Stock Code : 2103

TSRC CORPORATION

Annual Report 2015

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

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The report to Shareholders

The Report to the Shareholders

Dear Shareholders:

In review of 2015's operational advancement, TSRC (Nantong) Industries Ltd. gained new customers' approval on SIS granulation and Kaohsiung plant accomplished modification of TPE SEBS production line in expansion of our high value added product business to better off the Company's revenue and profitability. At the aspect of HSEQ, the Company was honored and awarded by the Industrial Development Bureau of Ministry of Economic Affairs for its implementation and accomplishment of the district-joint-reaction mechanism and the joint-defense network in prevention of incident by toxic substance.

Achievement of 2015

Business Achievement

In the bumpy 2015, synthetic rubber industry underwent the inert automobile and tire markets stagnated by China's slow economy and hammered by US anti-dumping and anti-subsidy sanctions against Chinese tire manufacturers. Moreover, the plummet of oil price causing price plunge of butadiene and synthetic rubber gave another heavy punch onto the industry in terms of the macro environment. Meanwhile, at the industry's micro aspect, new production volume flooding into the market speeded up and exacerbated the imbalance between supply and demand of synthetic rubber market.

Nonetheless, to overcome such harsh and rigorous challenges for assurance of profitability, the TSRC team has been everlastingly devoting in cost improvement, enhancement of production flexibility and coalition reinforcement with strategic customers.

Furthermore, an SBS line in Kaohsiung plant had been modified into SEBS line to grow a richer product mix in high-margin and high-end TPE products.

In sum, to the 2015, the Company approached consolidated revenue of NTD25.98 billion, 18% less than previous year, which turned out to be NTD3.37 billion in gross profit and NTD1.39 billion in operating profit, presenting 15% and 28% respectively less than previous year. Finally the net income after tax of 2015 winded up with an amount of NTD529 million, a 54% decrease from the previous year, posing a net profit margin of 2.31% and EPS NTD0.64 for the year of 2015.

R&D Achievement

In adapting to the global oversupply plight of synthetic rubber, we have devoted ourselves in product differentiation efforts, like developing high performance and ECO tire application in providing better wet-grip performance and handling capacity and offering customers all-around technical service to meet customers' demand and needs.

To grasp the high-end TPE advantage and meet global major players' demand and needs, the team has been advancing into the applied materials with the market's commanding niche, e.g. High-end shoe materials, special adhesives, ultra-film materials, high-tech medical materials. The team also continues to enhance the TPE product quality and process improvement, and establish the global product technical service network for being an accountable and trustful partner to our global customers.

Meanwhile, the Company filed 4 patent applications and obtained 28 patent approvals in the year.

Business Outlook of 2016

2016 is expected to be a year with steady recovery of European and U.S. economies and slight growth in Asian automobile and tire markets. However, the plight of oversupply in synthetic rubber industry remains unrelieved in the short run. In maintaining the volume growth in production and sales over years and improving the capacity utilization and market share, the Company will not only enhance the production and marketing integration and increase the global sales volume in high-valued TPE fields, but also accelerate our procurement of global brand's certification in high-end shoe materials to reach the goal for profit making.

Development Strategy

The Company will continue proactively taking the initiative to upgrading and transformation, enlarging the proportion of TPE business, moving forwards to the specialty niche markets for specialty chemical products and applied materials, and enhancement of R&D capabilities in high-end technology and customization. Furthermore, the Company will continue to adhere to the concept of treasuring global resources and implementing the corporate social responsibility and sustainable operation, and make all its efforts in developing ECO materials and creating business success in return of the support and encouragement from all shareholders.

Chairman : Shao Yu Wang

Company's profile

Company's profile

I. Company's profile

(1) Date of incorporation

July 27, 1973

(2) Company history

Nov. 1973 Taiwan Synthetic Rubber Corp. was established in Taipei, Taiwan. The factory location was established in Tashe Petrochemical Industrial Park, Kaohsiung, Taiwan. The Company acquired the Styrene Butadiene Rubber technology from B. F. Goodrich to build a 100,000 ton per year of SBR plant.

Feb. 1977 Completed the construction of 100,000 tons of SBR plant.

Jan. 1980 Build a 40,000 tons per year of poly butadiene (BR) plant in Kaohsiung, Taiwan. The technology was licensed from Japan-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.

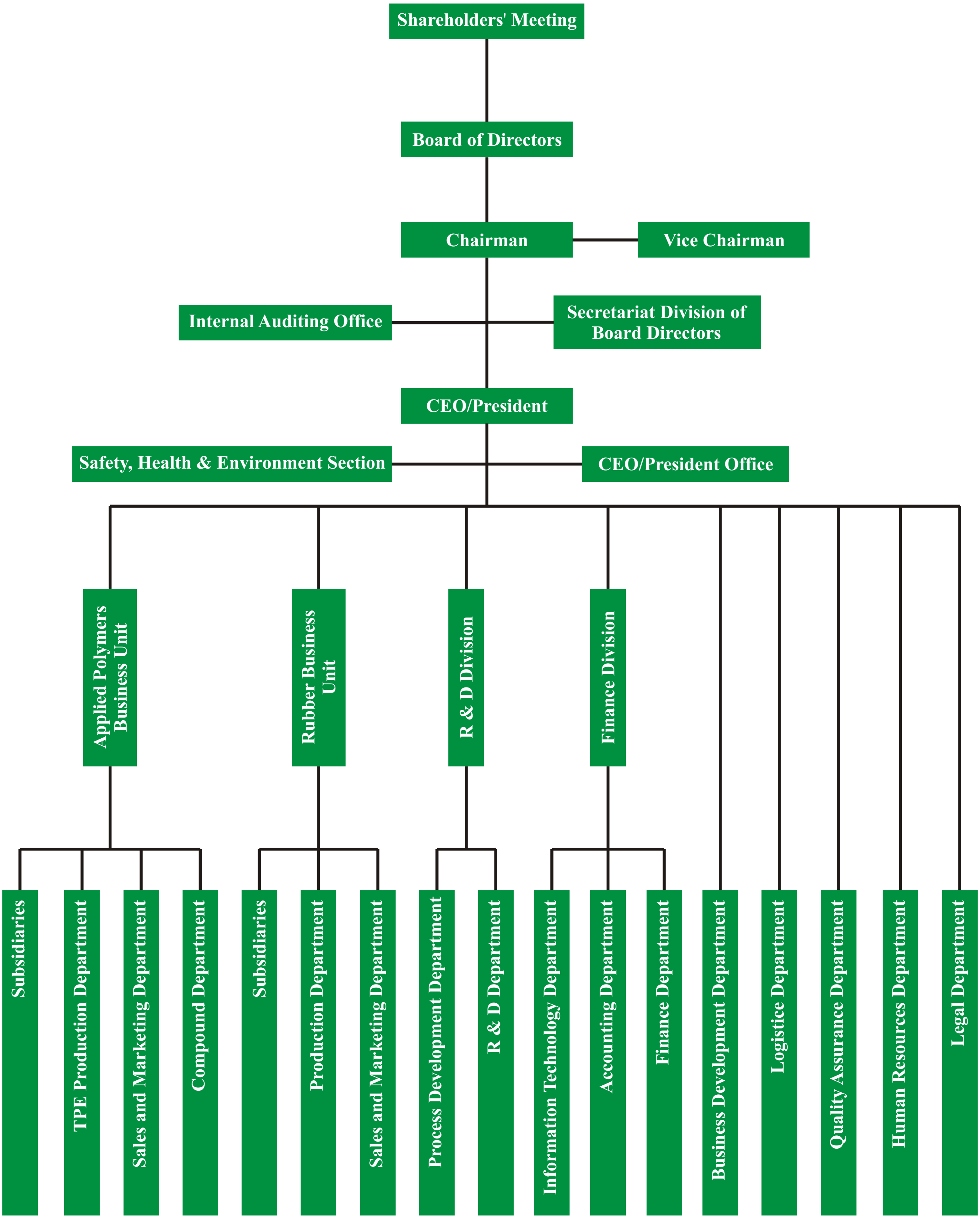
July 2008 Started to commercialize SEBS product in TSRC (Nantong) Industrial Ltd.

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.
Apr. 2015 TSRC (Jinan) Industries Ltd. was closed.

Corporate governance report

I. Company's organization

Structure



Tasks of principal divisions/departments/business

Secretariat Division of Board Directors	Responsible to provide relevant resources or assistance required by the Board of Directors and execution duties by Directors to help with the smooth running of the meetings of Board of Directors.
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 & Management 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	Manage the Company's funding and financing activities, and businesses related to the invested company and investors' activities.
Accounting Department	Manage the formulation of the Company's accounting system, tax administration, costs and accounting settlement, generation of management reports, and handling of stock 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 (1)

Job title	Name	Place of registration or nationality	Date of elected	Term of contract	Date of first elected	Shares held when elected		Shares currently held		
						Share(s)	%	Share(s)	%	
Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Shao Yu Wang	Republic of China	2015.06.10	3	1988.07.27	28,455,498 0	3.4% -	53,708,923 0	6.5% -	
Director	Wei Dah Development Co., Ltd. Statutory Representative: Nita Ing	Republic of China	2015.06.10	3	1985.07.27	28,455,498 0	3.4% -	53,708,923 0	6.5% -	
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang	Republic of China	2015.06.10	3	2012.06.06	28,455,498 762	3.4% -	53,708,923 762	6.5% -	
Director	Metacity Development Corporation Statutory Representative: Tzu Wei Lee	Republic of China	2015.06.10	3	2002.09.02	30,431,403 1,046	3.7% -	31,093,108 1,046	3.8% -	
Director	Metacity Development Corporation Statutory Representative: D. Otto Cheng	Republic of China	2015.06.10	3	2000.07.27	30,431,403 122,201	3.7% -	31,093,108 122,201	3.8% -	

Dec. 31, 2015

	Shares currently held by their spouses and children of minor age		Shares held in through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	%	Share(s)	%			Job title	Name	Relati-onship
-	176,150	-	0	-	Soochow University /Fudan University PRC	Yung-an Rental Corp., Taiwan Insulation Material Industrial Company.	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	-	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
	0	-	0	-	M.Sc.,Management Science National Chiao Tung University	Tai Ho Development Investment Limited.	No	No	No
	99,853	-	109,725	-	Ph.D. in Chemistry, Michigan State University, USA	Independent Supervisor of Ardentec Corporation	No	No	No

Job title	Name	Place of registration or nationality	Date of elected	Term of contract	Date of first elected	Shares held when elected		Shares currently held		
						Share(s)	%	Share(s)	%	
Director	John T. Yu	Republic of China	2015.06.10	3	2015.06.10	0	-	0	-	
Independent Director	Robert Hung	Republic of China	2015.06.10	3	2012.06.06	0	-	0	-	
Independent Director	Henry Lin	Republic of China	2015.06.10	3	2015.06.10	0	-	0	-	

Note: The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.

