	2,216	—	(3,770,937)	—
Interest revenue	102,807	2,078	4,971	—	109,856
Total revenue	$ 34,968,280	742,050	39,037	(3,770,937)	31,978,430
Interest expenses	$ 195,354	5,223	—	(1,291)	199,286
Depreciation and amortization	$ 993,598	38,201	99,583	(21,196)	1,110,186
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ (9,549)	—	80,158	(432,966)	(362,357)
Reportable segment profit or loss	$ 1,311,614	(1,531)	722,148	(484,687)	1,547,544
Reportable segment assets (note)	$ —	—	—	—	—

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

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

(c) Geographical information

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

Geographical information		2014	2013
Revenue from external customers:			
China	$	12,311,453	15,434,398
United States		4,686,544	4,245,689
Taiwan		3,382,443	2,808,653
Thailand		3,072,833	2,530,272
Japan		1,372,877	1,513,324
Other countries		7,042,424	7,890,663
Total	$	31,868,574	34,422,999

Geographical information		Dec. 31, 2014	Dec. 31, 2013
Non-current assets:			
China	$	8,031,525	8,409,962
Taiwan		4,730,642	4,848,604
United States		2,592,926	2,618,433
Other countries		814,355	926,336
Total	$	16,169,448	16,803,335

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

(d) Information about major customers

For the years 2014 and 2013, the Group had no major customer who constituted 10% or more of net sales.

V. Individual financial statement

Independent Auditors' Report

The Board of Directors
TSRC Corporation:

We have audited the accompanying balance sheets of TSRC Corporation (the Company) as of December 31, 2014 and 2013, and the related statements of comprehensive income as well as the statements of changes in stockholders' equity and of cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial positions of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years ended December 31, 2014 and 2013, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

KPMG
Po Shu Hung
Ann Tine Yu
March 12, 2015

TSRC CORPORATION
Balance Sheets
December 31, 2014 and 20132
(expressed in thousands of New Taiwan dollar)

Unit: NT$1,000

Assets	Dec. 31, 2014 Amount	%	Dec. 31, 2013 Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	$ 495,619	2	394,152	2
Notes receivable, net (note 6(c))	175	−	1,183	−
Accounts receivable, net (note 6(c))	1,691,272	8	1,224,852	6
Accounts receivable－related-parties (notes 6(c) and 7)	43,934	−	106,119	1
Other receivable (notes 6(c) and 7)	248,377	1	174,547	1
Current income tax assets	93,521	1	88,265	1
Inventories (note 6(d))	1,653,386	8	1,739,355	8
Other current assets	76,749	−	107,587	−
Total current assets	4,303,033	20	3,836,060	19
Non-current assets:				
Available-for-sale financial assets－non-current (note 6(b))	986,593	4	905,719	4
Investments accounted for under equity method (note 6(e))	12,592,289	57	11,875,245	57
Property, plant and equipment (notes 6(f) and 7)	2,406,647	11	2,429,360	12
Investment property (note 6(g))	1,655,225	8	1,669,950	8
Intangible assets (note 6(h))	61,045	−	79,310	−
Deferred income tax assets (note 6(l)	82,404	−	102,875	−
Other non-current assets	5,357	−	5,360	−
Total non-current assets	17,789,560	80	17,067,819	81
Total assets	$ 22,092,593	100	20,903,879	100

See accompanying notes to these financial Statements (Continued)

Unit: NT$1,000

Liabilities and Stockholders' Equity	Dec. 31, 2014 Amount	%	Dec. 31, 2013 Amount	%
Current liabilities:				
Short-term loans (notes 6(i))	$ 1,906,825	9	1,923,071	9
Short-term commercial paper payable (note 6(i))	499,402	2	798,856	4
Accounts payable	676,159	3	730,196	3
Other payable (notes 6(k) and 7)	524,724	2	525,656	3
Current income tax liabilities	5,437	–	36,483	–
Other current liabilities (note 6(i))	33,782	–	28,895	–
Total current liabilities	3,646,329	16	4,043,157	19
Non-current liabilities:				
Long-termloans (note 6(i))	1,250,000	6	–	–
Provision-non current (note 7)	38,358	–	47,320	–
Deferred income tax liabilities (note 6(l))	611,089	3	746,659	4
Other non-current liabilities (notes 6(i) and 6(k))	342,157	2	491,546	2
Total non-current liabilities	2,241,604	11	1,285,525	6
Total liabilities	5,887,933	27	5,328,682	25
Shareholders' equity (notes 6(l), 6(m) and 6(q)):				
Common stock	8,257,099	37	7,863,904	38
Capital surplus	849	–	849	–
Retained earnings:				
Legal reserve	3,504,631	16	3,355,130	16
Unappropriated earnings	2,689,501	12	3,180,995	16
	6,194,132	28	6,536,125	32
Other equities:				
Financial statements translation differences for foreign operations	1,569,373	7	1,064,983	5
Unrealized gain (loss) on valuation of available-for-sale financial assets	183,207	1	109,336	–
Total equity	1,752,580	8	1,174,319	5
	16,204,660	73	15,575,197	75
Total liabilities and stockholders' equity	$ 22,092,593	100	20,903,879	100

See accompanying notes to these financial Statements

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

TSRC CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	Dec. 31, 2014		Dec. 31, 2013	
	Amount	%	Amount	%
Revenue (note 7)	$ 12,265,005	100	12,934,484	100
Operating costs (notes 6(d), 6(f), 6(h), 6(k) and 6(m))	10,891,334	89	11,311,552	87
Gross profit	1,373,671	11	1,622,932	13
Less: Unrealized gain on affiliated transactions	(15,855)	–	24,280	–
Gross profit, net	1,389,526	11	1,598,652	13
Operating expenses (notes 6(f), 6(g), 6(h), 6(j), 6(k), 6(m) and 7):				
Selling expenses	339,940	3	371,167	3
General and administrative expenses	375,259	3	375,017	3
Research and development expenses	246,125	2	281,953	2
Total operating expenses	961,324	8	1,028,137	8
Other income and expenses, net (notes 6(g), 6(h), 6(l), 6(o) and 7)	240,781	2	159,977	1
Operating profit	668,983	5	730,492	6
Non-operating income and expenses (notes 6(e) and 6(p)):				
Interest income	12,476	–	15,871	–
Other gains and losses	88,643	1	76,089	1
Finance costs	(37,733)	–	(29,769)	–
Share of profit from the subsidiaries, the associates and the joint ventures	388,986	3	686,073	5
Total non-operating income and expenses	452,372	4	748,264	6
Net income before tax	1,121,355	9	1,478,756	12
Less: income tax expenses (note 6(l))	(19,983)	–	(16,255)	–
Net income	1,141,338	9	1,495,011	12
Other comprehensive income (loss) (notes 6(k), 6(m) and 6(q)):				
Financial statement translation differences for foreign operations	504,390	4	376,205	3
Unrealized gain on valuation of available-for-sale financial assets	73,871	1	111,224	1
Actuarial gains (losses) on defined benefit plans	(12,781)	–	2,222	–
Less: income tax expense relating to components of other comprehensive income (loss)	–	–	–	–
Other comprehensive income (loss), net of tax	565,480	5	489,651	4
Total comprehensive income	$ 1,706,818	14	1,984,662	16
Basic earnings per share (in New Taiwan dollars) (note 6(n))				
EPS (in New Taiwan dollars)	$ 1.38		1.81	

See accompanying notes to these financial Statements

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

TSRC CORPORATION
Statements of Changes in Equity
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	Common stock	Capital surplus	Retained earnings			Other equity adjustments			Total
			Legal reserve	Unappropriated earnings	Total	Financial statement translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Total	
Balance at January 1, 2013	$ 7,863,904	849	3,097,705	3,985,802	7,083,507	688,778	(1,888)	686,890	15,635,150
Appropriations and distributions:									
Legal reserve	–	–	257,425	(257,425)	–	–	–	–	–
Cash dividends	–	–	–	(2,044,615)	(2,044,615)	–	–	–	(2,044,615)
Net income	–	–	–	1,495,011	1,495,011	–	–	–	1,495,011
Other comprehensive income (loss)	–	–	–	2,222	2,222	376,205	111,224	487,429	489,651
Total comprehensive income (loss)	–	–	–	1,497,233	1,497,233	376,205	111,224	487,429	1,984,662
Balance at December 31, 2013	$ 7,863,904	849	3,355,130	3,180,995	6,536,125	1,064,983	109,336	1,174,319	15,575,197
Appropriations and distributions:									
Legal reserve	–	–	149,501	(149,501)	–	–	–	–	–
Cash dividends	–	–	–	(1,077,355)	(1,077,355)	–	–	–	(1,077,355)
Stock dividends	393,195	–	–	(393,195)	(393,195)	–	–	–	–
Net income	–	–	–	1,141,338	1,141,338	–	–	–	1,141,338
Other comprehensive income (loss)	–	–	–	(12,781)	(12,781)	504,390	73,871	578,261	565,480
Total comprehensive income (loss)	–	–	–	1,128,557	1,128,557	504,390	73,871	578,261	1,706,818
Balance at December 31, 2014	$ 8,257,099	849	3,504,631	2,689,501	6,194,132	1,569,373	183,207	1,752,580	16,204,660

Supplemental disclosure:

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

2: Directors' and supervisors' enumeration and employee bonuses amounting to $15,160 and $30,321, respectively, were deducted from profit and loss of 2013.

See accompanying notes to these financial Statements

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

TSRC CORPORATION

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2014	2013
Cash flows from operating activities:		
Net income before tax	$ 1,121,355	1,478,756
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	266,901	255,054
Amortization	27,947	27,951
Interest expenses	37,733	29,769
Interest income	(12,476)	(15,871)
Dividend income	(45,494)	(41,267)
Share of profit from the subsidiaries, the associates and the joint ventures	(388,986)	(686,073)
Losses on disposal of property, plant and equipment, net	142	–
Unrealized loss (gain) on affiliated transactions	(15,855)	24,280
Unearned revenue from technology provided to investee	(19,028)	(17,646)
Total adjustments to reconcile profit and loss	(149,116)	(423,803)
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	1,008	(112)
Accounts receivable	(466,420)	871,132
Accounts receivable—related-parties	62,185	(93,424)
Other receivable	(73,833)	28,782
Inventories	85,969	471,257
Other current assets	30,838	10,689
Total changes in operating assets, net	(360,253)	1,288,324
Net changes in operating liabilities:		
Accounts payable	(54,037)	14,214
Other current liabilities	3,235	(71,918)
Accrued pension liabilities	(13,493)	(12,145)
Other non-current liabilities	7,001	37,457
Total changes in operating liabilities, net	(57,294)	(32,392)
Total changes in operating assets / liabilities, net	(417,547)	1,255,932
Total adjustments	(566,663)	832,129
Cash provided by operating activities	554,692	2,310,885
Interest income received	6,618	7,153
Interest paid	(26,357)	(28,583)
Income tax paid	(131,418)	(581,678)
Net cash provided by operating activities	403,535	1,707,777

TSRC CORPORATION

Statements of Cash Flows-continued

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan dollars)

Unit: NT$1,000

	2014	2013
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(235,340)	(271,552)
Increase in other non-current assets	3	(28)
Dividend received	97,214	41,267
Net cash provided by (used in) investing activities	(138,123)	(230,313)
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(16,246)	(94,006)
Increase (decrease) in short-term commercial paper payable	(311,516)	449,415
Increase in long-term loans	1,250,000	–
Decrease in finance lease liabilities	(6,287)	(5,736)
Cash dividends paid	(1,079,896)	(2,038,286)
Net cash used in financing activities	(163,945)	(1,688,613)
Decrease in cash and cash equivalents	101,467	(211,149)
Cash and cash equivalents at beginning of period	394,152	605,301
Cash and cash equivalents at end of period	$ 495,619	394,152

See accompanying notes to these financial Statements

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

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Financial Statements
December 31, 2014 and 2013
(expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Organization and Business Scope

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting, and the registered address is 18F., No. 95, Sec. 2, Dunhua S. Rd., Taipei City. The Company is mainly engaged in the manufacture, import, and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

(2) Financial Statements Authorization Date and Authorization Process

The financial statements were approved by the Board of Directors and published on March 12, 2015.

(3) New Standards and Interpretations Not Yet Adopted

(a) International Financial Reporting Standards 2013 (IFRSs 2013) endorsed by the Financial Supervisory Commission ("FSC") but not yet in effect.

According to ruling No. 1030010325 issued by the FSC on April 3, 2014, all Taiwan Stock Exchange Corporation and GreTai Securities Market listed companies shall prepare financial reports according to IFRSs 2013 endorsed by the FSC from 2015 onward (not including IFRS 9 *Financial Instruments*). A summary of the new announcements, revisions, and amendments of standards and interpretations which were announced by the International Accounting Standards Board ("IASB") is as follows:

New announcements/revisions/amendments of standards and interpretations	Effective date per IASB
Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	July 1, 2010
Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
Amendment to IFRS 1: Government Loans	January 1, 2013
Amendment to IFRS 7: Disclosures Transfers of Financial Assets	July 1, 2011
Amendment to IFRS 7: Disclosures Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 10 Consolidated Financial Statements	January 1, 2013 (subsidiaries effective on January 1, 2014)
IFRS 11 Joint Arrangements	January 1, 2013
IFRS 12 Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13 Fair Value Measurement	January 1, 2013
Amendment to IAS 1: Presentation of Items of Other Comprehensive Income	July 1, 2012
Amendment to IAS 12: Deferred Tax: Recovery of Underlying Assets	January 1, 2012
Revision to IAS 19 Employee Benefits	January 1, 2013
Revision to IAS 27 Separate Financial Statements	January 1, 2013
Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Except for the following, the Group assessed that adopting IFRSs 2013 will not have significant impacts on the financial statements.

i) Amendments to IAS 1－Presentation of Items of Other Comprehensive Income

According to the amendments to IAS 1, items of other comprehensive income will be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The aforementioned allocation basis will not be strictly enforced prior to the adoption of the amendments.

ii) IFRS 12－Disclosure of Interests in Other Entities

IFRS 12 requires a broader disclosure of an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated entities. The objective of IFRS 12 is to specify the disclosure information provided. The Group expects the application of IFRS 12 will result in more extensive disclosures of interests in other entities in the financial statements.

iii) IFRS 13－Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The Group assessed that the adoption of IFRS 13 will have no significant impact on the financial position and results of operation of the Group. The Group will include the required disclosures.

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

The new standards and amendments issued by the IASB that may have an impact to the consolidated financial statements but not yet endorsed by the FSC are summarized as follows:

New announcements/revisions/amendments of standards and interpretations	Effective date per IASB
IFRS 9 Financial Instruments	January 1, 2018
Amended IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amended IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2017
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
Amended IAS 1 Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	January 1, 2016
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendments to IAS 27: Equity method in seperate financial statements	January 1, 2016
Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	January 1, 2014
Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 Levies	January 1, 2014

The Group is currently evaluating the impact of the abovementioned standards and amendments on the Group's financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

(4) Significant Accounting Policies

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

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

(a) Statement of compliance

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

(b) Basis of preparation

i) Basis of measurement

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

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

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

ii) Functional and presentation currency

The functional currency is determined based on the primary economic environment in which the Company operates. The Company's financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

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

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

Foreign currency differences arising from remeasurement are recognized in profit or loss, except for the difference resulting from available-for-sale equity investment which is recognized in other comprehensive income arising from the remeasurement.

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.

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

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

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

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

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

iv. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

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

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

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

iii. The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or

iv. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

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

(f) Financial instruments

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

i) Financial assets

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

i. Receivables

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

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

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

ii. Available-for-sale financial assets

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

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

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

iii. Derecognition of financial assets

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

ii) Financial liabilities and equity instruments

i. Classification of debt or equity

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

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

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

ii. Other financial liabilities

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

iii. Derecognition of financial liabilities

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

iv. Offsetting of financial assets and liabilities

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

v. Financial guarantee contract

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

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies.

(g) Inventories

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

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.

(h) Investment in associates

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

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

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

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

(i) Investment in subsidiaries

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

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

(j) Interest in joint ventures

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

(k) Property, plant and equipment

i) Recognition and measurement

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

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

ii) Reclassification to investment properties

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

iii) Subsequent cost

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

iv) Depreciation

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

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

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

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

i. Land improvements8~30 years

ii. Buildings3~60 years

iii. Machinery5~40 years

iv. Furniture and fixtures, and other equipment3~8 years

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

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or to use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

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

(m) Leases

i) Lessor

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

ii) Lessee

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

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

(n) Intangible assets

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

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

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

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

i) Computer software3 years

ii) Industrial technology10 years

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

(o) Impairment－non-financial assets

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

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

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

(p) Provisions

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

(q) Revenue

i) Sale of goods

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

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

ii) Rendering of services

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

iii) Rental income

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

(r) Employee benefits

i) Defined contribution plans

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

ii) Defined benefit plans

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

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

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

iii) Short-term employee benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income tax

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

Current taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

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

i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

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

iii) Initial recognition of goodwill.

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

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

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

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

i. levied by the same taxing authority; or

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

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

(t) Earnings per share

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

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

(u) Operating segments

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

(5) Use of Judgements and Estimates

The preparation of the financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

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

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

(6) Description of Significant Accounts

(a) Cash and cash equivalents

		Dec. 31, 2014	Dec. 31, 2013
Checking and savings deposits	$	74,868	264,238
Commercial paper with reverse sell agreements		420,751	129,914
Consolidated cash flow statement cash and cash are listed	$	495,619	394,152

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

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

		Dec. 31, 2014	Dec. 31, 2013
Unlisted stocks (domestic or overseas)	$	986,593	905,719

Please refer to note 6(p) for dividend income.

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

	2104		2103	
Fluctuation in market price at reporting date	Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$ 98,659	−	90,572	−
Decrease 10%	$ (98,659)	−	(90,572)	−

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

	Foreign currency amount	Exchange rate	NTD
Dec. 31, 2014 THB	$ 71,479	0.9670	69,120
Dec. 31, 2013 THB	78,509	0.9135	71,718

As of December 31, 2014 and 2013, the Company did not pledge its available-for-sale financial instruments.

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

	Dec. 31, 2014	Dec. 31, 2013
Notes receivable	$ 175	1,183
Accounts receivable	1,691,272	1,224,852
Accounts receivable－related parties	43,934	106,119
Other receivable	54,312	59,756
Other receivable－related parties	194,065	114,791
	$ 1,983,758	1,506,701

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

	Dec. 31, 2014	Dec. 31, 2013
Past due 0~30 days	$ 904	8,496
Past due over 365 days	3,052	2,507
	$ 3,956	11,003

No allowance were provided for the aforementioned notes receivable, accounts receivable, and other receivable (including related parties).

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

(d) Inventories

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

	Dec. 31, 2014	Dec. 31, 2013
Raw materials	$ 286,651	543,630
Supplies	29,233	29,097
Work in progress	209,508	234,185
Finished goods	1,125,361	932,443
Merchandise	2,633	−
Total	$ 1,653,386	1,739,355

As of December 31, 2014 and 2013, the Company's inventories were not provided as pledged assets.

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

		2014	2013
Loss (gain) on market value of inventory	$	(55,109)	79,459
Income from sale of scrap		(25,538)	(35,485)
Total	$	(80,647)	43,974

The Company reversed the allowance for loss on inventory for the year period ended December 31, 2014, when the Company sold or used the inventories for which an allowance had been provided previously.

(e) Investments accounted for under the equity method

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

		Dec. 31, 2014	Dec. 31, 2013
Subsidiaries:			
Trimurti Holding Corporation	$	11,228,754	10,495,815
Hardison International Corporation		614,849	564,568
Dymas Corporation		115,653	109,545
Joint venture:			
Taiwan Advanced Materials Corp.		633,033	705,317
	$	12,592,289	11,875,245

i) Subsidiaries

Please refer to the consolidated financial statements.

ii) Joint ventures

The Company invested 48% of its ownership in Taiwan Advanced Materials Corp. A summary of the financial information of the investments in joint ventures is as follows (before being adjusted to the Company's proportionate shares):

		Dec. 31, 2014	Dec. 31, 2013
Current assets	$	503,631	853,738
Non-current assets		935,730	656,536
	$	1,439,361	1,510,274
Current liabilities	$	16,333	40,865
Non-current liabilities		–	–
	$	16,333	40,865

		2104	2103
Income	$	12,787	6,574
Expenses and losses	$	59,170	30,185

iii) Collateral

As of December 31, 2014 and 2013, the Company's investments accounted for under the equity method were not provided as pledged assets.

(f) Property, plant and equipment

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

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Cost or deemed cost:									
Balance at Jan. 1, 2014	$	614,101	57,769	1,164,485	7,893,365	51,404	94,596	148,650	10,024,370
Additions		−	−	−	263	−	−	239,024	239,287
Disposals		−	−	(4,942)	(95,952)	(1,700)	−	−	(102,594)
Reclassification		−	−	−	156,864	3,635	−	(170,181)	(9,682)
Balance at Dec. 31, 2014	$	614,101	57,769	1,159,543	7,954,540	53,339	94,596	217,493	10,151,381
Balance at Jan. 1, 2013	$	614,101	57,769	1,162,175	7,558,961	62,751	94,596	326,988	9,877,341
Additions		−	−	−	1,183	−	−	235,030	236,213
Disposals		−	−	−	(49,275)	(11,660)	−	−	(60,935)
Reclassification		−	−	2,310	382,496	313	−	(413,368)	(28,249)
Balance at Dec. 31, 2013	$	614,101	57,769	1,164,485	7,893,365	51,404	94,596	148,650	10,024,370
Depreciation and impairment loss:									
Balance at Jan. 1, 2014	$	−	56,525	743,509	6,752,746	42,230	−	−	7,595,010
Depreciation		−	352	27,194	220,754	3,876	−	−	252,176
Disposal		−	−	(4,942)	(95,826)	(1,684)	−	−	(102,452)
Balance at Dec. 31, 2014	$	−	56,877	765,761	6,877,674	44,422	−	−	7,744,734
Balance at Jan. 1, 2013	$	−	56,173	708,367	6,601,169	49,907	−	−	7,415,616
Depreciation		−	352	35,142	200,852	3,983	−	−	240,329
Disposal		−	−	−	(49,275)	(11,660)	−	−	(60,935)
Balance at Dec. 31, 2013	$	−	56,525	743,509	6,752,746	42,230	−	−	7,595,010
Carrying value:									
Dec. 31, 2014	$	614,101	892	393,782	1,076,866	8,917	94,596	217,493	2,406,647
Dec. 31, 2013	$	614,101	1,244	420,976	1,140,619	9,174	94,596	148,650	2,429,360
Jan. 1, 2013	$	614,101	1,596	453,808	957,792	12,844	94,596	326,988	2,461,725

The Company's property, plant and equipment was not provided as pledged assets.