Shares currently held by their spouses and children of minor age		Shares held in through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
Share(s)	%	Share(s)	%			Job title	Name	Relati-onship
0	-	0	-	CTCI Corporation, Assistant Vice President/Vice President/President, Management Program of Harvard Business School, Bachelor, Department of Electrical Engineering, National Taiwan University	Chairman of CTCI Corporation, Chairman of CTCI Overseas Corp. Ltd., Director of JDEC Co., Ltd, Director of Pan Asia Corporation, Director of TSC Venture Capital Corporation, Director of Gintech Energy Corporation, Director of Utech Solar Corporation, Director of Taiwan Cement Corporation, Supervisor of China Steel Chemical 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's Degree from the College of Management, National Taiwan University National Chung Hsing University Bachelor of Accounting	Chief Financial Officer of Wistron Corporation, Director of Browave Corp., Independent Director of RDC Semiconductor Co., Ltd., Independent Director of AVer Information Inc., Director of AOPEN Inc., Director of Wistron NeWeb Corp.	No	No	No

Major shareholders of institutional shareholders

Dec. 31, 2015

Institutional shareholders	Major shareholders of institutional shareholders
Wei Dah Development Co.,Ltd.	Ching Shan Zhen Corporation (99.8%)
Metacity Development Corporation	Ching Shan Zhen Corporation (99.8%)

Major shareholders of major shareholders of institutional shareholders

Dec. 31, 2015

Institutional shareholders	Major institutional shareholders
Ching Shan Zhen Corporation	Jode Fortune Enterprises Inc.(100%)

Information on directors (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	v		No
Nita Ing			v	v	v	v	v		v	v	v	v		No
Chin-Shan Chiang			v	v	v	v	v	v	v	v	v	v		No
Tzu Wei Lee			v	v	v	v	v	v	v	v	v	v		No
D. Otto Cheng			v	v	v	v	v	v	v	v	v	v		No
John T. Yu			v	v	v	v	v	v	v	v	v	v	v	No
Robert Hung			v	v	v	v	v	v	v	v	v	v	v	1
Henry Lin			v	v	v	v	v	v	v	v	v	v	v	2

(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 institutional shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five institutional 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;

Note: The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.

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)	%	Share(s)	%	
President	Joseph Chai	Singapore	2015.11.01	0	-	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, 2015

	Shares held through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	%			Job title	Name	Relationship
	0	-	Lubrizol Corporation Deputy Vice President of Asia Pacific / MBA, Case Western Reserve University, USA	Presidents of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Nantong Qix Storage Co., Ltd., Directors of Polybus Corporation Pte. Ltd., TSRC (Hong Kong) Limited, Trimurti Holding Corporation, Hardison Int'l Corporation, Dymas Corporation, Triton Int'l Holdings Corporation, TSRC Biotech 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	Presidents of TSRC (Nantong) Industrial Ltd. and TSRC (Shanghai) Industrial Ltd. Statutory Representative of Dexco Polymers Operating Company LLC. Directors of Lanxess-TSRC (Nantong) Chemical Industrial Co., Taiwan Advanced Materials Corporation, Trimurti Holding Corporation, Hardison Int'l Corporation, TSRC Biotech Ltd., TSRC (Hong Kong) Limited, Dymas Corporation, Polybus Corporation Pte. Ltd., TSRC (Lux.) Corporation, S.'a.r.l., Indian Synthetic Rubber Private Ltd. and APED Company Ltd.	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 Corporation, Triton Int'l Holdings Corporation, TSRC (Hong Kong) Limited, TSRC (USA) Investment Corporation, Dexco Polymers Operating Company LLC, TSRC (Lux.) Corporation S.'a.r.l and Indian Synthetic Rubber Private Ltd. Supervisors of TSRC (Nantong) Industrial Ltd., TSRC (Shanghai) Industrial Ltd., and Lanxess-TSRC (Nantong) Chemical Industrial Company	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)	%	Share(s)	%	
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 Finance Division	Eddy Chao	Republic of China	2008.08.01	2,705	-	0	-	
Asst .Vice President CEO/President Office	Alice Yuan	Republic of China	2013.08.08	262	-	21	-	

Shares held through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
Share(s)	%			Job title	Name	Relationship
0	-	General Manager of Marketing in China, Teknor Apex and / Chemical Engineer, Chung Yuan Christian University	Directors of TSRC (Nantong) Industrial Ltd. and TSRC (Shanghai) Industrial Ltd.	No	No	No
0	-	Kaohsiung factory manager and Assistant of Manufacturing Division, Acting Vice President of Rubber Business Division TSRC. Vice President & Factory manager of Shen Hua Chemical Industrial Co., Ltd. and / Chemical Engineer, Chung Yuan Christian University, Executive Master of Business Administration, National Sun Yat-Sen University	Directors of Shen Hua Chemical Industrial Ltd. and Taiwan Advanced Materials Corporation	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.	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
0	-	Assistant Vice President and Manager, Rubber Business Unit, Marketing & Sales Department and / Economics, Feng Chia University Master's Degree from the College of Management, Master's Degree from the College of Management, National Taiwan 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)	%	Share(s)	%	
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 Human Resources & Management Department	Alison Tung	Republic of China	2015.06.01	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 through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	%			Job title	Name	Relati-onship
	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	-	Microsoft Corp. Client-aligned Director of HR Greater China Region、Vice President, Human Resource (GIGNA Int'l, Taipei, Taiwan)、 National Taiwan University- EMBA、New York University -MA, Industrial & Organizational Psychology	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 of Polybus Corporation Pte. Ltd. Directors of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Lanxess-TSRC (Nantong) Chemical Industrial Co., Indian Synthetic Rubber Limited and Thai Synthetic Rubber Co., Ltd.	No	No	No
	0	-	Acting Vice President of Research and Development Division, TSRC 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

Job title	Name	Directors remuneration								Percentage of the total of A, B, C and D accounting for income after tax	
		Base compensation (A)		Severance pay and pensions (B)		Remuneration to directors(C)		Business execution expenses(D)			
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report
Chairman	Hao Ran Foundation Statutory Representative: Shao Yu Wang										
Director	Hao Ran Foundation Statutory Representative: Nita Ing										
Director	Hao Ran Foundation Statutory Representative: Tzu Wei Lee										
Director	Hao Ran Foundation Statutory Representative: Liang Chang										
Director	Hao Ran Foundation										
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang										
Director	Wei Dah Development Co., Ltd. Statutory Representative: J. K. Loh										
Director	Wei Dah Development Co., Ltd.										
Director	Ching Shan Zhen Corporation Statutory Representative: D. Otto Cheng	Total 13,782	Total 13,782	Total 0	Total 0	Total 3,199	Total 3,199	Total 2,159	Total 2,159	3.62 %	3.62 %
Director	Ching Shan Zhen Corporation										
Independent Director	Robert Hung										
Independent Director	Ting Kai(Peter) Wu										
Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Shao Yu Wang (Note 2)										
Vice Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Nita Ing (Note 2)										
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang (Note 2)										
Director	Wei Dah Development Co., Ltd. (Note 2)										

Unit: NTD in thousands

	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		Compensation paid to directors from non-consolidated affiliates
	Salary, bonus and special allowance(E)		Severance pay and pensions (F)		Employees' earnings (G)				Acquisition of employee stock warrants (H)		Granted new restricted employee shares (I)				
	The company	Companies in Financial Report	The company	Companies in Financial Report	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	Stock	Cash	Stock							
	0	0	0	0	0	0	0	0	0	0	0	0	3.62 %	3.62 %	No

Continued on next page

Job title	Name	Directors remuneration								Percentage of the total of A, B, C and D accounting for income after tax		
		Base compensation (A)		Severance pay and pensions (B)		Remuneration to directors(C)		Business execution expenses(D)				
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	
Director	Metacity Development Corporation Statutory Representative: Tzu Wei Lee (Note 2)											
Director	Metacity Development Corporation Statutory Representative: D. Otto Cheng (Note 2)											
Director	Metacity Development Corporation (Note 2)											
Director	John T. Yu (Note 2)											
Independent Director	Robert Hung (Note 2)											
Independent Director	Henry Lin (Note 2)											
Independent Director	Katz, Andrew (Note 2)(Note 3)											

Continued from previous page

	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		Compensation paid to directors from non-consolidated affiliates
	Salary, bonus and special allowance(E)		Severance Pay and Pensions (F)		Employees' earnings (G)				Acquisition of employee stock warrants (H)		Granted new restricted employee shares (I)				
	The company	Companies in Financial Report	The company	Companies in Financial Report	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	Stock	Cash	Stock							

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	Nita Ing Chin-Shan Chiang Tzu Wei Lee D. Otto Cheng John T. Yu Henry Lin Katz, Andrew Liang Chang J. K. Loh Ting Kai (Peter) Wu Wei Dah Development Co., Ltd. Metacity Development Corporation Hao Ran foundation Ching Shan Zhen Corporation	Please refer to the left column.	Nita Ing Chin-Shan Chiang Tzu Wei Lee D. Otto Cheng John T. Yu Henry Lin Katz, Andrew Liang Chang J. K. Loh Ting Kai (Peter) Wu Wei Dah Development Co., Ltd. Metacity Development Corporation Hao Ran foundation Ching Shan Zhen Corporation	Please refer to the left column.
2,000,000 (inclusive of 2,000,000)-5,000,000(does not contain 5,000,000)	Robert Hung	Please refer to the left column.	Robert Hung	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	Please refer to the left column.	Shao Yu Wang	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	16	Please refer to the left column.	16	Please refer to the left column.

Note 1: The Company re-elected all directors on June 10, 2015.

Note 2: On board date started from June 10, 2015.

Note 3: Resigned on August 7, 2015.

Note 4: One leased vehicle and one driver assigned to the Company's. The yearly rent for the leased vehicle is NT$ 924 thousand and the remuneration paid to the driver is NT$ 874 thousand.

Note 5: Remuneration to directors, which was a proposed amount

2. Supervisors' remuneration

Unit: NTD in thousands

<table>
<tr><th rowspan="3">Job title</th><th rowspan="3">Name</th><th colspan="6">Supervisors remuneration</th><th colspan="2" rowspan="2">Percentage of the total of A, B, and C accounting for income after tax</th><th rowspan="3">Compensation paid to directors from non-consolidated affiliates</th></tr>
<tr><th colspan="2">Base compensation (A)</th><th colspan="2">Remuneration (B)</th><th colspan="2">Business execution expenses(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><th>The company</th><th>Companies in Financial Report</th></tr>
<tr><td>Supervisor</td><td>Dragony Investment Corporation</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">0</td><td rowspan="3">Total 406</td><td rowspan="3">Total 406</td><td rowspan="3">0.08 %</td><td rowspan="3">0.08 %</td><td rowspan="3">No</td></tr>
<tr><td>Supervisor</td><td>Dragony Investment Corporation Statutory Representative: Miles Hsieh</td></tr>
<tr><td>Supervisor</td><td>Tsai-Der Chen</td></tr>
</table>

<table>
<tr><th rowspan="3">Remuneration paid to the various supervisors (note)</th><th colspan="2">Name of supervisors</th></tr>
<tr><th colspan="2">Total (A+B+C)</th></tr>
<tr><th>The Company</th><th>Companies in Financial Report</th></tr>
<tr><td>2,000,000 below</td><td>Miles Hsieh
Tsai-Der Chen
Dragony Investment Corporation</td><td>Please refer to the left column.</td></tr>
<tr><td>2,000,000 (inclusive of 2,000,000)-5,000,000(does not contain 5,000,000)</td><td>-</td><td>-</td></tr>
<tr><td>5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)</td><td>-</td><td>-</td></tr>
<tr><td>10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)</td><td>-</td><td>-</td></tr>
<tr><td>15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)</td><td>-</td><td>-</td></tr>
<tr><td>30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)</td><td>-</td><td>-</td></tr>
<tr><td>50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)</td><td>-</td><td>-</td></tr>
<tr><td>100,000,000 above</td><td>-</td><td>-</td></tr>
<tr><td>Total</td><td>2</td><td>Please refer to the left column.</td></tr>
</table>

Note: The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.