(g) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2014	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2014	$	1,073,579	741,889	1,815,468
Balance as at January 1, 2013	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2013	$	1,073,579	741,889	1,815,468
Depreciation:				
Balance as at January 1, 2014	$	–	145,518	145,518
Depreciation		–	14,725	14,725
Balance as at December 31, 2014	$	–	160,243	160,243
Balance as at January 1, 2013	$	–	130,793	130,793
Depreciation		–	14,725	14,725
Balance as at December 31, 2013	$	–	145,518	145,518
Carrying value:				
Balance as at December 31, 2014	$	1,073,579	581,646	1,655,225
Balance as at December 31, 2013	$	1,073,579	596,371	1,669,950
Balance as at January 1, 2013	$	1,073,579	611,096	1,684,675
Fair value:				
Balance as at December 31, 2014				$ 3,148,146
Balance as at December 31, 2013				$ 2,830,216

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 2~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(o) for further information.

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

Region	2014	2103
Da'an Dist., Taipei City	2.18%~2.34%	2.55%~2.70%

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

As of December 31, 2014 and 2013, the Company's investment properties were not provided as pledged assets.

(h) Intangible assets

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

		Industrial technology and know-how	Computer software	Total
Costs:				
Balance at January 1, 2014	$	41,756	95,002	136,758
Reclassification		–	9,682	9,682
Balance at December 31, 2014	$	41,756	104,684	146,440
Balance at January 1, 2013	$	41,756	66,753	108,509
Reclassification		–	28,249	28,249
Balance at December 31, 2013	$	41,756	95,002	136,758
Amortization:				
Balance at January 1, 2014	$	5,220	52,228	57,448
Amortization		4,176	23,771	27,947
Balance at December 31, 2014	$	9,396	75,999	85,395
Balance at January 1, 2013	$	1,044	28,453	29,497
Amortization		4,176	23,775	27,951
Balance at December 31, 2013	$	5,220	52,228	57,448
Carrying value:				
December 31, 2014	$	32,360	28,685	61,045
December 31, 2013	$	36,536	42,774	79,310
January 1, 2013	$	40,712	38,300	79,012

In 2014 and 2013, the amortization of intangible assets was recorded as follows:

		2014	2013
Operating costs	$	40	40
Operating expenses	$	24,840	25,577
Other income and expenses	$	3,067	2,334

(i) Short-term and long-term loans

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

i) Short-term loans

	Dec. 31, 2014			
	Range of interest rates (%)	Year of maturity		Amount
Unsecured loans	0.79~1.65	2015	$	1,906,825

	Dec. 31, 2013			
	Range of interest rates (%)	Year of maturity		Amount
Unsecured loans	0.82~1.59	2014	$	1,923,071

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

As of December 31, 2014 and 2013, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $7,128,193 thousand and $4,730,580 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2014		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	DAH CHUNG BILLS FINANCE LTD.	1.12~1.15	$ 150,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	1.15	350,000
			500,000
Less: discount			598
Total			$ 499,402

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

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

iii) Long-term loans

	Dec. 31, 2013			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.67	2017~2019	$ 1,250,000
Current				－
Non-current				1,250,000
Total				$ 1,250,000

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

iv) Collateral of loans

The Company's asset was not provided as pledged assets for loans.

v) Finance lease liabilities

The Company has entered into a lease contract for leasing a parcel of land from the Industrial Development Bureau of the Ministry of Economic Affairs for the period from June 29, 2004, to June 28, 2024. During the term of the lease, the Company has an option to purchase the rented land from the Industrial Development Bureau of the Ministry of Economic Affairs through a formal application. Once the application is approved, the rental and deposit paid during the lease period can be offset against the purchase price. The Company intends to purchase the rented land after the contract expires. The finance lease liabilities payable were as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2014			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	31,787	4,252	27,535
	$ 67,107	5,382	61,725
December 31, 2013			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	38,851	5,028	33,823
	$ 74,171	6,158	68,013

(j) Operating leases

i) Lessee

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

	Dec. 31, 2014	Dec. 31, 2013
Less than five years	$ 36,919	51,540

The Company leases offices and factory facilities under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract. For the years ended December 31, 2014 and 2013, lease expenses were $13,283 thousand and $13,209 thousand, respectively.

ii) Lessor

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

	Dec. 31, 2014	Dec. 31, 2013
Less than five years	$ 178,285	259,177

(k) Employee benefits

i) Defined benefit plans

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

	Dec. 31, 2014	Dec. 31, 2013
Present value of unfunded benefit obligation	$ 269,632	270,344
Present value of funded benefit obligation	384,238	387,707
Total present value of obligation	653,870	658,051
Fair value of plan assets	(384,238)	(387,707)
Deficit of the plan	269,632	270,344
Recognized liabilities for defined benefit obligation	$ 269,632	270,344

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

i. Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the 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 two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $384,238 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labors.

ii. Movements in present value of defined benefit obligation

The movements in present value of the Company's defined benefit obligation for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Defined benefit obligation, January 1	$ 658,051	711,151
Benefits paid by the plan	(40,072)	(70,272)
Current service cost and interest	21,742	21,839
Actuarial losses (gains)	14,149	(4,667)
Defined benefit obligation, December 31	$ 653,870	658,051

iii. Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Fair value of plan assets, January 1	$ 387,707	426,440
Contributions made	27,363	26,401
Benefits paid by the plan	(40,072)	(70,272)
Expected return on plan assets	7,872	7,583
Actuarial gains (losses)	1,368	(2,445)
Fair value of plan assets, December 31	$ 384,238	387,707

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Current service cost	$ 8,738	9,498
Interest on obligation	13,004	12,341
Expected return on plan assets	(7,872)	(7,583)
	$ 13,870	14,256
Operating costs	$ 8,655	8,657
Operating expenses	3,852	4,301
Other income and expenses	1,363	1,298
	$ 13,870	14,256
Actual return on plan assets	$ 9,240	5,138

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

The Company's actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Cumulative amount, January 1	$ (50,327)	(52,549)
Recognized during the period	(12,781)	2,222
Cumulative amount, December 31	$ (63,108)	(50,327)

vi. Actuarial assumptions

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

	2014	2013
Discount rate	2.00%	2.00%
Expected return on plan assets	2.00%	2.00%
Future salary increases	1.50%	1.50%

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

vii. Experience adjustments on historical information

	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Jan. 1, 2012
Present value of defined benefit plans	$ 653,870	658,051	711,151	654,184
Fair value of plan assets	(384,238)	(387,707)	(426,440)	(410,471)
Net liabilities (assets) of defined benefit obligations	$ 269,632	270,344	284,711	243,713
Experience adjustments arising on the present value of defined benefit plans	$ 14,149	(4,667)	48,165	–
Experience adjustments arising on the fair value of plan assets	$ (1,368)	2,445	4,384	–

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is $27,625 thousand.

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

As of December 31, 2014, the present value of the Company's defined benefit obligation was $653,870 thousand. If the discount rate had increased or decreased by 0.25%, the Company's accrued pension liabilities would have decreased by $15,243 thousand or increased by $15,801 thousand, respectively.

ii) Defined contribution plans

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

The Company's pension costs under the defined contribution plan were $18,961 thousand and $18,873 thousand for the years 2014 and 2013, respectively. Payments were made to the Bureau of Labor Insurance.

iii) Short-term employee benefit liabilities

	Dec. 31, 2014	Dec. 31, 2013
Compensated absence liabilities	$ 22,122	22,441

(l) Income tax

i) Income tax expenses (income)

The amount of the Company's income tax for the years ended December 31, 2014 and 2013, was as follows:

	2014	2013
Current income tax expense		
Current period	$ 89,310	137,057
10% surtax on undistributed earnings	–	27,221
Adjustment for prior periods	5,806	(4,455)
	95,116	159,823
Deferred tax benefit		
Origination and reversal of temporary differences	(115,099)	(176,078)
Income tax expenses (benefits) on continuing operations	$ (19,983)	(16,255)

Reconciliations of the Company's income tax expenses (benefit) and the profit before tax for 2014 and 2013 were as follows:

	2014	2013
Income before tax	$ 1,121,355	1,478,756
Income tax calculated on pretax accounting income at statutory rate	$ 190,630	251,388
Dividend income	(7,734)	(7,015)
Previously overestimated income tax	5,806	(4,455)
Foreign investment income	(198,291)	(275,858)
R&D tax credits utilized	(17,106)	(12,981)
10% surtax on undistributed earnings	–	27,221
Others	6,712	5,445
Total	$ (19,983)	(16,255)

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2014 and 2013 were as follows:

Deferred tax assets:	Provision for retirement benefit	Allowance for inventory valuation	Deferred credits	Other	Total
Balance at Jan. 1, 2014	$ 48,225	24,639	9,082	20,929	102,875
Recognized in profit or loss	(2,647)	(14,736)	(2,812)	(276)	(20,471)
Balance at Dec. 31, 2014	$ 45,578	9,903	6,270	20,653	82,404
Balance at Jan. 1, 2013	$ 50,314	11,131	11,894	11,119	84,458
Recognized in profit or loss	(2,089)	13,508	(2,812)	9,810	18,417
Balance at Dec. 31, 2013	$ 48,225	24,639	9,082	20,929	102,875

Deferred tax liabilities:

	Foreign investment income accounted for under equity method	Capitalization of interest expense	Land value increment tax	Others	Total
Balance at Jan. 1, 2014	$ 647,543	34,111	56,683	8,322	746,659
Recognized in profit or loss	(137,171)	(599)	−	2,200	(135,570)
Balance at Dec. 31, 2014	$ 510,372	33,512	56,683	10,522	611,089
Balance at Jan. 1, 2013	$ 804,842	34,766	56,683	8,029	904,320
Recognized in profit or loss	(157,299)	(655)	−	293	(157,661)
Balance at Dec. 31, 2013	$ 647,543	34,111	56,683	8,322	746,659

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2012, excluding those from 2009.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

	Dec. 31, 2014	Dec. 31, 2013
Derived from year 1997 and prior years	$ 1,637	1,637
Derived from year 1998 and thereafter	2,687,864	3,179,358
	$ 2,689,501	3,180,995

	103.12.31	102.12.31
Balance of imputation credit account (ICA)	$ 317,513	427,938

The imputation tax credit ratio of earnings to be distributed in 2014 is estimated at 12.02%. The actual imputation tax credit ratio of earnings distributed in 2014 was 14.63%.

(m) Capital and other equity

As of December 31, 2014 and 2013, the total value of authorized ordinary shares amounted to $9,000,000 thousand, with par value of $10 per share, of which 825,709,978 shares and 786,390,400 shares, respectively, were issued.

i) Issuance of common stock

A resolution was passed during the shareholders' meeting held on June 11, 2014, to issue 39,319,522 new shares for distributing stock dividends, with a par value of $10 (dollars) per share, amounting to $393,195 thousand. On June 26, 2014, the Company got approval from the FSC for this capital increase, and designated July 21, 2014, as the ex-dividend date.

ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2014 and 2013, were as follows:

	Dec. 31, 2014	Dec. 31, 2013
Share premium	$ 849	849

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

iii) Retained earnings

i. 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.

ii. Special earnings reserve

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

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

iii. Distribution of retained earnings

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

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

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

For the years 2014 and 2013, the estimated amounts of employees' bonuses were $25,878 thousand and $30,321 thousand, respectively, and the estimated amounts of directors' and supervisors' emoluments were $12,939 thousand and $15,160 thousand, respectively. Such amounts were estimated by multiplying after-tax income by the percentage of distribution of employees' bonuses and directors' and supervisors' emoluments, and recorded as cost of sales or operating expenses in the respective periods. The employees' bonuses and directors' and supervisors' emoluments for the year 2014 were prepared by the board of directors and are subject to the resolutions of the shareholders' meeting. The relevant information can be obtained from the Market Observation Post System after the shareholders' meeting. The difference between the amount approved in the shareholders' meeting and that recognized in the financial statements, if any, shall be accounted for as a change in accounting estimates and recognized in profit or loss in 2015.

For the years 2013 and 2012, the estimated amounts of employees' bonuses were $30,321 thousand and $42,157 thousand, respectively, and the estimated amounts of directors' and supervisors' emoluments were $15,160 thousand and $21,078 thousand, respectively. The estimated amounts were consistent with the resolutions approved by the shareholders' meeting of the Company, and related information can be accessed through the Market Observation Post System.

The appropriations of 2013 and 2012 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 11, 2014, and June 18, 2013, respectively, were as follows:

	2013		2012	
Dividends distributed to common shareholders:	Amount per share (Ntdollars)	Total amount	Amount per share (Ntdollars)	Total amount
Cash	$ 1.37	1,077,355	2.60	2,044,615
Stock	0.50	393,195	–	–
Total		1,470,550		2,044,615

iv) Other equities

	Foreign exchange differences arising from foreign operation	Available-for-sale financial assets	Total
Balance as of January 1, 2014	$ 1,064,983	109,336	1,174,319
Foreign exchange differences arising from foreign operation	504,390	–	504,390
Unrealized gains (losses) from available-for-sale financial assets-the Company	–	80,874	80,874
Unrealized gains (losses) from available-for-sale financial assets-the subsidiary	–	(7,003)	(7,003)
Balance as of December 31, 2014	$ 1,569,373	183,207	1,752,580
Balance as of January 1, 2013	$ 688,778	(1,888)	686,890
Foreign exchange differences arising from foreign operation	376,205	–	376,205
Unrealized gains (losses) from available-for-sale financial assets-the Company	–	118,950	118,950
Unrealized gains (losses) from available-for-sale financial assets-the subsidiary	–	(7,726)	(7,726)
Balance as of December 31, 2013	$ 1,064,983	109,336	1,174,319

(n) Earnings per share (EPS)

The calculation of the Company's basic EPS and diluted EPS for the years ended December 31, 2014 and 2013, was as follows:

i) Basic EPS

	2014	2013
Net income attributable to common shareholders of the Company	$ 1,141,338	1,495,011
Weighted-average number of common shares	825,710	825,710
Basic EPS (in NT dollars)	$ 1.38	1.81

ii) Diluted EPS

	2014	2013
Net income attributable to common shareholders of the Company (diluted)	$ 1,141,338	1,495,011
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares Effect of employees' bonuses	1,084	1,022
Weighted-average number of shares outstanding (diluted)	826,794	826,732
Diluted EPS (in NT dollars)	$ 1.38	1.81

(o) Other income and expenses

The components of the Company's other income and expenses for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Rental income	73,653	73,784
Royalty income	88,466	56,576
Net service income (expenses)	70,133	27,868
Depreciation of investment properties	(14,725)	(14,725)
Net other income (expenses)	23,254	16,474
	240,781	159,977

(p) Non-operating income and expenses

i) Other gains and losses

The components of the Company's other gains and losses for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Dividend income	$ 45,494	41,267
Foreign exchange gain (loss), net	44,234	35,890
Loss on disposal of property, plant and equipment	(142)	–
Other	(943)	(1,068)
	$ 88,643	76,089

ii) Finance costs

The components of the Company's finance costs for the years ended December 31, 2014 and 2013, were as follows:

	2014	2013
Interest expenses	$ 37,733	29,769

(q) Reclassification of components of other comprehensive income

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

	2014	2013
Available-for-sale financial assets		
Net change in fair value for current period	$ 73,871	111,224
Net changes in fair value recognized in other comprehensive income	$ 73,871	111,224

(r) Financial instruments

i) Categories of financial instruments

i. Financial assets

	Dec. 31, 2014	Dec. 31, 2013
Available-for-sale financial assets	986,593	905,719
Cash and cash equivalents	495,619	394,152
Notes, accounts, and other receivable	1,983,758	1,506,701
Total	$ 3,465,970	2,806,572

ii. Financial liabilities

	Dec. 31, 2014	Dec. 31, 2013
Financial liabilities measured at amortized cost:		
Short-term loans	1,906,825	1,923,071
Short-term commercial paper payable	499,402	798,856
Accounts payable (including related parties)	676,159	730,196
Other payable	524,724	525,656
Long-term loans	1,250,000	−
Subtotal	4,857,110	3,977,779
Financial guarantee contracts	38,358	47,320
Total	$ 4,895,468	4,025,099

ii) Credit risk

i. Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount. As of December 31, 2014 and 2013, the maximum credit risk exposure amounted to $3,465,970 thousand, $2,806,572 thousand, respectively.

ii.Concentration of credit risk

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

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

iii) Liquidity risk

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

	Carrying amount	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2014							
Non-derivative financial liabilities							
Short-term loans	$ 1,906,825	1,909,250	1,909,250	−	−	−	−
Short-term commercial paper payable	499,402	500,000	500,000	−	−	−	−
Accounts payable	676,159	676,159	676,159	−	−	−	−
Other payable	524,724	524,724	524,724	−	−	−	−
Long-term loans	1,250,000	1,317,150	10,830	10,430	20,859	1,275,031	−
Financial guarantee contracts	38,358	2,344,123	406,080	−	704,173	600,144	633,726
	$ 4,895,468	7,271,406	4,027,043	10,430	725,032	1,875,175	633,726
December 31, 2013							
Non-derivative financial liabilities							
Short-term loans	$ 1,923,071	1,926,582	1,926,582	−	−	−	−
Short-term commercial paper payable	798,856	800,000	800,000	−	−	−	−
Accounts payable	730,196	730,196	730,196	−	−	−	−
Other payable	525,656	525,656	525,656	−	−	−	−
Financial guarantee contracts	47,320	2,402,805	171,955	−	393,040	1,239,409	598,401
	$ 4,025,099	6,385,239	4,154,389	−	393,040	1,239,409	598,401

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

iv) Currency risk

i. Risk exposure

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

		Foreign currency	Exchange rate	NTD
December 31, 2014				
Financial assets:				
Monetary assets:				
USD	$	39,933	31.7180	1,266,595
EUR	$	1,930	38.3500	74,016
JPY	$	32,319	0.2632	8,506
CNY	$	14,686	5.0760	74,546
Financial liabilities:				
Monetary liabilities:				
USD	$	51,012	31.7180	1,617,999
EUR	$	1,889	38.3500	72,443
JPY	$	22,182	0.2632	5,838
CNY	$	642	5.0760	3,259
December 31, 2013				
Financial assets:				
Monetary assets:				
USD	$	33,527	29.9500	1,004,134
EUR	$	3,281	41.0600	134,718
JPY	$	18,225	0.2831	5,159
CNY	$	11,637	4.9130	57,173
Financial liabilities:				
Monetary liabilities:				
USD	$	27,810	29.9500	832,910
EUR	$	3,252	41.0600	133,527
JPY	$	37,335	0.2831	10,570

ii. Sensitivity analysis

The Company's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the NTD against the USD, Euro, CNY and JPY as of December 31, 2014 and 2013, would have increased (decreased) the net income after tax by $2,290 thousand and $1,861 thousand, respectively. The analysis was performed on the same basis for both periods.

v) Interest rate risk analysis

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

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

If the interest rate had increased / decreased by 1%, the Company's net income would have increased / decreased by $30,347 thousand and $22,592 thousand for the years ended December 31, 2014 and 2013, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

vi) Fair value

Fair value and carrying amount

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

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

	Level 1	Level 2	Level 3	Total
December 31, 2014				
Available-for-sale financial assets	$ －	986,593	－	986,593
December 31, 2013				
Available-for-sale financial assets	$ －	905,719	－	905,719

The different levels have been defined as follows:

1) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

2) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

3) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(s) Financial risk management

i) Overview

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

i. Credit risk

ii. Liquidity risk

iii. Market risk

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

ii) Risk management framework

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

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

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

iii) Credit risk

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

i. Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2014 and 2013, there was no geographical concentration of credit risk regarding the Company's revenue.