3. Presidents' and vice presidents' remuneration

Job title	Name	Salary(A)		Severance pay and pensions (B)		Bonus and special allowance(C)	
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report
President	Joseph Chai	Total 21,981	Total 21,981	Total 19,700	Total 19,700	Total 9,389	Total 9,389
Vice President	Wing-Keung Hendrick Lam						
Vice President	Chung-Zung Kung						
President	Wei-Hua Tu (Note1)						
Vice President	Gino C. Y. Chen (Note2)						
Vice President	Frank J. Chen (Note3)						

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)	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)	Joseph Chai, 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)	Gino C. Y. Chen	Please refer to the left column.
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	Wei-Hua Tu	Please refer to the left column.
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	-	-
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	-	-
100,000,000 above	-	-
Total	6	Please refer to the left column.

Unit: NTD in thousands

	Employees' compensation amount (D)				Percentage of the total of A, B, C and D accounting for income after tax (%)		Acquisition of employee stock warrants		Granted new restricted employee shares		Compensation paid to directors from non-consolidated affiliates
	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 158	0	Total 158	0	9.68 %	9.68 %	0	0	0	0	No

Note 1: President Wei-Hua Tu retired in November, 2015.

Note 2: Vice President Gino C. Y. Chen retired in April, 2015.

Note 3: Vice President Frank J. Chen retired in October, 2015.

Note 4: One leased vehicle and one driver assigned to the President. The yearly rent for the leased vehicle is NT$ 533 thousand and the remuneration paid to the driver is NT$ 554 thousand and rental housing costs NT$ 440 thousand .

Note 5: Employees' compensation, which was approved by the Board of Directors on January 14, 2016.

4. Employees' bonus paid to management team and allocation

Dec. 31, 2015

	Job title	Name	Stock	Cash (NTD in thousands)	Total (NTD in thousands)	Percentage of the total income after tax (%)
Managers	Vice President	Wing-Keung Hendrick Lam	0	Total 2,392	Total 2,392	0.45 %
	Vice President (Financial Supervisor)	Chung-Zung Kung				
	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	Alison Tung				
	Asst. Vice President	Tsu-Ti Liu				
	Asst. Vice President	Ching Ting				
	Accounting Supervisor	Ming-Huang Chen				

Note 1: Employees' compensation, which was approved by the Board of Directors on January 14, 2016

(4) The total remuneration as a percentage of net income paid by the Company, and by each other company included in the consolidated financial statements, during the past two fiscal years to its directors, supervisors, president and vice presidents and describe the remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

Unit: NTD in thousands

Job title	The company		Companies in Financial Report	
	2015	2014	2015	2014
Director remuneration	19,140	22,999	19,140	22,999
Director remuneration percentage of net income after taxes	3.62%	2.02%	3.62%	2.02%
Supervisor remuneration	406	2,820	406	2,820
Supervisor remuneration percentage of net income after taxes	0.08%	0.25%	0.08%	0.25%
President and vice president remuneration	51,228	32,389	51,228	32,389
President and vice president remuneration percentage of net income after taxes	9.68%	5.11%	9.68%	5.11%

The Company paid the director, the supervisor, president and vice president remuneration policy, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure as follows,
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 compensation and allowance) 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 9 meetings in 2015. 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	4	0	100%	Dismissed
Director	Hao Ran Foundation Statutory Representative:Nita Ing	2	2	50%	Dismissed
Director	Hao Ran Foundation Statutory Representative:Tzu Wei Lee	2	2	50%	Dismissed
Director	Hao Ran Foundation Statutory Representative:Liang Chang	2	2	50%	Dismissed
Director	Wei Dah Development Co., Ltd. Statutory Representative:Chin-Shan Chiang	9	0	100%	Re-elected
Director	Wei Dah Development Co., Ltd. Statutory Representative:J. K. Loh	4	0	100%	Dismissed
Director	Ching Shan Zhen Corporation Statutory Representative:D. Otto Cheng	4	0	100%	Dismissed
Independent Director	Ting Kai (Peter) Wu	4	0	100%	Dismissed
Independent Director	Robert Hung	9	0	100%	Re-elected
Chairman	Wei Dah Development Co., Ltd. Statutory Representative:Shao Yu Wang	5	0	100%	Newly elected
Director	Wei Dah Development Co., Ltd. Statutory Representative:Nita Ing	5	0	100%	Newly elected
Director	Metacity Development Corporation Representative:Tzu Wei Lee	4	1	80%	Newly elected
Director	Metacity Development Corporation Representative:D. Otto Cheng	5	0	100%	Newly elected
Director	John T. Yu	3	2	60%	Newly elected
Independent Director	Henry Lin	5	0	100%	Newly elected
Independent Director	Katz, Andrew	1	1	50%	Newly elected (Note 2)

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 written statement or recorded resolution-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.

Note 1: The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.

Note 2: Resigned on August 7, 2015.

(2) Operation of the Audit Committee or participation in board meeting by the supervisors.

1.Operation of the Audit Committee

The Audit Committee held 3 meetings in 2015. The attendance of independent director in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remarks
Independent director	Robert Hung	3	0	100%	Re-elected
Independent director	Henry Lin	3	0	100%	Newly elected
Independent director	Katz, Andrew	0	0	0%	Newly elected (Note 2)

Other matters to be noted:

1. Any matter set forth in Article 14-5 of the Securities and Exchange Act and other matter that was not approved by the Audit Committee, but had the consent of more than two-thirds of all directors-None.
2. Independent director avoidance of motions with conflict of interest-None.
3. Communication between independent directors, chief internal auditors, and accountants (such as matters, methods, and results involved in communication with respect to the company's financial and business conditions).

Note 1: The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.

Note 2: Resigned on August 7, 2015.

2.Participation in the board meeting by the supervisors.

The Board of directors held 4 meetings in 2015. 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	4	0	100%	Dismissed
Supervisor	Tsai-Der, Chen	4	0	100%	Dismissed

Other matters to be noted:

1.Compositions and duties 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 chief internal auditor and CPA:

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

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

Note 1: The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.

(3) Status of implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons for any departure

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx 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.	In consideration of the practical operation, it has not been 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?		v	(1)The company has not yet established SOP for handling shareholders' suggestions, doubts, disputes and litigations. A related functional department handles such matters.	In consideration of the practical operation, it has not been formulated.
(2)Does the company hold a list of the company's key shareholders and their ultimate controllers?	v		(2)Disclose the list of main shareholders in the company and their ultimate controllers in accordance with the law.	
(3)Has the company established and implemented risk control and firewall mechanism with its affiliated companies?	v		(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)Has the company stipulated internal regulations prohibiting inside personnel trading securities using information that has not yet been disclosed on the market?	v		(4)Stipulate moral conduct standard and regulations for executing official duties.	
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?	v		(1)The Company established 3 independent directors, and one of them shall act as a convener of the Audit Committee.	
(2)Besides creating the Remuneration Committee and the Audit Committees according to the law, has the company voluntarily established other functional committees?	v		(2)We have followed the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" set up different functional committees such as a Remuneration Committee and an Audit Committee.	
(3)Has the company formulated a performance appraisal method for the board of directors and its evaluation thereof and conducted them regularly every year?		v	(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.	In consideration of the practical operation, it has not been formulated.
(4)Does the company evaluate accountant independence on a regular basis?	v		(4)The Company re-engages an attesting CPA on an annual basis and replaces the attesting CPA regularly to ensure the independence of the CPA.	

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
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?	v		The company's relevant business departmental personnel will keep in touch with stakeholders. The supervisory management of the board of directors will take care of the stakeholders' opinion.	No difference
5.Has the company commissioned professional securities institutions to handle shareholders' meetings?	v		We commissioned Sino Pac Holdings to handle the shareholders' meeting.	No difference
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.)	 v v		(1)The company's related information and annual reports will be posted on the company's website periodically, and important message will be released by the company's spokesman pursuant to laws. (2)The said enhancement of transparency of information and investors' services includes the expansion of links with revenue, quarterly statement, annual report and shareholders' relationship by means of public information system and the company's website.	No difference
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)?	v		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.	No difference
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).		v	The company only conducts SFI's corporate governance self-evaluation.	Conduct a self-assessment and improve upon the deficiencies based on the evaluation, the report is not compiled in consideration of the practical operation.

(4) Information on Compensation Committee:

(i) Information on Compensation Committee

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

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 institutional shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five institutional 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;

Note 2: If the identity of the member is "Director," please describe whether the requirements set forth under Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter" are met.

(ii) Operation of Compensation Committee

The Company's Compensation Committee consists of 3 members. The Compensation Committee tenure is from June 12, 2015 until June 9, 2018. The Compensation Committee held 5 meetings in 2015. The members' qualifications and attendance are stated as follows:

Job title	Name	Frequency of actual attendance(B)	Frequency of proxy attendance	Actual attendance rate (%)(B/A)(Note)	Remarks
Convener	Ting Kai (Peter) Wu	2	0	100%	Dismissed
Members	Robert Hung	2	0	100%	Dismissed
Convener	Henry Lin	3	0	100%	Newly elected
Members	Robert Hung	3	0	100%	Re-elected
Members	Katz, Andrew	2	0	100%	Resignation (Note)

Other matters to be noted:

1. If the Board of Directors will decline to adopt, or will modify, a recommendation of the Compensation Committee, please specify the date of the board meeting, session, contents of the motion, resolution of the board meeting and the Company's response action against the recommendation of the Compensation Committee (if the remuneration passed by the board meeting exceeds the recommendation of the Compensation 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 Compensation 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.

Note: Resigned on August 7, 2015.