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

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

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

ii. Investments

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

iii. Guarantees

The Company's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided to subsidiaries, associates, and jointly controlled entities by the Company as of December 31, 2014 and 2013, are disclosed in note 7 "Related-party Transactions."

iv) Liquidity risk

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

v) Market risk

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

i. Currency risk

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

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

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

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

The Company does not hedge against investments in subsidiaries.

ii. Interest rate risk

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

iii. Other market price risk

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

(t) Capital management

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

The Company's target is to achieve a return on capital of between 12% and 15% percent; in 2014 and 2013, the return was 7.05% and 9.60%, respectively. In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.19% and 1.21%, respectively. The Company's debt-to-adjusted-capital ratio at the end of the reporting period was as follows:

	Dec. 31, 2014	Dec. 31, 2013
Total liabilities	$ 5,887,933	5,328,682
Less: cash and cash equivalents	495,619	394,152
Net debt	$ 5,392,314	4,934,530
Total equity	$ 16,204,660	15,575,197
Debt-to-adjusted-capital ratio	33%	32%

(7) Related-party Transactions

(a) List of subsidiaries

		Percentage of ownership	
	Location	Dec. 31, 2014	Dec. 31, 2013
Trimurti Holding Corporation	B.V.I	100.00	100.00
Hardison International Corporation	B.V.I	100.00	100.00
Dymas Corporation	B.V.I	100.00	100.00
TSRC (HONG KONG) Limited	Hong Kong	100.00	100.00
TSRC (Shanghai) Industries Ltd	China	100.00	100.00
TSRC (Jinan) Industries Ltd.	China	100.00	100.00
TSRC (Lux.) Corporation S.'a.r.l.	Luxemburg	100.00	100.00
TSRC (USA) Investment Corporation	USA	100.00	100.00
Dexco Polymers L.P.	USA	100.00	100.00
Polybus Corporation Pte Ltd	Singapore	100.00	100.00
Shen Hua Chemical	China	65.44	65.44
TSRC-UBE (Nantong) Chemical Industrial Co., Ltd	China	55.00	55.00
TSRC (Nantong) Industries Ltd	China	100.00	100.00
Triton International Holdings Corporation	B.V.I	100.00	100.00
TSRC Biotech Ltd	Cayman	100.00	100.00
Nantong Qix Storage Co., Ltd	China	50.00	50.00

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the subsidiaries.

(c) Significant transactions with related parties

i) Revenue

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

	2014	2013
Subsidiaries	$ 279,083	373,782

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

ii) Service income and expenses

i. The Company provided management, technologies and IT services to its subsidiaries, associates, and joint ventures. The amounts recognized as other income and expenses were as follows:

	2014	2013
Subsidiaries	$ 148,562	122,634
Associates and joint ventures	98,165	36,728
	$ 246,727	159,362

ii. The Company received consulting services such as marketing, financing and research services from its subsidiaries. In 2014 and 2013, the services amounted to $31,032 thousand and $22,343 thousand, respectively, and were recorded under operating expenses.

iii) Receivable from related parties

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

Accounts	Type of related parties	Dec. 31, 2014	Dec. 31, 2013
Accounts receivable —related parties	Subsidiaries	$ 43,934	106,119
Other receivable	Associates and joint ventures	86,657	32,253
Other receivable	Subsidiaries	107,408	82,538
		$ 237,999	220,910

iv) Payable to related parties

As the result of the aforementioned transactions, the details of the Company's payable to related parties were as follows:

Accounts	Type of related parties	Dec. 31, 2014	Dec. 31, 2013
Other payable	Subsidiaries	$ 7,539	12,082

v) Guarantees

As of December 31, 2014 and 2013, the Company had provided guarantees on the bank loans of its subsidiaries, associates and joint ventures. The credit limits of the guarantees were $7,103,499 thousand and $6,663,193 thousand, respectively, and the Company increased provision liabilities and the investments accounted for under equity method by $38,358 thousand and $47,320 thousand, respectively.

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2014	2013
Short-term employee benefits	$ 47,713	46,558
Post-employment benefits	702	681
	$ 48,415	47,239

(8) Pledged Assets: None.

(9) Significant Commitments and Contingencies

(a) As of December 31, 2014 and 2013, the Company's unused letters of credit outstanding for purchases of materials were $789,092 thousand, $899,599 thousand, respectively.

(b) As of December 31, 2014 and 2013, the Company's signed construction and design contracts with several factories totaled $116,154 thousand, $25,369 thousand, respectively, of which $54,196 thousand, $18,923 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events: None.

(12) Others

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

By function / By nature	2014			2013		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	331,354	268,693	600,047	342,076	276,995	619,071
Labor and health insurance	26,189	20,730	46,919	25,375	24,520	49,895
Pension (Note 1)	17,522	12,557	30,079	17,434	13,125	30,559
Others (note 2)	39,557	32,484	72,041	40,227	42,442	82,669
Depreciation (Note 3)	184,212	67,964	252,176	189,321	51,008	240,329
Amortization	40	24,840	24,880	40	25,577	25,617

Note 1: Pension expenses excluded expenses for employees on international assignments amounting to $2,752 thousand and $2,570 thousand for the years 2014 and 2013, respectively.

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

Note 3: Depreciation expenses for investment property recognized under other income and expenses, amounting to $14,725 thousand for both 2014 and 2013 were excluded.

Note 4: Amortization of intangible assets recognized under other income and expenses amounting to $3,067 thousand and $2,334 thousand for the years 2014 and 2013, respectively, was excluded.

The average employee numbers were 578 and 589 for the years 2014 and 2013, respectively.

(13) Other Disclosures

(a) Information on significant transactions

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

i) Loans extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	TSRC (Shanghai) Industries Ltd	TSRC (Jinan) Industries Ltd	Loan	Yes	32,994	32,994	32,994	4%	2	–	Operating capital	–	–	–	132,597 (Note 1)	265,194 (Note 2)
2	Trimurti Holding Corporation	TSRC (Lux.) Corporation S.'a.r.l.	Loan	Yes	383,500	–	–	LIBOR+ 1%	2	–	Operating capital	–	–	–	5,642,293 (Note 1)	11,284,586 (Note 2)
3	TSRC (Nantong) Industries Ltd	Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd	Loan	Yes	101,520	101,520	101,520	7%	2	–	Operating capital	–	–	–	322,536 (Note 3)	1,290,143 (Note 4)

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

Note 2: The maximum loan extended to all parties of TSRC (Shanghai) Industries Ltd. and Trimurti Holding Corporation 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 loan limit extended per party of TSRC (Nantong) Industries Ltd. should not be over 10% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 4: The total loan limit of TSRC (Nantong) Industries Ltd. should not be over 40% of total equity of the most recent financial statements audited or reviewed by a CPA.

Note 5: TSRC (Shanghai) Industries Ltd., TSRC (Jinan) Industries Ltd., TSRC (Nantong) Industries Ltd., Trimurti Holding Corporation and TSRC (Lux) Corporation S.'a.r.l are 100% owned by TSRC. Lanxess-TSRC (Nantong) chemical Industries Co., Ltd. is a foreign investment company with TSRC holding 50% of its equity.

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

Note 7: Nature of financing activities is as follows:

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

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

ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements	Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements /guarantees to third parties on behalf of company in China
		Name	Relationship with the company										
0	TSRC Corp.	TSRC (USA) Investment Corporation	3	(Note 2)	3,964,750	3,171,800	1,744,490	–	19.57%	(Note 3)	Y		
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	3	(Note 2)	1,110,130	1,110,130	1,110,130	–	6.85%	(Note 3)	Y		Y
0	TSRC Corp.	TSRC (Jinan) Industries Ltd	3	(Note 2)	71,366	71,366	71,366	–	0.44%	(Note 3)	Y		Y
0	TSRC Corp.	Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd	6	(Note 2)	1,871,653	1,693,993	1,041,664	–	10.45%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Limited	6	(Note 2)	1,056,210	1,056,210	1,056,210	–	6.52%	(Note 3)			

Note 1: The guarantee's relationship with the guarantor is as follows:
(1) Ordinary business relationship.
(2) A subsidiary whose common stock is more than 50% directly owned by the guarantor.
(3) An investee whose common stock is more than 50% owned by the parent company and its subsidiary in aggregate.
(4) The parent company owns, directly or indirectly via subsidiaries, more than 50% of the guarantor's common stock.
(5) A company in the same trade that is mutually guaranteed pursuant to the covenants of a construction contract upon contracting a project.
(6) A company that is guaranteed proportionately according to the guarantor's ownership percentage due to co-investment by various investors.

Note 2: The guaranteed amount is limited to 50% of issued capital, amounting to $4,128,550 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $24,306,990 thousand.

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

iii) Securities held as of December 31, 2014
(excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC Corp.	Taiwan High Speed Rail Corporation	–	Available-for-sale financial assets – non-current	50,000,000	216,500	0.77%	216,500	
TSRC Corp.	Evergreen Steel Corporation	–	Available-for-sale financial assets – non-current	12,148,000	401,491	3.00%	401,491	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	599,999	69,120	5.42%	69,120	
TSRC Corp.	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets – non-current	5,657,000	299,482	3.90%	299,482	

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd	–	Available-for-sale financial assets – non-current	837,552	96,486	7.57%	96,486	
TSRC Biotech Ltd.	Pulse Metric Inc.	–	Available-for-sale financial assets – non-current	312,500	–	6.23%	(Note 1)	
TSRC Biotech Ltd.	CytoPharm, Inc.	–	Available-for-sale financial assets – non-current	95,108	–	0.17%	(Note 1)	
					1,083,079		1,083,079	

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

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

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

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

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

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
TSRC Corp.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(194,054)	(1.58)%	70 days	–	–	39,207	2.26%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC Corp.	Related parties	Purchase	194,054	6.78%	70 days	–	–	(39,207)	(10.59)%	
Shen Hua Chemical Industries Co., Ltd	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd	Purchase	298,934	4.36%	14 days	–	–	(26,487)	(9.12)%	
TSRC-UBE (Nantong) Chemical Industries Co. Ltd	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd	Purchase	170,544	11.12%	14 days	–	–	(7,402)	(10.51)%	
Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd	Related parties	Purchase	503,618	64.47%	40 days	–	–	(136,003)	(62.98)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd	Related parties	Sale	(503,618)	(11.85)%	40 days	–	–	136,003	20.21%	

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)	
Shen Hua Chemical Industrial Company Limited	Polybus Corporation Pte Ltd	Related parties	Sale	(164,383)	(2.01)%	40 days	–	–	75,299	7.24%	
Polybus Corporation Pte Ltd	Shen Hua Chemical Industrial Company Limited	Related parties	Purchase	164,383	21.04%	40 days	–	–	(75,299)	(34.87)%	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	1,333,734	46.59%	30 days	–	–	(91,798)	(24.80)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,333,734)	(28.10)%	30 days	–	–	91,798	22.99%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Namtong) Industries Ltd	Related parties	Purchase	1,341,657	46.87%	70 days	–	–	(241,982)	(65.36)%	
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,341,657)	(31.57)%	70 days	–	–	241,982	35.96%	

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

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 1)	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	241,982	5.79	–	–	161,290	–
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd	Related parties	136,003	7.41	–	–	54,662	–

Note 1: Until March 12, 2015.

ix) Derivative financial instrument transactions: None.

(b) Information on investees:

The following is the information on investees for the year 2014 (excluding information on investees in China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2014	Dec. 31, 2013	Shares	Percentage of ownership	Book value			
TSRC Corp.	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%	11,228,754	328,942	325,841	Subsidiary
TSRC Corp.	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%	614,849	68,709	68,709	Subsidiary
TSRC Corp.	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%	115,653	85,727	16,700	Subsidiary (Note 2)
TSRC Corp.	Taiwan Advanced Materials Corp.	26F-2, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	633,033	(46,383)	(22,264)	–
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd	9. Temasek Boulevard, 31F Suntec Tower 2, Singapore 038989	International commerce and investment corporation	2,064,874 (USD 65,101)	2,064,874 (USD 65,101)	105,830,000	100.00%	6,491,469	468,836	462,976	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai HK	Investment corporation	2,469,246 (USD 77,850)	2,469,246 (USD 77,850)	77,850,000	100.00%	2,897,938	111,656	111,656	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	672,422 (USD 21,200)	665,761 (USD 20,990)	106,734,375	30.00%	263,534	(869,656)	(260,897)	–
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.'a. r. l.	34-36 avenue de la Liberte L-1930 Luxembourg	International commerce and investment corporation	1,948,180 (EUR 50,800)	1,948,180 (EUR 50,800)	50,800,000	100.00%	2,588,968	118,533	118,533	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	2711Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware.19808.	Investment corporation	2,686,418 (EUR 70,050)	2,686,418 (EUR 70,050)	100	100.00%	2,534,973	114,584	114,584	Indirectly owned subsidiary
TSRC(USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston,TX 77079	Production and sale of synthetic rubber products	6,109,426 (USD 192,617)	6,109,426 (USD 192,617)	100	100.00%	2,000,926	396,425	339,811	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	1,586 (USD50)	1,586 (USD50)	50,000	100.00%	111,701	(72)	(72)	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	152,215 (USD 4,799)	152,215 (USD 4,799)	4,798,566	80.52%	499,361	85,727	69,027	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd	4th F1., Harbour Centre, P.O.BOX613,George Town, Grand Cayman	Investment corporation	95,788 (USD 3,020)	95,788 (USD 3,020)	3,020,210	100.00%	5	–	–	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	357,938 (USD 11,285)	357,938 (USD 11,285)	7,522,337	37.78%	454,454	212,171	80,158	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD31.718; EUR1 to NTD38.35).

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

(c) Information on investment in China:

i) Information on investment in China:

Unit: thousand dollars

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2014	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2014	Net income of investee	Direct / indirect investment holding percentage	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shen Hua Chemical Industrial Co., Ltd	Production and sale of synthetic rubber products	1,307,416 (USD 41,220)	(2)a.	–	–	–	–	316,235	65.44%	206,944 (Note 2)	2,023,139	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	732,686 (USD 23,100)	(2)c.	121,543 (USD3,832)	–	–	121,543 (USD3,832)	327,989	28.34%	92,936 (Note 3)	493,221	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	174,449 (USD 5,500)	(2)b.	124,335 (USD3,920)	–	–	124,335 (USD3,920)	4,053	100.00%	4,053 (Note 2)	265,194	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	95,154 (USD 3,000)	(2)d.	47,577 (USD1,500)	–	–	47,577 (USD1,500)	(10)	50.00%	(5) (Note 2)	101,758	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,268,720 (USD 40,000)	(2)a.	31,718 (USD1,000)	–	–	31,718 (USD1,000)	(15,824)	55.00%	(8,406) (Note 2)	944,630	–
TSRC (Nantong) Industries Ltd	Production and sale of synthetic rubber products	2,192,507 (USD 69,125)	(2)a.	210,861 (USD6,648)	–	–	210,861 (USD6,648)	430,867	100.00%	430,867 (Note 2)	3,225,357	–
TSRC (Jinan) Industries Ltd	Production and sale of compounding materials	71,366 (USD 2,250)	(2)b.	71,366 (USD2,250)	–	–	71,366 (USD2,250)	(12,401)	100.00%	(12,401) (Note 2)	(58,789)	–
Lanxess-TSRC (Nantong) Chemical Industrial Company Limited	Production and sale of NBR	786,606 (USD 24,800)	(2)a.	–	–	–	–	(306,986)	50.00%	(159,354) (Note 3)	(11,054)	–

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 NTD31.718).

ii) Limitation on investment in Mainland China:

Unit: thousand dollars

Accumulated investment amount in China as of December 31, 2014	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
607,400(USD19,150)	4,482,864(USD141,335)(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 November 1, 2012. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from November 11, 2012 to October 10, 2015.

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 NTD31.718).

iii) Significant transactions with investees in China:

i. Sales and accounts receivable

Sales to related parties in China are summarized as follows:

	2014
TSRC (Shanghai) Industries Ltd.	$ 6,700
TSRC (Nantong) Industries Ltd.	77,192
	$ 83,892

The related accounts receivable resulting from the above transactions as of December 31, 2014 as follows:

	Dec. 31, 2014
TSRC (Shanghai) Industries Ltd.	$ 1,332
TSRC (Nantong) Industries Ltd.	3,394
	$ 4,726

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

ii. Service income

Nature	Name	Service income in 2014 2014	Accounts receivable as of December 31, 2014 Dec. 31, 2014
Management and technology services	Shen Hua Chemical Industrial Co., Ltd	$ 33,311	26,350
Management and technology services	TSRC (Nantong) Industries Ltd	80,091	65,239
Management and technology services	TSRC-UBE (Nantong) Chemical Industrial Company Limited	8,079	5,792
Management and technology services & trademark rights	TSRC (Shanghai) Industries Ltd.	9,971	4,428
Management and technology services & trademark rights	TSRC (Jinan) Industries Ltd.	2,565	2,159
Management and technology services	Lanxess-TSRC (Nantong) Chemical Industrial Company Limited	11,118	6,609
		$ 145,135	110,577

iii. Service revenue

As of December 31, 2014, guarantees provided by the Company for the bank loans of investees in China were as follows:

	2014
TSRC (Nantong) Industries Ltd	$ 1,110,130
Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd	1,693,993
TSRC (Jinan) Industries Ltd	71,366
	$ 2,875,489

(14) Segment information

Please refer to the year 2014 consolidated financial statements.

6. Any financial difficulty experienced by the Company or its affiliates, and the effect brought by the difficulty upon The Company's financial situation - None.

Review and analysis of the Company's financial condition and business performance, and risk management

Review and analysis of the Company's financial condition and business performance, and risk management

TSRC Corporation and subsidiaries

I. Financial condition:

Unit: thousand dollars

Item \ Fiscal year	2014	2013	Variation	
			Amount	%
Current assets	15,659,546	15,295,687	363,859	2.38%
Property, plant and equipment	10,071,167	10,255,107	(183,940)	-1.79%
Intangible assets	2,467,432	2,506,846	(39,414)	-1.57%
Other assets	4,958,508	5,314,724	(356,216)	-6.70%
Total assets	33,156,653	33,372,364	(215,711)	-0.65%
Current liabilities	10,445,749	10,719,593	(273,844)	-2.55%
Non-current liabilities	4,572,506	5,097,806	(525,300)	-10.30%
Total liabilities	15,018,255	15,817,399	(799,144)	-5.05%
Capital stock	8,257,099	7,863,904	393,195	5.00%
Capital Surplus	849	849	0	0.00%
Retained earnings	6,194,132	6,536,125	(341,993)	-5.23%
Total shareholders' equity	18,138,398	17,554,965	583,433	3.32%

Notes to changes exceeding 20% of the ratio and amounted over NT$10 million:None.

II. Business performance:

(1) Analysis and Comparison of business performance

Unit: thousand dollars

Item / Fiscal year	2014	2013	Amount change	Percentage change (%)
Revenue	31,868,574	34,422,999	(2,554,425)	-7.42%
Operating Cost	27,905,236	30,155,898	(2,250,662)	-7.46%
Gross profit	3,963,338	4,267,101	(303,763)	-7.12%
Operating expenses	2,206,574	2,327,025	(120,451)	-5.18%
Other income and expenses	183,094	124,856	58,238	46.64%
Operating profit	1,939,858	2,064,932	(125,074)	-6.06%
Non-operating income and expenses	-392,314	37,070	(429,384)	-1,158.31%
Net profit before tax	1,547,544	2,102,002	(554,458)	-26.38%
Less: income tax expenses	303,798	386,520	(82,722)	-21.40%
Net income	1,243,746	1,715,482	(471,736)	-27.50%

Notes to changes:

1. For analysis of the change in gross profit, please refer to the "Analysis of the change in gross profit".
2. Increase in other income and expenses is caused by increased service charge and royalty income.
3. Decreased non-operating income and expense is caused by decreased profit on exchange during this period.
4. Decreased income tax is caused by decreased profitability.

Expected sales volume and the projection standards

Unit: ton

Name of product	2015	
	Expected sales volume	Projection standard
SBR, BR, TPE	481,227	Subject to the requirement of the market and customers
TPR	10,000	Subject to the requirement of the market and customers Forecast growth
Total	491,227	

(2) Analysis of the change in gross profit

Unit: thousand dollars

Product	Change	Causes for changes			
		Difference in selling price	Difference in cost price	Difference in sale portfolio	Difference in quantity
Rubber products	(306,175)	(1,302,540)	1,155,920	(29,905)	(129,650)
Others	2,412				
Total	(303,763)				

Explanation: The reduced in gross profit this year over last year is a result of an reduced in the selling price more than that in the cost of raw materials.

III. Cash flow:

Cash balance at the beginning	Net cash flow from operating activities of the year	Cash inflow (outflow) of the year	Remainder (deficit) of cash	Remedy for insufficient cash	
				Investment plan	Financial plan
4,994,973	2,035,571	(1,937,667)	5,092,877	–	–

(1) Analysis of change in cash flow in the current year:

1. Operating activities: Mainly generated from the cash inflow of the income generated from operating activities at NT$ 2,518,993,000 of assets, liabilities net cash outflow arising from changes in NT$483,422,000.
2. Investing activities: The net cash outflow from investing activities amounting to NT$467,229,000, the main changes are the $480,312,000 for the acquisition of property, plant, and equipment, and the increase of $50,857,000 in dividends received.
3. Financing activities: Net cash flow from finances amounting to NT$1,636,168,000, the main changes are the $318,376,000 thousand decrease in short-term loans, $311,516,000 decrease in short-term notes payable, long-term borrowing of $2,325,034,000, paying back $2,038,107,000 in long-term borrowing, and distributing $1,286,916,000 in cash dividends.

(2) Improvement plan on in currency: None

(3) Analysis of cash flow in the following year:

Unit: thousand dollars

Cash balance at the beginning(1)	Projected cash flow from operation of the year (2)	Projected cash outflow of the year(3)	Projected remainder (deficit) of cash (1)+(2)-(3)	Remedy for insufficient cash	
				Investment plan	Financial plan
5,092,877	3,495,000	(3,410,000)	5,177,877	–	–

IV. Effect upon financial operations of any major capital expenditure

(1) Major capital expenditure condition and source of funding.

Item	Sources of funds	Actual or intended Completion Date	Amount	Year	
				2014	2015
TPE A production line in Kaohsiung is converted to SEBS production.	Capital in hand and loans.	May 2015	466,000,000	206,000,000	260,000,000

(2) Benefits generated: Expected to increase profitability.

V. The Company's reinvestment policy, the main reasons for profit/loss generated thereby the plan for improving re-investment profitability, and investment plans for the following year:

The Company’ s major subsidiaries are in China. Due to intense competition in the synthetic rubber market in China in 2014, the Company’ s revenue and profit declined slightly. In order to maintain our leadership position in the synthetic rubber industry, the company's spin-off will be specialty rubbers and the development of high value added products in order to maintain the company's overall operating performance.