(5) Performance of social responsibility

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1.Implementation of Corporate governance (1)Has the company stipulated CSR policies or systems and reviewed the performance?	v		(1)TSRC's vision related to corporate social responsibility: Commit itself to social responsibility, continue to innovate and develop. Implement the management performance, become a benchmark enterprise. Treasure global resources, enhance human well-being. TSRC's business mission: Provide high value-added products and systemic solutions through environmental processes to be the first-choice supplier of high-molecular material, and create competitive advantages to achieve success with customers. TSRC's value related to corporate social responsibility: Based on corporate governance and good faith principle, it starts from employees internally and extend to interested parties externally. Corporate social responsibility system: Establish the selection procedures for corporate social responsibility and material issues, perform CSR business development through the corporate social responsibility (CSR for short) promotion committee, and convene the Steering Committee Meeting on a regular basis to review the CSR promotion status and strategies.	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. According to the Rules for Employees Training, the Company creates an annual education and training program based on the Company's annual operating principles, demand of units, and applicable laws and regulations to conduct courses of general education, professional skills, management talent, and qualification certification for new and in-service employees. It also attains its goal of “ lifelong learning” through in-house and external training activities.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(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
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 ISO 50001 Energy Management System/QC 080000 certification (hazardous material process flow management system).	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(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 respect of the Greenhouse Gas Reduction Plan, the Company supports the country's reduction targets, and complies with the relevant policies of competent authorities. It has passed 2005-2014 ISO 14064-1 (Greenhouse gas emission) Verification in 2011, 2013, and 2015, respectively, and completed the registration process on the "Taiwan National Greenhouse Gas Registry." In addition, the Company is one of a second batch of companies that should declare greenhouse gas emissions announced by the Environmental Protection Administration (EPA). Therefore, it will complete 2015 Organizational Greenhouse Gas Inventory verification in May 2016. (3)Currently, the "Greenhouse Gas Reduction Act" has been officially promulgated on July 1, 2015. The Company will implement the relevant reduction measures in accordance with the "National Action Plan in Response to Climate Change" and "Greenhouse Gas Reduction Promotion Program" formulated by the Environmental Protection Administration, Executive Yuan. (4)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. (5)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 2014~2015, while energy consuming equipment and manufacturing process are identified through the energy management system. In December 2014~2015, 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			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	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			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	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 customers whom the Company faces are not the end consumers, but the downstream manufacturers. 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 The first shipment of each product of the Company is bound to be attached with the Safety Data Sheet (SDS) 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, If there is no improvement made for CSR significant deficiencies, which has jeopardized the image of the Company's corporate social responsibility, the temporary suspension of supply may be taken.	No difference

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Status</th><th rowspan="2">Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies</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 “Special Zone for Corporate Social Responsibility” has been established on the Company's official website for public disclosure of information about CSR Report.</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.
(8)The residents along the underground industrial pipelines may refer to the Industrial Pipeline Inquiry System of Economic Development Bureau, Kaohsiung City Government for their understanding of residential environment.
(9)Results of the implementation of corporate social responsibility
1. Economic side: Implement the requirements relating to corporate governance, announce the various ways and channels of communication for all interested parties on TSRC's official website
2. Environmental side: Take the initiative to promote the water saving measures, the process wastewater recovery rate at the Kaohsiung Plant has reached 35% in 2015, and the total water consumption at Gangshan Plant decreased by 17.27% compared with 2015. With respect to the energy saving performance, Kaohsiung Plant has saved approximately 3166 MWh of electricity in 2015.
3. Social side: Based on the place where the factory is located, the Company gradually constructs TSRC's social care blueprint. It continuously promotes not only donation activities but also the chemical education in rural areas root-taking plan. In addition, the Company together with the third parties apply products in social care to fulfill corporate social responsibility initiatives through various charitable activities.</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) Performance of operation in good faith management and the adoption of related measures

Performance of operation in good faith management

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Status</th><th rowspan="2">Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Description</th></tr>
<tr><td>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"</td><td>v
v
v</td><td></td><td>1. 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" .
2. Aforementioned regulations are the responsibilities of the company's board of directors secretariat and Human Rresources & Management Department department.</td><td>No difference</td></tr>
<tr><td>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?</td><td>v
v
v
v
v</td><td></td><td>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"</td><td>No difference</td></tr>
</table>

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	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 "Regulations Governing Employee Complaints Management" 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) Methods of inquiry for the corporate governance principles and bylaws adopted by TSRC and its subsidiaries:

The Company has currently adopted the "Code of Ethical Conduct," "Articles of Incorporation," " Rules for Procedure for Shareholders Meetings," "Rules of Procedure for Board of Directors Meetings," "Rules for Director Election," "Procedures for the Handling Acquisition and Disposal of Assets," "Procedures for Extending Loan to Others," "Procednres for Granting Endorsements and Guarantees," and so on. For more information, please visit our website (http://www.tsrc.com.tw).

(8) Other significant information the will provide a better understanding of TSRC and its subsidiaries' implementation of corporate governmance.

1. Advanced study of directors/supervisors

Job title	Name	Date of advanced study	Hosted by	Programs	Hours
Chief Accountant	Ming-Huang Chen	Aug. 21, 2015	Accounting R&D Foundation	The possible effect of amendments to the Criteria Governing Establishment of Internal Control Systems on the corporate governance, and response measures	3

2. Procedures for handing material inside information

The Company specially adopted "Procedures for handling materials inside information" to establish sound mechanisms for the handling and disclosure of material inside information and announced in public. These procedures shall apply to all directors, supervisors, managerial officers, and employees of the Company, any other person who acquires knowledge of the Company's material inside information due to their position, profession, or relationship of control shall comply with the applicable provisions of these procedures. The Company conducted educational campaigns to promote awareness with respect to these procedures and related laws and regulations.

(9)Implementation of the Company's internal control system

1. A statement of Internal Control

TSRC Corporation

A statement of Internal Control

Date: March 17, 2016

TSRC Corporation has conducted internal audit in accordance with its Internal Control System covering the period from 2015, and hereby declares as follows:

1. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managerial officers, and that the Company has already established such a system. The purpose is to provide reasonable assurance regarding the achievement of objectives such as the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and by laws.
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 above criteria for the internal control system to assess the effectiveness of the design and operation of its internal control system.
5. Based on the results of the preceding assessment, the Company's internal control system (including the supervision and management of subsidiaries) on December 31, 2015 can provide reasonable assurance regarding the achievement of above objectives including the understanding of the extent to achieve the objective of the effectiveness and efficiency of business operations, reliability, timeliness, transparency, and regulatory compliance of reporting, and the relevant internal control system has the effectiveness of the design and operation.
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 17, 2016 with presence of 8 directors at unanimous consent.

TSRC Corporation
Chairman: Shao Yu Wang
Acting President: Joseph Chai

2. Hiring CPA to carry ant a special audit of the internal control system: No

(10) Any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements in 2015 and until the annual report being published: No

(11) The important resolutions made by shareholders' regular meetings and board of directors' meetings in 2015 and until the annual report being published.

1. The important resolutions made by shareholders' regular meetings in 2015	The status of implementation
(1) Recognition of the Company's business report and financial statements for 2014;	Resolved
(2) Recognition of the allocation of earnings for 2014;	With an ex-right record date of August 31, 2015 as determined by the Board of Directors, the cash dividend of NT$1.52 per share was paid on September 23, 2015.
(3) Amendments to the Company's internal regulations were approved as follows: 1. Corporate Charter. 2. Rules of Procedure for Shareholder Meetings. 3. Director and Shareholder Election Rule. 4. Procedure for Handling Acquisition and Disposal of Assets. 5. Procedure for Lending Funds to Others Parties. 6. Procedure for Endorsement and Guarantee.	The resolution is adopted, and has been carried out pursuant to the resolution of shareholders' meeting.
(4) Re-election of all directors	Takes affect after being resolved by the shareholders' meeting.
(5) Resolved that the non-competition restrictions imposed on the Company's director should be lifted.	Takes affect after being resolved by the shareholders' meeting.

2. Important resolutions made by board of directors' meetings:

Date	Conference Name	Important resolutions
June 12. 2015	Board of Directors	The proposal on the reappointment of Director Shao Yu Wang as the Chairman is approved.
		The proposal on the nomination of Director Nita Ing as the Vice Chairman is approved.
		The proposal on the nomination of Director Robert Hung as the convener of the Audit Committee is approved.
		The proposal on the nomination of Director Henry Lin as the convener of the Remuneration Committee is approved.
Aug. 06. 2015	Board of Directors	Resolved shareholder dividend ex-date reference information.
		Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.
		The proposal on the appointment of the President and Chief Executive Officer is approved.
Oct. 27. 2015	Board of Directors	The proposal on the temporary replacement of the chief research and development officer is approved.
		The proposal on the assignment of the directors of the investee company is approved.
		Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.
Dec. 17. 2015	Board of Directors	Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.
Mar. 17. 2016	Board of Directors	Resolved that the shareholders' regular meeting for 2015 should be called.
		Resolved that allocation of earnings for 2015 should be approved.
		The proposal on the change in the chief research and development officer was 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 written statement or recorded resolution in 2015 and until the annual report being published : None

(13) A summary of resignations and dismissals of the chairman, general manager, accounting manager, chief financial officer, chief of internal auditor and director of research and development in 2015 and until the annual report being published:

Dec. 31, 2015

Job title	Name	Date of hiring	Date of discharge	Cause for resignation discharge
President	Wei-Hua Tu	Sep. 15. 2006	Nov. 1. 2015	Voluntary retirement
R&D Director	Frank J. Chen	Apr. 1. 2009	Oct. 1. 2015	Voluntary retirement

IV. Information on CPA professional fee

(1) Information about audit fee and non-audit fee paid to CPA and accounting firms

Unit: NTD in thousands

Name of the accounting firm	Name of the CPA		Audit fee	Non-audit fee					CPA's audit period	Remarks
				System design	Industrial & commercial registration	Human resource	Other	Subtotal		
KPMG Taiwan	Po Shu Hung	Ann Tine Yu	5,230	0	31	0	304	335	Jan. 01, 2015 to Dec. 31, 2015	Other non-audit fees are mainly due to the withholding tax offset in Taiwan for offshore income and business tax direct deductions on certification fees.

Items / Escalation of Professional fee		Audit fee	Non-audit fee	Total
1	2,000,000 below	0	335	335
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	5,230	0	5,230
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) Non-audit fees paid to the CPA, to the accounting firm, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto.-Not applicable

(3) The Company changes its accounting firm within last two fiscal year. -Not applicable

(4) If the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more. -Not applicable

V. Information on replacement of CPA-Not applicable

VI. Chairman, president, or managers in charge of the company's finance or accounting matters has in the most recent year held a position at the accounting firm of a CPA or any of its affiliated company-Not applicable

VII. Information on equity of directors, managers and shareholders holding more than 10% of outstanding shares equity transfer and equity pledge movements

Job title	Name	2015		February 29, 2016	
		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	Wei Dah Development Co., Ltd. (Note 2)	25,253,425	2,200,000	–	–
Corporate representative of the director	Shao Yu Wang	–	–	–	–
Corporate representative of the director	Nita Ing	(83,331)	–	–	–
Corporate representative of the director	Chin-Shan Chiang	–	–	–	–
Director	Metacity Development Corporation (Note 2)	661,705	–	–	–
Corporate representative of the director	Tzu Wei Lee	–	–	–	–
Corporate representative of the director	D. Otto Cheng	–	–	–	–
Director	John T. Yu	–	–	–	–
Independent Director	Robert Hung	–	–	–	–
Independent Director	Henry Lin	–	–	–	–
President	Joseph Chai	–	–	–	–
Vice President	Wing-Keung Hendrick Lam	–	–	–	–
Vice President	Chung-Zung Kung	–	–	–	–
Vice President	Max Tsai	–	–	–	–
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	Alison Tung	–	–	–	–
Asst. Vice President	Tsu-Ti Liu	–	–	–	–
Asst. Vice President	Ching Ting	–	–	–	–
Chief Accountant	Ming-Huang Chen	–	–	–	–

Note1: The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.
Note2: The changes in the number of shares held or pledged are due to the short-form merger

Information on the transfer or pledge of equity interests:
The counterparty in the above transfer or pledge of equity interests by a director, supervisor, managerial officer, or major shareholder is not a related party. Therefore, no information disclosure is required.