VI. Analysis and assessment of risk management

(1) The effect of interest rate and exchange rate fluctuation and inflation on the profit of the Company and the countermeasures

Impact on the net income of the Company:

Item	Year 2014 (NT$ thousands; %)
Net interest income (expense)	(89,430)
Net exchange gain (loss)	8,610
Net interest income as a percentage of net revenue	(0.28%)
Net interest income as a percentage of pre-tax net income	(5.78%)
Net exchange gain as a percentage of net revenue	0.03%
Net exchange gain as a percentage of pre-tax net income	0.56%

Interest rate:

Over the past year, financial market interest rate remained substandard. Looking ahead to 2015, due to the slow global economic recovery, the margin of interest rate increase is expected to be minimal. The company will continue to obtain short-term funds through commercial papers and bank loans. In addition, we will observe the interest rate trend closely to adjust the long-term debt portion of the floating interest rate in order to decrease the risk of increased capital as a result of increased interest rate.

Exchange rate:

Net position management is implemented for foreign currency assets and debts to minimize currency risk exposure and make currency risk controllable. In the future, net position management will continue to be implemented, while international financial trend and exchange rate fluctuations are monitored to conduct necessary hedging operations.

Inflation:

The Company monitors the supply and demand of all types of raw material and stays informed over the price trends of all products and raw material as our basis for decision-making. The Company also improves its ability in inventory management to hedge the risk of inflation. Judged by current management measures and control, inflation has limited impact on the operations of our Company.

(2) Policy on high risk and high leverage investments, loans to a third party, guarantee and endorsement and derivative trade, and the main cause for profit or loss, and countermeasures

The company does not engage in high risk, high leverage investment and derivative products. Only invested companies evaluated according to the equity method are endorsed and guaranteed. The company will handle all aforementioned transactions based on “Procedure for Handling Acquisition and Disposal of Assets” , “Amendment to the Operational Procedures for Loaning of Company Funds” and “Operational Procedures for Endorsements and Guarantees” .

(3) R&D spending in the future

Unit: thousand dollars

Project name	Expected R&D spending
High Performance SSBR Development for Green Tire	30,000
NBR rubber product development.	10,000
Improving the product quality of SBS and SIS	20,000
Developing HSBC products with high added-value	30,000
Expansion of semi-commercial factories.	66,000
Development of new production technologies.	10,000

(4) Major change in government policies and laws domestically and overseas. The effect on the financial position and operation of the company, and countermeasures

The company has always complied with government's laws and regulations and monitored the change in government policies and laws in domestic and overseas. The change in government policies and laws in the country and overseas in the recent year did not cause any effect to the company's finance and operations.

(5) The effect of the changes in technologies and industry on the financial position and operation of the company, and countermeasures: No

(6) The effect of change in corporate image on corporate crisis management and countermeasures:

The Company adheres to the value highlighting honesty and integrity, reward for innovation and teamwork, namely, take social responsibility and continue innovation and development, cherish resources on the earth and enhance welfare for humans, fulfill business performance and become leading enterprise. Meanwhile, the Company is dedicated to providing high value-added products and systematic resolutions through the production process respecting environmental protection and, therefore, becomes the first priority of high polymer material suppliers.

The Company will work with customers to create the competitive strength and complete the mission successfully. The Company's corporate identity highlighting the creation of fine-quality life for the social public remains unchanged. Also, no corporate risk took place in the Company.

(7) Expected benefits from mergers and acquisitions, possible risk, and countermeasures: No

(8) Expected benefits from capacity and plant expansion, possible risk, and countermeasures: No

(9) Risk deriving from over concentration of purchase or sales:

Purchase: Capacity of the suppliers of butadiene, the company's major raw materials, is limited. In order to stabilize the source of raw materials and in consideration of the acquisition cost, the company entered into the supply contract with the domestic major suppliers to concentrate the supply. If the domestic suppliers suffer force majeure, the company still can acquire the raw materials from oreign suppliers. Therefore, there is no likelihood of short supply of the raw materials.

Sales: The company's clients consist of mainly domestic/foreign tire, plastic modifier and adhesive manufacturers. In addition to sound financial health, our sales department implements budget quota control for all our clients, and credit investigation is an ongoing process, where our clients' financial status is examined regularly every year. So far, no major credit risks have been discovered.

(10) The effect and risk from massive transfer of equity by or replacement of directors, supervisors or shareholders holdings more than 10% of the capital stock, and countermeasures: No

(11) The effect and the risk deriving from the change in management on the company, and countermeasures: No

(12) Litigious and non-litigious matters between the Company and the Company's directors, supervisors, presidents, responsible persons and top ten shareholders with more than 10% shareholding, and subsidiaries: No

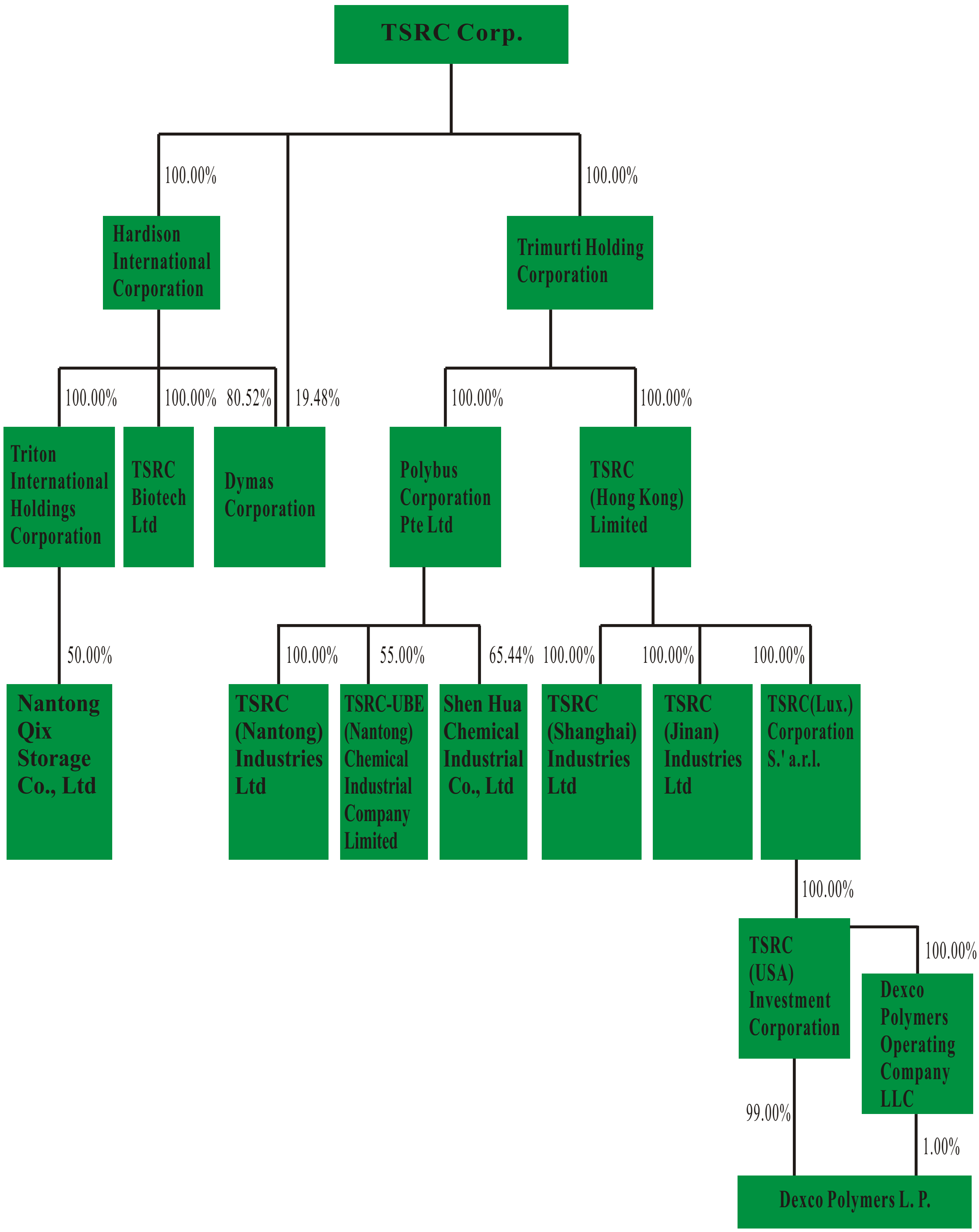
(13) Other major risk and countermeasures: No

VII. Others important matters: No

Special Notices

I. Information about the Company's affiliates

(1) Organizational chart of affiliates



(2) Profiles of the Company's affiliates

Name of enterprise	Date of establishment	Address	Paid-in capital	Principal business
Trimurti Holding Corporation	1994.03.10	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD86,920,000	Investment corporation
Hardison International Corporation	1994.03.11	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD3,896,000	Investment corporation
Dymas Corporation	1991.03.19	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD5,960,000	Investment corporation
Polybus Corporation Pte Ltd	1995.02.25	9 Temasek Boulevard, 31F Suntec Tower 2, Singapore 038989	SGD105,830,000	Trading and investment corporation
TSRC (Hong Kong) Limited	2008.03.19	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai HK	USD77,850,000	Investment corporation
Triton International Holdings Corporation	1993.05.24	Palm Grove House P.O. Box 438, Road Town, Tortola, B.V.I.	USD50,000	Investment corporation
TSRC Biotech Ltd	1997.08.07	4th Fl.,Harbour Centre, P.O.BOX613, George Town, Grand Cayman	USD3,020,000	Investment corporation
TSRC (Lux.) Corporation S.' a. r. l.	2011.07.26	34-36 Avenue de la Liberte, L-1930 Luxembourg	EUR50,800,000	Trading and investment corporation
TSRC (USA)Investment Corporation	2011.01.27	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808	USD70,050,000	Investment corporation
Dexco Polymers L. P.	2002.02.20	12012 Wickchester Lane, Suite 280, Houston, TX 77079	USD192,617,000	Production and sale of synthetic rubber products
TSRC (Shanghai) Industries Ltd	2001.02.22	No. 1406, Yu Shu Road, Hi-tech Park Songjiang Zone, Shanghai, P.R.C.	USD5,500,000	Production and sale of compounding materials
TSRC (Jinan) Industries Ltd	2006.09.15	No. 666 LinGang St., Yao Qiang Town, Li Cheng Zone, Jinan City, Shan Dong, PRC.	USD2,250,000	Production and sale of compounding materials
Shen Hua Chemical Industrial Co., Ltd	1996.03.29	NO.1 Shen Hua Road, Nantong Economic & Technology Development Area, Nantong Jiangsu, P.R.C.	USD41,220,000	Production and sale of synthetic rubber products
TSRC (Nantong) Industries Ltd	2006.09.05	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD69,125,000	Production and sale of synthetic rubber products
TSRC-UBE (Nantong) Chemical Industrial Company Limited	2006.12.06	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD40,000,000	Production and sale of synthetic rubber products
Nantong Qix Storage Co., Ltd	2004.04.28	No. 111 He Xing Road, Nantong Economic & Technological Development Area, Nantong, Jiangsu, P.R.C.	USD3,000,000	Storehouse for chemicals

Note：TSRC (USA) Investment Corporation is a limited liability shareholder of Dexco Polymers L.P. Operating Company LLC (Dexco LLC). Besides 99% investment in Dexco Polymers L.P., it also holds 1% indirect investment in Dexco Polymers L.P. through Dexco LLC. Since Dexco LLC does not involve in actual operation, therefore information pertinent to Dexco LLC has not been included.