VIII. Relationship information, if among the company's ten largest shareholders any one is a related party as defined in the Statement of Financial Accounting Standards No. 6

August 31, 2015

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)	%	Share(s)	%	Share(s)	%	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	
Tamerton Group Limited	34,578,143	4.2%	0	-	0	-	N0	N0	
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund	31,065,332	3.8%	0	-	0	-	N0	N0	
Metacity Development Corporation	30,431,403	3.7%	0	-	0	-	N0	N0	
Metacity Development Corporation Chairman: Tzu Wei Lee	1,046	-	0	-	0	-	N0	N0	
Metacity Development Corporation Chairman: D. Otto Cheng	122,201	-	99,853	-	97,725	-	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. Statutory Chairman: Shao Yu Wang	0	-	176,150	-	0	-	N0	N0	
Wei Dah Development Co., Ltd. Statutory Chairman: Nita Ing	0	-	0	-	0	-	Hao Ran foundation Statutory	Chairman of the Foundation	
Wei Dah Development Co., Ltd. Statutory Chairman: Chin-Shan Chiang	762	-	0	-	0	-	N0	N0	
Cathay life insurance Co. Ltd. Chairman: Cai Hong Tu	28,255,450	3.4%	0	-	0	-	N0	N0	
Dragony Investment Corporation Chairman: Huang Jing-Lung	25,253,425	3.1%	0	-	0	-	N0	N0	
Nan Shan Life Insurance Company, Ltd Chairman:Guo Wende	16,357,610	2.0%	0	-	0	-	N0	N0	

IX. The total number of shares and total equity stake held in any single enterprise by the company, its directors, managers and any companies controlled either directly or indirectly by the company

Investees (Note)	Investment by the company		Investment by directors, managers and enterprises directly or indirectly controlled by the company		Total investment	
	Share(s)	%	Share(s)	%	Share(s)	%
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 investment accounted for under equity method

Information on capital raising activities

Information on capital raising activities

I. Capital and shares

(1) Source of capital stock

March 20, 2016

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, 2016

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

August 31, 2015

Shareholder's Structure / Quantity	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign Institutions & Natural Persons	Total
Number of persons	7	10	171	76,352	262	76,802
Share(s)	21,557,895	76,171,392	178,302,588	313,170,401	236,507,702	825,709,978
Stake(%)	2.61	9.22	21.59	37.93	28.65	100.00

(3) Diffusion of ownership

Par value NTD10/ August 31, 2015

Range of shares held	Number of shareholders	Shares held	Stake (%)
1-999	32,264	8,084,455	0.98
1,000-5,000	30,506	67,588,191	8.18
5,001-10,000	7,174	51,389,723	6.22
10,001-15,000	2,754	33,632,866	4.07
15,001-20,000	1,247	22,058,468	2.67
20,001-30,000	1,249	30,687,128	3.72
30,001-50,000	788	30,428,212	3.69
50,001-100,000	503	35,104,579	4.25
100,001-200,000	179	24,523,360	2.97
200,001-400,000	59	15,970,924	1.93
400,001-600,000	17	8,569,548	1.04
600,001-800,000	13	8,563,235	1.04
800,001-1,000,000	5	4,420,701	0.54
1,000,001 above	44	484,688,588	58.70
Total	76,802	825,709,978	100.00

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

(4) Major shareholders

August 31, 2015

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%
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund	31,065,332	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%
Cathay Life Insurance Co. Ltd.	28,255,450	3.4%
Dragony Investment Corporation	25,253,425	3.1%
Nan Shan Life Insurance Company, Ltd	16,357,610	2.0%

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

Unit: NTD

Item			2015	2014	As of Feb. 29, 2016
Market price per share	Maximum		40.30	47.00	25.40
	Minimum		16.75	31.25	18.40
	Average		27.78	40.66	21.90
Net worth per share	Before distribution		19.67	19.63	–
	After distribution		(Note 1)	18.11	–
Earnings per share	Weighted average share(s)		825,709,978	825,709,978	825,709,978
	EPS	Before adjustment	0.64	1.38	–
		After adjustment	(Note 1)	1.38	–
Dividends per share	Cash dividend (Note 1)		1.06	1.52	–
	Dividends (Note 1)	Dividend distributed from earnings	0	0	–
		Dividend distributed from additional paid-in capital	–	–	–
	Cumulative outstanding dividends (Note 2)		–	–	–
Cash dividend yield (note 5)	Price-earnings (P/E) ratio (Note 3)		43.41	29.46	–
	Price-dividend (P/D) ratio (Note 4)		26.21	26.75	–
	Cash dividend yield (note 5)		3.8%	3.7%	–

Note 1: The dividends for 2015 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. The remuneration paid to each individual director and supervisor, and the regulations governing employee bonuses shall be conducted in pursuance of the resolution adopted by the Board of Directors.

2. Distribution of dividends scheduled at the shareholders' regular meeting
   Cash dividends to be distributed are NT$ 1.06 per share.
3. The Company proposes to amend the dividend policy in conformity with Article 235-1 of the Company Act. The contents are as follows: (submitted to the 2016 shareholders' meeting for resolution)
   The dividend policy was formulated by the Company as follows: When the final account for the year shows a surplus profit, the Company shall, after its losses have been covered and all taxes and dues have been paid, first set aside ten percent of such profits as a legal reserve, and set aside or reverse another sum as a special reserve in accordance with the Securities and Exchange Act. The remaining balance, if any, plus the accumulated retained earnings of the prior year as the distributable earnings, of which more than 50% shall be distributed as dividend to shareholders.
   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.

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

(8) Employees' compensation and directors' remuneration

1. For more details of the percentages or ranges with respect to employees' compensation and directors' remuneration as set forth in the Company's articles of incorporation, please refer to the description in the dividend policy.
2. In 2015, the basis for the Company to estimate the amount of employees' compensation and directors' remuneration, and the actual distributed amount are applied at the ratios as specified by the Company's articles of incorporation. No discrepancy exists between the actual distributed amount and the estimated figure.
3. Information on any distribution of compensation proposal approved by the Board of Directors:
   (1)$28,010 thousand distributed as employees' compensation and $3,199 thousand as directors' remuneration, which has no difference with the estimated amount of the annual recognized expense.
   (2)Not applicable since no shares are distributed as employees' compensation by the Company this year.
4. The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.
5. Employees and directors'/supervisors' compensation distributed from earnings of the previous year:

Unit: NTD in thousands

	Distribution after shareholders' meeting	Distribution plan drafted at the directors' meeting	Variance
Employees' bonus	25,878	25,878	0
Director'/supervisors' compensation	12,939	12,939	0

(9) Share repurchases: None

II. Corporate bonds - None

III. Preferred shares - None

Global depository receipts - None

Employee stock warrants and new restricted employee shares - None

Merger, acquisition and issuance of new shares due to acquisition of shares of other company - None

V. Implementation of capital allocation plans

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

Overview of business operations

Overview of business operations

TSRC Corporation and its 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 Applied Materials.

2. Product Portfolio

Unit: NTD in thousands

Items	Revenue in 2015	Percentage of Total Turnover %
Synthetic rubber	25,094,392	96.58%
Non-synthetic rubber	862,565	3.32%
Other	24,802	0.10%
Total	25,981,759	100.00%

3. New Developments

Item
(1) Continue to develop SSBR rubber products for high performance, environmental and energy-saving tires.
(2) Develop high value-added TPE products such as high-end medical materials, high-class shoe materials, printed film, and special adhesives
(3) Enhance the TPE product quality and process to meet global customers' demand.

(2) Industry Overview:

In 2015, China's auto sales totaled 24.6 million units at an annual growth rate of 4.7%. Among which, the passenger vehicle sales totaled 21.15 million units at an annual growth rate of 7.3%, and the commercial vehicle sales totaled 3.45 million units at an annual growth rate of -9.0%. Although the overall sales continued to grow in 2015, under the impact of a slowdown in China' overall economic growth rate, the annual growth rate of auto sales has been sluggish compared with the past. Not only the slowing new-car sales but also America's imposition of a double remedy at a duty rate of 39~107% on tires imported from China impacted the production of tire manufacturers and indirectly affected the synthetic rubber industry. In addition, the tax rate of light vehicle tax was increased in Japan since April 2015, as a result, the annual car sales dropped to 5.05 million units at an annual growth rate of -9.3%. Among which, the passenger vehicle sales totaled 4.22 million units at an annual growth rate of -10.3%, and the commercial vehicle sales totaled 830 thousand units at an annual growth rate of -3.8%, which also impacted the demand for synthetic rubber. Since the tire industry faces the influence of the demand remaining at a low level and a sharp drop in raw material prices such as natural rubber prices, the management holds conservative attitudes towards it. Meanwhile, the production capacity of synthetic rubber keeps increasing, which deepens the imbalance between supply and demand resulting in the decline of the overall profit from synthetic rubber.

In 2015, the global economic growth recovered at a relatively steady pace, which indirectly impacted the growth of demand for TPE downstream industries of synthetic rubber. The International Monetary Fund (IMF) also has a conservative point of view on the global economy in 2016. Besides the reducing economic momentum of oil-producing countries and raw-material-exporting countries resulting from oil price collapse, China's economic growth depending on exports is limited by the back-flow of the U.S.'s manufacturing companies and the labor-intensive industry moving out to other countries. A series of competitive devaluations in Asian currencies and international capital outflow leads to regional economies staying still. Although the U.S. still experiences an economic recovery, the economic activity will be stabilized under a rise of interest rate. As a whole, the global economy in 2016 is still expected to continue to follow the slow growth in the second half of 2015. However, TSRC continues to enhance the process production capacity and product quality and implement the product differentiation, speeds the transformation of industrial applications, and strengthens its cooperation with target customers in the new industrial technologies and new products to maintain the competitiveness of TSRC's TPE in the market.

In 2016, the supply will be still higher than the demand in the TPE market. The intensity of price competition will be sustained, which affects the sales and profit. Nevertheless, TSRC will be expected to continue to strengthen and utilize flexible global logistics strategies and create the market segmentation for product markets, which will make the full-year profit of TSRC's TPE business maintained at a certain level.

As for the non-synthetic rubber applied materials market, with the excellent functions of no toxicity, low pollution, and recyclable, it has gradually replaced the polyvinyl chloride (PVC) material which is suffered from import restrictions in European countries in recent years. In addition, the international brands also gradually change over to use TPE materials instead of original PVC or traditional rubber products for their products due to the rise of environmental awareness. With both excellent processing function of thermoplastic materials and the elasticity of traditional rubber, it is more environmentally friendly than PVC material inclusive of halogen, and gradually steps into the PVC and traditional rubber market so that TPE enters a rapid development stage in all industry fields. With the expanding scope of applications, Applied Materials is widely used in industries such as non-PVC wire and cable, baby supplies, personal health care, foamed shoe materials, material to cover hand tools, automobile industry, and refrigerator sidebar, and so on.

(3) Overview of technology and R&D

1. R&D expenses

Unit: NTD in thousands

Fiscal year	2015
R&D expenses	328,614

2. Successfully developed technology or products

Item	Result
Patents	Awarded with 28 patents and filed 4 patent applications.
NBR product development	All-around quality improvement and product optimization.
Differentiated ESBR product development	Develop successfully the customized ESBR products that has gained the tire major manufacturer's recognition and completed the commercialization stage.
High-value HSBC product development	Complete the high-value soft HSBC product development, and apply it to the enhancement of the capacity of composite materials and cut into the field of medical materials. It has been in the trial production stage, and gained its recognition for meeting customers' needs.
Developing advanced TPE production technology	Develop successfully the high-level TPE new process technology to improve the stability of product quality and efficiency.