(3) Ruled as holdings by the same shareholders of the subsidiaries: No

(4) The business covered by all group enterprises and breakdown thereof:

Name of enterprise	Business covered	Affiliation with business	Breakdown
Trimurti Holding Corporation	Investment corporation, reinvestment in Polybus Corporation Pte Ltd. and TSRC (Hong Kong) Limited.	No	Recognized as the Company's offshore investee
Hardison International Corporation	Investment corporation, reinvestment in Dymas Corporation-Triton International Holdings Corporation and TSRC Biotech Ltd.	No	Recognized as the Company's offshore investee
Dymas Corporation	Investment Corporation	No	Recognized as the Company's offshore investee
Polybus Corporation Pte Ltd	Trading and investment corporation, reinvestment in Shen Hua Chemical Industrial, TSRC (Nantong) Industries Ltd. and TSRC-UBE (Nantong) Chemical Industries Company Limited	Yes	Recognized as the Company's offshore investee; responsible for the part of sales activities of the Company, TSRC (Nantong) Industries Ltd. and Shen Hua Chemical Industrial Co., Ltd.
TSRC (Hong Kong) Limited	Investment corporation, reinvestment in TSRC (Shanghai) Industries Ltd. and TSRC (Jinan) Industries Ltd. and TSRC(Lux.) Corporation S.' a. r. l.	No	Recognized as the Company's offshore investee
Triton International Holdings Corporation	Investment corporation, reinvestment in Nantong Qix Storage Co., Ltd. in Nantong	No	Recognized as the Company's offshore investee
TSRC Biotech Ltd.	Investment corporation	No	Recognized as the Company's offshore investee
TSRC (Lux.) Corporation S.' a. r. l.	Trading and investment corporation, reinvestment in TSRC (USA) Investment Corporation	Yes	Recognized as the Company's offshore investee; responsible for certain sales activities of The Company and Dexco Polymers L.P. to which and TSRC (Nantong) Industries Ltd.
TSRC (USA) Investment Corporation	Investment corporation, reinvestment in Dexco Polymers L. P. and Dexco Polymers Operating Company LLC	No	Recognized as the Company's offshore investee
Dexco Polymers L. P.	Production and sale of synthetic rubber products	No	Recognized as the company's offshore investee. The company provides information service for the company.
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	Yes	Recognized as the Company's offshore investee. The Company sells certain products and provides management and technical services to this company.
TSRC (Jinan) Industries Ltd	Production and sale of compounding materials	Yes	Recognized as the Company's offshore investee. The Company sells certain products and provides management and technical services to this company.
Shen Hua Chemical Industrial Co., Ltd	Production and sale of synthetic rubber products	Yes	Recognized as the Company's offshore investee. The Company provides management and technical services to this company.
TSRC (Nantong)Industries Ltd	Production and sale of synthetic rubber products	Yes	Recognized as the Company's offshore investee; The Company sold a part of the products and provided the management and technical service.
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	Yes	Recognized as the Company's offshore investee. The Company provides management and technical services to this company.
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	No	Recognized as the Company's offshore investee

(5) Profiles of Directors, Supervisors and Presidents of the Company's affiliates:

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
Trimurti Holding Corporation	Director	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
Hardison International Corporation	Director	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Dymas Corporation	Director	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Polybus Corporation Pte Ltd	Director	Wei-Hua Tu	–	–
	Director	Gino C. Y. Chen	–	–
	Director	Chung-Zung Kung	–	–
	Director	TEH KWANG HWEE	–	–
TSRC (Hong Kong) Limited	Director	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
TSRC (Lux.) Corporation S.'a r.l.	Director	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
	Director	Christopher J. Mudd	–	–
	Director	David Maria	–	–
	President	Juergen Schneider	–	–
TSRC(USA) Investment Corporation	Director	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
	Director	Richard C Yeh	–	–
	President	Wei-Hua Tu	–	–
Triton International Holdings Corporation	Director	Wei-Hua Tu	–	–
	Director	Chung-Zung Kung	–	–
TSRC Biotech Ltd	Director	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Dexco Polymers L.P.	President	Christopher J. Mudd	–	–

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
TSRC (Shanghai) Industries Ltd	Chairman	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Kuo Huang-Cheng	–	–
	Supervisor	Chung-Zung Kung	–	–
	Acting President	Vincent Chen	–	–
TSRC (Jinan) Industries Ltd	Chairman	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Kuo Huang-Cheng	–	–
	Supervisor	Chung-Zung Kung	–	–
	President	Sean Cheng	–	–
Shen Hua Chemical Industrial Co., Ltd	Chairman	Wei-Hua Tu	–	–
	Director	Gino C. Y. Chen	–	–
	Director	Chung-Zung Kung	–	–
	Director	Tsu-Ti Liu	–	–
	Director	Chao Yang Jiang	–	–
	Director	Qiang Xin Lu	–	–
	Director	Yagi Takeshi	–	–
	President	Chao Yang Jiang	–	–
TSRC (Nantong) Industries Ltd	Chairman	Wei-Hua Tu	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chin-Bao Lu	–	–
	Supervisor	Chung-Zung Kung	–	–
	President	Chin-Bao Lu	–	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Chairman	Wei-Hua Tu	–	–
	Director	Gino C. Y. Chen	–	–
	Director	Chung-Zung Kung	–	–
	Director	Matsuo Norihide	–	–
	Director	Yagi Takeshi	–	–
	Supervisor	Homma Yoshitomo	–	–
	President	Jim Chien	–	–
Nantong Qix Storage Co., Ltd	Chairman	Wei-Hua Tu	–	–
	Director	Chao Yang Jiang	–	–
	Director	Delong Luo	–	–
	Director	Xuebing Ben	–	–

(6) Operation in Review of Affiliated Enterprises

Unit: thousand dollars

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Gain/loss current period (after tax)	EPS after tax (NTD)
Trimurti Holding Corporation	2,753,075	12,383,481	1,098,894	11,228,754	0	-37,588	328,942	3.78
Hardison International Corporation	123,583	614,849	0	614,849	0	-246	68,709	17.63
Dymas Corporation	189,026	620,171	0	615,014	0	-77	85,727	14.38
Polybus Corporation Pte Ltd	2,284,722	6,789,355	309,667	6,491,469	806,185	-12,699	468,836	4.43
TSRC (Hong Kong) Limited	2,469,246	2,898,211	273	2,897,938	0	-465	111,656	1.43
Triton International Holdings Corporation	1,586	111,701	0	111,701	0	-135	-72	-1.44
TSRC Biotech Ltd	95,795	5	0	5	0	0	0	0
TSRC (Lux.) Corporation S.' a. r. l.	1,948,180	3,371,619	784,290	2,588,968	2,858,253	8,053	118,533	2.33
TSRC (USA) Investment Corporation	2,221,846	4,450,590	1,915,601	2,534,973	0	-207,621	114,584	0
Dexco Polymers L.P.	0	2,531,671	530,745	2,000,926	4,714,032	396,372	396,425	0
TSRC (Shanghai) Industries Ltd	174,449	374,328	109,135	265,194	413,883	2,121	4,053	0
TSRC (Jinan) Industries Ltd	71,366	95,354	154,143	-58,789	63,661	-17,532	-12,401	0
Shen Hua Chemical Industrial Co., Ltd	1,307,416	4,353,822	1,289,305	3,091,594	8,166,123	436,287	316,235	0
TSRC (Nantong) Industries Ltd	2,192,507	5,981,772	2,756,426	3,225,357	4,250,405	642,786	430,867	0
TSRC-UBE (Nantong) Chemical Industrial Company Limited	1,268,720	2,751,333	1,033,830	1,717,503	2,067,587	18,858	-15,824	0
Nantong Qix Storage Co., Ltd	95,154	211,664	8,149	203,515	34,066	298	-10	0

(Note) Spot exchange rate on the balance sheet date under the title of assets=USD1:NTD 31.718.
Spot exchange rate on the balance sheet date under the title of income=USD1:NTD 30.3654.

II. State of the Company's private placement of marketable securities: No.

III. Holding or disposal of the Company's shares by the Company's subsidiaries: No.

IV. Other matters to be supplemented: No.

Other disclosures

Other disclosures

I. The relevant license acquired by the personnel related to transparency of financial information as specified by the competent authority

Basic proficiency test of enterprise internal control held by Securities and Futures Institute (SFI): 4 persons in Accounting Department
The R.O.C. Qualified Internal Auditors: 2 persons in Audit Office
License for Share Registration Personnel from Securities and Futures Institute: 5 persons in Accounting Department
CPA license: 2 persons in Finance Division

II. Employees' ethics

The Company published the “Code of Dutiful Conduct” for the employees in 2002, followed by 5 amendments which clearly specifying that, in performing relevant internal and external company tasks under their duties in the company, employees must comply with the regulations about the effective utilization of resources and assets, the protection of trade secrets, the prohibition of insider trading, anti-trust rules, fair trade, avoidance of conflict between the company and personal interests, avoidance of private benefits, the prohibition of bribery, and regulations for network use and second jobs. Corresponding sanctions are also put in place.

III. Protection measures for working environment and employees' safety

The company holds emergency response actions, disaster prevention and safety training, annual health inspection, health symposiums and metal philosophy consultations to ensure the working environment and employees' safety. Meanwhile, according to the update Safety Policy in 2005, the company also discloses that its core value focuses on human beings and pursues the zero disaster through the operations of technology, safety culture, responsibility and communication.

Any circumstances referred to in Paragraph 2(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Any circumstances referred to in Paragraph 2(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities-No.

TSRC Corporation

Chairman:Shao Yu Wang

TSRC CORPORATION

HEAD OFFICE:

18F., 95, Sec. 2, Dunhua S. Rd.,
Taipei City 106, Taiwan R.O.C.
Tel: 886-2-3701 6000
Fax: 886-2-3701 6868

KAOHSIUNG FACTORY:

No.2, Singgong Rd., Dashe Dist.,
Kaohsiung City 815, Taiwan R.O.C.
Tel: 886-7-351 3811-9
Fax: 886-7-351 4705

GANGSHAN FACTORY:

No.39, Bengong 1st Rd., Gangshan
Dist., Kaohsiung City 820, Taiwan R.O.C.
Tel: 886-7-623 3005
Fax: 886-7-622 5481