(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 increase technical service capabilities and invest R&D resources in new products.
3. Continue to review the changes in upstream and downstream industries of synthetic rubber and customers' demand in the world, and develop new market opportunities.
4. Maximize resource allocation internally and externally, improving the weight of sales and profitability of innovative products.
5. Combine the Company's R&D team and that of the customers and develop high-quality, innovative products together with customers.
6. Review and assess, opportunities of strategic alliances with the upstream and downstream.
7. Continue to improve processing technology by exchanging ideas with the academic sector and customers, to create additional value.
8. Continue to develop the innovative SBC, and establish a differentiated competitive advantage and meet customers' needs through differentiated product portfolios.
9. Continue to develop to strengthen globalization services and deliver localization services to customers in every corner of the world.
10. Integrate with the development of downstream industries and customers' demand through the development of TPE technology platform and applications, and continue to develop high value-added new products and new technologies
11. Major orientations are: Performing production process reformulation and improvement, improving the quality of existing products, and creating product application technology.
12. 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.
13. Optimize resource allocation inside and outside the group. Evaluate additive operation integration plans for the Greater China Region so that economic benefit may increase.
14. Integrate the R&D teams of the Company and major customers. Create a win-win situation while continuing to generate new products and incorporating the growth plan of customers in target industries.

Short-term plans:

1. In response to EU's implementation of environmental labeling on tires, and continue to develop and promote the S-SBR market with low-rolling resistance characteristics to increase the market share.
2. Expand the proportion of the synthetic rubber business in non-tire applications.
3. Create market segments with stable quality, differentiated and high-value products to improve the competitiveness.
4. Develop new types of SIS, increase the diversity of product portfolios, and enter the new market segments and applications.
5. Develop high-flow SEBS products and product applications.
6. Develop medical-class TPE and product applications.
7. Establish and continue to strengthen the Global Supply Chain, optimize the global product supply and sales logistics, meet the customers' needs in the Global Supply Chain, and improve customer satisfaction.
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.

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

(1) Market Analysis

1. Major product distribution areas

Unit: NTD in thousands

Name of product	2015		Exported territories
	Sales volume	Sales amount	
Synthetic rubber	452,488	25,094,392	Japan, Thailand, China, Malaysia, Vietnam, Indonesia, U.S.A., Germany, Portugal, Germany, India
Non-synthetic rubber	11,395	862,565	China, South East Asia, Europe and Americas

2. Market share:

E-SBR：Asia is a major sales market with the China market constituting the highest market share of 67%, followed by Taiwan's 12%, Thailand's 10% and Japan's 5%.

S-SBR：Actively expand market share, with the major sales market concentrated in China and Taiwan's (78% and 11% respectivly).

BR：Asia is a major sales market with the China market constituting the highest market share of 33%, followed by Thailand's 18%, Taiwan's 16% and Japan's 7%.

TPE：The market share of TSRC's elastomer sales volume in the world is approximately 17%, and market share of SEBS elastomer sales volume in the world is approximately 15%.

Applied Materials：Taiwan's sales market constitutes 9%, China market constitutes 87% and other export markets constitute 4%.

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

Under the influence of factors such as a continuous slowdown in China's economic growth, weak bulk commodity prices, and moderate tapering of monetary easing policies in the U.S., 2016 is going to be another challenging year. Although the crude oil and natural rubber has faced the defense of costs after going through the major changes in 2015, it is estimated that they will have little room to go down in 2016. The situation of the imbalance between supply and demand is difficult to change in the short term. Fortunately, TSRC has developed niche products in advance and made redeployment strategies of production scheduling, and is expected to enhance its profit performance.

In the system of TPE products, the general-purpose SBS and SIS are both in the oversupply situation. Moreover, China's manufacturers cut prices to compete, which has brought about low prices in the general-purpose products market. However, thanks to the introduction of the process technology from Dexco in the U.S., TSRC has made great progress in the development of high value-added products and successfully created market segments. In the future, it will also move towards the development in the high-end medical materials, printed film, and special adhesives markets with special niche, and increase the proportion of differentiated products. Look ahead in 2016, it is expected that the demand for TPE will have a steady growth. With TSRC's complete allocation and stable delivery of supply, its businesses will be expected to grow in 2016.

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

Up to date, the global economic recovery is less than expected, and the growth momentum of demand is limited. At the same time, the difficulty in the sales of synthetic rubber products is increased owning to the decline in both market prices and operating rate of downstream tire customers. In the light of this, TSRC enhances its niches through the allocation of group customers, optimization of internal and external resources, development of new technologies, and a careful ass essment of opportunities to form alliances with the upstream and downstream.

As the styrene type block copolymer market competition becomes more severe, TSRC is committed to the goal in pursuit of differentiated products and development of the high value-added market. For TPE division, TSRC not only continues to focus on adhesives and plastic change industry, but also enhances the development of differentiated products and applications, such as high-end medical materials, printed film, special adhesives, packaging materials, and so on. It makes the biggest differentiation between the competitors through its advantages such as high-capacity product attributes, industrial service capabilities, and global supply integration. Recently, it aggressively develops a variety of new products such as high- liquidity SEBS, medical-class TPE, non-linear special adhesives, and SIS products suitable for repeated adhesion, and works with customers to develop new technologies and new products to speed the transformation of industrial applications and increase competitive advantages.

(2) Important application and manufacturing processes of main 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.

Applied Materials: Foamed shoes materials, toys, stationery, wire and cable, baby supplies, personal care, hand tools covering materials, car industry and other industries of the refrigerator。

Outline of production process:

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

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

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

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

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

(3) Supply of main 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 bought from (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: NTD in thousands

	2015				2014			
Item	Suppliers	Amount	Percentage of total net procurement (%)	Relationto the issuer	Suppliers	Amount	Percentage of total net procurement (%)	Relationto the issuer
1	CPC	1,909,191	10%	No	CPC	2,867,628	11%	No
	Others	17,065,068	90%		Others	23,604,338	89%	
	Total	18,974,259	100%		Total	26,471,966	100%	
Causes	1. In 2015, the annual average market price of Butadiene fell by nearly 28% compared with 2014, leading to a decline of 33% in the purchase amount from CPC Corporation, Taiwan. However, it still accounted for 10% of the full-year net purchases. 2. The remaining material prices all fell compared with 2014. Therefore, the ratio of net purchases from CPC Corporation, Taiwan remained constant at 10%.							

2. There is no customers accounting for 10% or more of the Company's total sales amount in the recent two fiscal years.

(5) Production volume for the most recent two fiscal years

Unit: NTD in thousands/ton

Product	2015			2014		
	Capacity	Output	Output value	Capacity	Output	Output value
Synthetic rubber	568,500	455,302	20,353,654	584,000	463,604	26,794,704
Non-synthetic rubber	12,100	10,715	618,000	19,750	7,808	568,302
Total	580,600	466,017	20,971,654	603,750	471,412	27,363,006

(6) Volume of units sold for the most recent two fiscal years

Unit: NTD in thousands/ton

Product	2015				2014			
	Domestic		Export		Domestic		Export	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Synthetic rubber	324,321	18,437,449	128,167	6,656,943	295,773	22,417,871	157,335	8,678,881
Non-synthetic rubber	8,198	538,891	3,197	323,674	5,607	501,095	2,395	236,661
Others	–	24,802	–	–	–	34,066	–	–
Total	332,519	19,001,142	131,364	6,980,617	301,380	22,953,032	159,730	8,915,542

III. Employees information

Item	Fiscal year	2015	2014	February 29, 2016
	Direct workers	783	760	772
	Indirect workers	650	692	652
	Total of employees	1,433	1,452	1,424
	Average age	39.3(years old)	39.2(years old)	39.9(years old)
	Average seniorities	10.6(years)	10.5(years)	11.0(years)
Education level (%)	Ph.D.	2%	1%	2%
	Master	12%	12%	12%
	Bachelor	61%	62%	61%
	Senior high school	21%	21%	21%
	Below senior high school	4%	4%	4%

IV. Disbursements of environmental protection

(1) Loss for environmental pollution

	2015	February 29, 2016
Pollution (Type and procedure)	1. The Department of Environmental Protection visited the industrial facility to perform a checking on August 18, 2015, and it showed that the "volume of natural gas used" for the M02 process (SBR) in 2014 exceeded 10% of what specified on the permit, and the Company did not perform operations pursuant to the permit contents. Such fact was found to be in violation of Paragraph 2, Article 24 of the "Air Pollution Control Act." Therefore, the Company was fined NTD100,000 pursuant to Paragraph 1, Article 56 of the "Air Pollution Control Act." 2. The Department of Environmental Protection visited the industrial facility to perform a checking on August 18, 2015, and it showed that the "volume of Butadiene used" and "output" for the M03 process (BR) in 2014 exceeded 10% of what specified on the permit, and the Company did not perform operations pursuant to the permit contents. Such fact was found to be in violation of Paragraph 2, Article 24 of the "Air Pollution Control Act." Therefore, the Company was fined NTD100,000 pursuant to Paragraph 1, Article 56 of the "Air Pollution Control Act."	The South District Inspection Division of Environmental Protection Administration and Environmental Protection Bureau, Kaohsiung City Government visited the industrial facility to perform a checking on "air pollutant emissions conditions," "waste clearance and disposal," and "peripheral odors," and all of them complied with laws and regulations.
Counterpart, or authority imposing fines	Kaohsiung Factory	No
Compensation and fines	NTD200,000	No
Other loss	No	No

(2) Explanation of measures

1. Corrective measures	
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 NTD282,640,000.
2) Influence after improvement	
Influence on income	Reduce the impairment losses and fines arising from protests and crackdown.
Influence on competitive status	Lowering of parking ratio and upgrading of productivity.
2. Parts where no explanation of measures have been taken	
1) Causes	No
2) Status of pollution	No
3) Potential loss and compensation	No

V. Labor relations

(1) Employee benefit plans, continuing education, training, retirement systems, and the status of their implem-ntation, and measures for preserving employees' rights and interests:

1. Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation:

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.

Insurance Business, in addition to Labor and Health Insurance as provided by law, the free employee group insurance covering dependents is also offered by the Company. In respect of the labor pension system, it shall be conducted in compliance with the Labor Standards Act and Labor Pension Act. The Company regularly appropriates the retirement reserve fund each month to the retirement reserve fund account to ensure employees' interests in retirement referring to the pension actuarial report provided by actuaries each year and new labor pension system.

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 2015 in the amount of NTD6,049,000. There were about 9,311 trainees. The average training fees per person were NTD4,200 and the training hours per person were 25 hours.

2. Measures for preserving employees' rights and interests:

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 2015, the Company held 4 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 sustained as a result of labour disputes by the Company in 2015 and until February 29, 2016.

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

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	
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, 2019	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, 2019	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, 2019	Loaned NT$500,000,000	Reimbursed amount cannot be mobilized again.

Overview of financial status

Overview of financial status

TSRC Corporation and its subsidiaries

I. Condensed balance sheet and statement of comprehensive income for recent five fiscal years

(1) Condensed balance sheet

Unit: NTD in thousands

Item \ Fiscal year		Financial information for the recent years			
		Individual			
		2015	2014	2013	2012
Current assets		3,532,055	4,303,033	3,836,060	5,247,291
Property, plant and equipment		2,686,179	2,406,647	2,429,360	2,461,725
Intangible assets		49,355	61,045	79,310	79,012
Other assets		16,128,518	15,321,868	14,559,149	13,403,557
Total assets		22,396,107	22,092,593	20,903,879	21,191,585
Current liability	Before distribution	3,398,866	3,646,329	4,043,157	4,106,642
	After distribution	(Note)	4,901,408	5,120,512	6,151,257
Non-current liability		2,752,556	2,241,604	1,285,525	1,449,793
Total liability	Before distribution	6,151,422	5,887,933	5,328,682	5,556,435
	After distribution	(Note)	7,143,012	6,406,037	7,601,050
Equity attributable to shareholders of the parent		16,244,685	16,204,660	15,575,197	15,635,150
Common stock		8,257,099	8,257,099	7,863,904	7,863,904
Capital surplus		849	849	849	849
Retained earnings	Before distribution	5,414,016	6,194,132	6,536,125	7,083,507
	After distribution	(Note)	4,939,053	5,458,770	5,038,892
Other equity		2,572,721	1,752,580	1,174,319	686,890
Treasury stock		–	–	–	–
Non-controlling interest		–	–	–	–
Total shareholders' equity	Before distribution	16,244,685	16,204,660	15,575,197	15,635,150
	After distribution	(Note)	14,949,581	14,497,842	13,590,535

Note: The earnings in 2015 will be distributed subject to the resolution of the shareholders' meeting in 2016.

Item \ Fiscal year		Financial information for the recent years – Consolidated 2015	2014	2013	2012
Current assets		12,389,236	15,659,546	15,295,687	17,697,494
Property, plant and equipment		9,875,244	10,071,167	10,255,107	9,921,124
Intangible assets		2,397,426	2,467,432	2,506,846	2,590,677
Other assets		5,332,079	4,958,508	5,314,724	5,365,783
Total assets		29,993,985	33,156,653	33,372,364	35,575,078
Current liability	Before distribution	7,974,847	10,445,749	10,719,593	11,261,851
	After distribution	(Note)	11,700,828	11,796,948	13,306,466
Non-current liability		3,942,024	4,572,506	5,097,806	6,368,168
Total liability	Before distribution	11,916,871	15,018,255	15,817,399	17,630,019
	After distribution	(Note)	16,273,334	16,894,754	19,674,634
Equity attributable to shareholders of the parent		16,244,685	16,204,660	15,575,197	15,635,150
Common stock		8,257,099	8,257,099	7,863,904	7,863,904
Capital surplus		849	849	849	849
Retained earnings	Before distribution	5,414,016	6,194,132	6,536,125	7,083,507
	After distribution	(Note)	4,939,053	5,458,770	5,038,892
Other equity		2,572,721	1,752,580	1,174,319	686,890
Treasury stock		–	–	–	–
Non-controlling interest		1,832,429	1,933,738	1,979,768	2,309,909
Total shareholders' equity	Before distribution	18,077,114	18,138,398	17,554,965	17,945,059
	After distribution	(Note)	16,883,319	16,477,610	15,900,444

Note: The earnings in 2015 will be distributed subject to the resolution of the shareholders' meeting in 2016.

Condensed statement of comprehensive income

Unit: NTD in thousands

Item \ Fiscal year	Financial information for the recent years			
	Individual			
	2015	2014	2013	2012
Operating revenue	8,636,050	12,265,005	12,934,484	17,056,436
Gross profit	1,014,433	1,389,526	1,598,652	2,318,736
Operating profit	295,190	668,983	730,492	1,366,553
Non-operating income and expenses	-6,465	452,372	748,264	1,332,424
Net income before tax	288,725	1,121,355	1,478,756	2,698,977
Net income	529,115	1,141,338	1,495,011	2,534,808
Other comprehensive income (loss)	765,989	565,480	489,651	(581,762)
Total comprehensive income	1,295,104	1,706,818	1,984,662	1,953,046
Net income attributable to shareholders of the parent	529,115	1,141,338	1,495,011	2,534,808
Net income attributable to non-controlling interests	–	–	–	–
Total comprehensive income attributable to shareholders of the parent	1,295,104	1,706,818	1,984,662	1,953,046
Total comprehensive income attributable to non-controlling interests	–	–	–	–
EPS (Note)	0.64	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.

Condensed statement of comprehensive income

Unit: NTD in thousands

Item \ Fiscal year	Financial information for the recent years			
	Consolidated			
	2015	2014	2013	2012
Operating revenue	25,981,759	31,868,574	34,422,999	45,364,375
Gross profit	3,375,615	3,963,338	4,267,101	6,036,491
Operating profit	1,396,683	1,939,858	2,064,932	3,967,602
Non-operating income and expenses	(750,683)	(392,314)	37,070	(87,817)
Net income before tax	646,000	1,547,544	2,102,002	3,879,785
Net income	601,147	1,243,746	1,715,482	3,139,901
Other comprehensive income (loss)	737,495	624,067	522,061	(692,064)
Total comprehensive income	1,338,642	1,867,813	2,237,543	2,447,837
Net income attributable to shareholders of the parent	529,115	1,141,338	1,495,011	2,534,808
Net income attributable to non-controlling interests	72,032	102,408	220,471	605,093
Total comprehensive income attributable to shareholders of the parent	1,295,104	1,706,818	1,984,662	1,953,046
Total comprehensive income attributable to non-controlling interests	43,538	160,995	252,881	494,791
EPS (Note)	0.64	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－Under ROC GAAP

Unit: NTD in thousands

Item \ Fiscal year		Financial information for the recent years			
		Individual		Consolidated	
		2012	2011	2012	2011
Current assets		5,257,379	6,970,348	17,778,821	22,211,193
Funds and investment		11,684,596	11,605,591	2,834,775	2,146,686
Fixed assets		2,260,060	2,087,607	9,719,459	8,723,540
Intangible assets		100,145	71,442	3,213,218	3,356,446
Other assets		1,886,340	1,901,065	2,013,195	2,104,709
Total assets		21,188,520	22,636,053	35,559,468	38,542,574
Current liability	Before distribution	4,106,642	3,955,914	10,620,859	11,202,189
	After distribution	6,151,257	7,530,416	12,665,474	14,776,691
Long-term liability		–	–	5,293,081	5,088,720
Other liability		1,272,110	1,512,689	1,525,851	1,558,731
Total liability	Before distribution	5,378,752	5,468,603	17,439,791	17,849,640
	After distribution	7,423,367	9,043,105	19,484,406	21,424,142
Capital stock		7,863,904	7,149,004	7,863,904	7,149,004
Additional paid-in capital		69,003	69,003	69,003	69,003
Retained earnings	Before distribution	7,269,599	8,984,752	7,269,599	8,984,752
	After distribution	5,224,984	5,410,250	5,224,984	5,410,250
Unrealized gain (loss) on financial products		–	–	–	–
Cumulative translation adjustment		688,778	1,002,365	688,778	1,002,365
Net loss not recognized as pension cost		(88,782)	(44,940)	(88,782)	(44,940)
Total shareholders' equity	Before distribution	15,809,768	17,167,450	18,119,677	20,692,934
	After distribution	13,765,153	13,592,948	16,075,062	17,118,432

Condensed income statement－Under ROC GAAP

Unit: NTD in thousands

Item \ Fiscal year	Financial information for the recent years			
	Individual		Consolidated	
	2012	2011	2012	2011
Operating revenue	17,056,436	20,612,158	45,364,375	55,075,318
Gross profit	2,312,355	4,519,028	6,030,109	12,329,572
Operating profit (loss)	1,217,126	3,331,817	3,836,279	10,176,146
Non-operating income	1,691,310	3,892,623	387,599	528,255
Non-operating expenses and loss	161,940	189,139	296,574	265,555
Net income before tax	2,746,496	7,035,301	3,927,304	10,438,846
Cumulative effect of changes in accounting principles	－	4,914	－	1,919
Net income	2,574,249	5,741,765	3,179,342	7,481,231
EPS (note)	3.07	6.60	3.07	6.60

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 auditor's opinion

Fiscal year	CPA's name	Auditor's opinion
2015	Po Shu Hung Ann Tine Yu	Unqualified 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	Modified unqualified opinion

II. Financial analysis for the recent five fiscal years

(1) Financial analysis

Item	Fiscal year	Financial information for the recent years			
		Individual			
		2015	2014	2013	2012
Financial structure (%)	Debt-asset ratio	27.47	26.65	25.49	26.22
	Ratio of long-term capital to property, plant and equipment	707.22	766.47	694.04	694.02
Solvency %	Current ratio	103.92	118.01	94.88	127.78
	Quick ratio	53.21	72.05	50.78	73.16
	Interest coverage ratio	6.89	30.72	50.67	92.25
Operating ability	Receivables turnover rate (times)	6.19	8.00	7.78	6.85
	Average collection days for receivables	58.97	45.64	46.92	53.28
	Inventory turnover rate (times)	4.56	6.42	5.73	6.52
	Payables turnover rate (times)	12.37	15.49	15.64	15.21
	Average days of sales	80.04	56.85	63.70	55.98
	Property, plant and equipment turnover rate (times)	3.39	5.07	5.29	7.18
	Total assets turnover rate (times)	0.39	0.57	0.61	0.77
Profitability	Return on assets (%)	2.56	5.45	7.22	11.62
	Return on equity (%)	3.26	7.18	9.58	15.41
	Ratio of income before tax to paid-in capital (%)	3.50	13.58	18.80	34.32
	Profit margin before tax (%)	6.13	9.31	11.56	14.86
	EPS (NTD)	0.64	1.38	1.81	3.07
Cash flows	Cash flow ratio (%)	31.33	11.07	42.24	30.03
	Cash flow adequacy ratio (%)	(Note)	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	-0.79	-2.89	-1.52	-10.68
Leveraging	Operating leverage	10.53	5.32	1.26	2.47
	Financial leverage	1.20	1.06	1.04	1.02

1. Quick ratio is mainly due to a decrease in receivables.
2. Interest coverage ratio is mainly due to a decrease in net income before tax.
3. Receivables turnover rate is mainly due to a decrease in net sales.
4. Inventory turnover rate is mainly due to a decrease in cost of goods sold.
5. Accounts payable turnover rate is mainly due to a decrease in cost of goods sold.
6. Property, plant and equipment turnover rate is mainly due to a decrease in net sales.
7. Total assets turnover rate is mainly due to a decrease in net sales.
8. Return on assets is mainly due to a decrease in net income after tax.
9. Return on equity is mainly due to a decrease in net income after tax.
10. Ratio of income before tax to paid-in capital is mainly due to a decrease in net income before tax.
11. Ratio of profit margin before tax is mainly due to a decrease in net income after tax this year greater than a decrease in net sales.
12. EPS is mainly due to a decrease in net income after tax.
13. Cash flow ratio is mainly due to an increase in cash provided by operating activities.
14. Cash reinvestment ratio is mainly due to an increase in cash provided by operating activities.

15. Operating leverage is mainly due to a decrease in operating income.
Note: No IFRS financial information for the past five fiscal years.

Item \ Fiscal year		Financial information for the recent years - Consolidated 2015	2014	2013	2012
Financial structure (%)	Debt-asset ratio	39.73	45.29	47.40	49.56
	Ratio of long-term capital to property, plant and equipment	222.97	225.50	220.89	245.07
Solvency %	Current ratio	155.35	149.91	142.69	157.15
	Quick ratio	95.02	93.75	89.73	102.66
	Interest coverage ratio	5.14	8.77	12.37	18.00
Operating ability	Receivables turnover rate (times)	7.21	8.03	7.17	6.42
	Average collection days for receivables	50.62	45.45	50.90	56.85
	Inventory turnover rate (times)	4.25	4.86	5.13	5.98
	Payables turnover rate (times)	16.85	19.55	18.45	18.07
	Average days of sales	85.88	75.10	71.15	61.04
	Property, plant and equipment turnover rate (times)	2.61	3.14	3.36	4.81
	Total assets turnover rate (times)	0.82	0.96	1.00	1.22
Profitability	Return on assets (%)	2.31	4.24	5.42	8.95
	Return on equity (%)	3.32	6.97	9.66	16.22
	Ratio of income before tax to paid-in capital (%)	7.82	18.74	26.73	49.34
	Profit margin before tax (%)	2.31	3.90	4.98	6.92
	EPS (NTD)	0.64	1.38	1.81	3.07
Cash flows	Cash flow ratio (%)	52.71	19.49	39.19	52.90
	Cash flow adequacy ratio (%)	(Note)	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	8.62	2.27	4.99	2.23
Leveraging	Operating leverage	6.88	4.93	1.15	2.23
	Financial leverage	1.13	1.11	1.10	1.06

1. Interest coverage ratio is mainly due to a decrease in net income before tax.
2. Return on assets is mainly due to a decrease in net income after tax.
3. Return on equity is mainly due to a decrease in net income after tax.
4. Ratio of income before tax to paid-in capital is mainly due to a decrease in net income before tax.
5. Ratio of profit margin before tax is mainly due to a decrease in net income after tax this year greater than a decrease in net sales.
6. EPS is mainly due to a decrease in net income after tax.
7. Cash flow ratio is mainly due to an increase in cash provided by operating activities.
8. Cash reinvestment ratio is mainly due to an increase in cash provided by operating activities.
9. Operating leverage is mainly due to a decrease in operating income.

Note: No IFRS financial information for the past five fiscal years.

1. Financial structure:

1) Debt-asset ratio＝total liabilities／total assets

2) Ratio of long-term capital to property, plant and equipment＝(total equity + non-current liabilities)／net worth of property, plant and equipment

2. Solvency:

1) Current ratio＝current assets／current liabilities

2) Quick ratio＝(current assets－inventory－prepaid expenses)／current liabilities

3) Interest coverage ratio＝income before income tax and interest expenses／current interest expenses

3. Operating ability:

1) Receivables (including accounts receivable and notes receivable arising from business oeprations) turnover rate = net sales ／average receivables (including accounts receivable and notes receivable arising from business operations) for each period

2) Average collection days for receivables = 365／receivables turnover rate

3) Inventory turnover rate = cost of sales／average inventory

4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale ／ average payables (including accounts payable and notes payable arising from business operations) for each period

5) Average days of sale = 365／inventory turnover rate

6) Property, plant and equipment turnover rate = net sales／average net worth of property, plant and equipment

7) Total asset turnover rate = net sales／average total assets

4. Profitability:

1) Return on assets = [net income + interest expenses (1－tax rate)] ／averate total assets

2) Return on equity = net income／average total equity

3) Profit margin before tax = net income／net sales

4) EPS＝(profit and loss attributable to owners of the parent－dividends on preferred shares) ／weighted average number of issued shares

5. Cash flow:

1) Cash flow ratio = net cash flow from operating activities／current liabilities

2) Net cash flow adequacy ratio = net cash flow from operating activities for the most recent five years ／(capital expenditures + inventory increase + cash dividend)

3) Cash flow reinvestment ratio = (net cash flow from operating activities－cash dividend)／gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

6. Leveraging:

1) Operating leverage = (net operating revenue－variable operating costs and expenses) ／operating income

2) Financial leverage = operating income ／(operating income－interest expenses)

(2) Financial analysis－Under ROC GAAP

Item \ Fiscal year			Financial information for the recent years			
			Individual		Consolidated	
			2012	2011	2012	2011
Financial structure (%)	Debt-asset ratio		25.39	24.16	49.04	46.31
	Ratio of long-term capital to fixed assets		699.53	822.35	240.89	295.54
Solvency %	Current ratio		128.02	176.20	167.40	198.28
	Quick ratio		73.18	117.35	110	135
	Interest coverage ratio		94	363	18	52
Operating ability	Receivables turnover rate (times)		6.70	8.20	6.42	8.06
	Average collection days for receivables		54	45	57	45
	Inventory turnover rate (times)		6.34	7.66	5.75	7.69
	Payables turnover rate (times)		15.32	14.97	18.07	18.99
	Average days for sales		58	48	63	47
	Fixed assets turnover rate (times)		7.55	9.87	4.67	6.31
	Total assets turnover rate (times)		0.80	0.91	1.28	1.43
Profitability	Return on assets (%)		11.44	29.06	9.09	24.05
	Return on shareholders' equity (%)		15.61	38.12	16.38	41.72
	Ratio to paid-in capital %	Operating income	15.48	46.61	48.78	144.08
		Income before tax	34.93	98.41	49.94	146.02
	Profit margin before tax (%)		15.09	27.86	7.01	13.58
	EPS (loss) (NTD)(Note)		3.11	6.95	3.11	6.95
Cash flows	Cash flow ratio (%)		65.37	60.01	55.73	50.63
	Cash flow adequacy ratio (%)		80.21	92.50	76.69	80.62
	Cash flow reinvestment ratio (%)		(3.66)	0.39	1.67	6.82
Leveraging	Operating leverage		2.77	1.99	2.31	1.75
	Financial leverage		1.02	1.01	1.06	1.02

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

1. Financial structure:

1) Debt-asset ratio＝total liabilities／total assets

2) Ratio of long-term capital to fixed assets = (net shareholders' equity + long-term liabilities)／net worth of fixed assets

2. Solvency:

1) Current ratio＝current assets／current liabilities

2) Quick ratio＝ (current assets inventory－prepaid expenses)／current liabilities

3) Interest coverage ratio = income before income tax and interest expenses／current interest expenses

3. Operating ability:

1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales／average receivables (including accounts receivable and notes receivable arising from business operations) for each period

2) Average collection days for receivables = 365／receivables turnover rate

3) Inventory turnover rate = cost of sales／average inventory

4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale／average payables (including accounts payable and notes payable arising from business operations) for each period

5) Average days of sale = 365／inventory turnover rate

6) Fixed assets turnover rate = net sales／averate net worth of fixed assets

7) Total asset turnover rate = net sales／average total assets

4. Profitability:

1) Return on assets = [net income + interest expenses (1－tax rate)]／average total assets

2) Return on shareholders' equity = net income／average shareholder's equity

3) Profit margin before tax = net income／net sales

4) EPS＝(net profit after tax－dividends on preferred shares)／weighted average number of issued shares

5. Cash flow:

1) Cash flow ratio = net cash flow from operating activities／current liabilities

2) Net cash flow adequacy ratio = net cash flow from operating activities for the most recent five years／(capital expenditures + inventory increase + cash dividend)

3) Cash flow reinvestment ratio = (net cash flow from operating activities－cash dividend)／gross fixed assets value + long-term investment + other assets + working capital)

6. Leveraging:

1) Operating leverage = (net operating revenue－variable operating costs and expenses)／operating income

2) Financial leverage = operating income／(operating income－interest expenses)

III. Audit Committee's report on for the most recent fiscal year's financial statements

The Board of Directors has prepared and submitted the Company's 2015 Business Report, Financial Statements and earnings distribution proposal. The above Financial Statements have been audited by KPMG and an audit report is accordingly issued .

The above Business Report, Financial Statements, and earnings distribution proposal have been examined and deemed as fairly presented by Audit Committee. This Audit Report is duly submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Submission for perusal.

To:

The 2016 Annual Shareholders' Meeting

TSRC Corporation

The convener of Audit Committee Robert Hung

Date: March 17, 2016

IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year - Please refer to Page 100.

V. Individual financial statements and independent auditors' report for the most recent fiscal year - Please refer to Page 153.

VI. Financial difficulties which the company or its affiliates have experienced, and how said difficulties will affect the company's financial situation - None.

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

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

TSRC Corporation and its subsidiaries

I. Financial position:

Unit: NTD in thousands

Item \ Fiscal year	2015	2014	Variation	
			Amount	%
Current assets	12,389,236	15,659,546	(3,270,310)	-20.88%
Property, plant and equipment	9,875,244	10,071,167	(195,923)	-1.95%
Intangible assets	2,397,426	2,467,432	(70,006)	-2.84%
Other assets	5,332,079	4,958,508	373,571	7.53%
Total assets	29,993,985	33,156,653	(3,162,668)	-9.54%
Current liabilities	7,974,847	10,445,749	(2,470,902)	-23.65%
Non-current liabilities	3,942,024	4,572,506	(630,482)	-13.79%
Total liabilities	11,916,871	15,018,255	(3,101,384)	-20.65%
Capital stock	8,257,099	8,257,099	0	0.00%
Capital Surplus	849	849	0	0.00%
Retained earnings	5,414,016	6,194,132	(780,116)	-12.59%
Total shareholders' equity	18,077,114	18,138,398	(61,284)	-0.34%

1. A decrease in current assets is mainly due to decreases in cash equivalents, accounts receivables, and inventories.
2. A decrease in current liabilities is mainly due to loan repayment.

II. Financial performance:

(1) Analysis and comparison of financial performance

Unit: NTD in thousands

Fiscal year / Item	2015	2014	Amount change	Percentage change (%)
Revenue	25,981,759	31,868,574	(5,886,815)	-18.47%
Operating cost	22,606,144	27,905,236	(5,299,092)	-18.99%
Gross profit	3,375,615	3,963,338	(587,723)	-14.83%
Operating expenses	2,140,505	2,206,574	(66,069)	-2.99%
Other income and expenses	161,573	183,094	(21,521)	-11.75%
Operating profit	1,396,683	1,939,858	(543,175)	-28.00%
Non-operating income and expenses	(750,683)	(392,314)	(358,369)	91.35%
Net income before tax	646,000	1,547,544	(901,544)	-58.26%
Less: income tax expenses	44,853	303,798	(258,945)	-85.24%
Net income	601,147	1,243,746	(642,599)	-51.67%

Notes to changes:

1. For analysis of the change in gross profit, please refer to the "Analysis of the change in gross profit".
2. A decrease non-operating income and expense is mainly due to Taiwan High Speed Rail's capital reduction to cover the deficit.
3. A decrease in income tax expense is mainly due to a decrease in the profit compared with the previous year.

Sales volume forecast and the basis there of

Unit: ton

Name of product	2015	
	Sales volume fore cast	Basis
SBR, BR, TPE	474,800	Subject to the requirement of the market and customers
TPR	13,200	Subject to the requirement of the market and customers forecast growth
Total	488,000	

(2) Analysis of the change in gross profit

Unit: NTD in thousands

Product	Change	Causes for changes			
		Difference in selling price	Difference in cost price	Difference in sale portfolio	Difference in quantity
Rubber products	(579,369)	(5,968,348)	5,365,180	9,414	14,385
Others	(8,354)				
Total	(587,723)				

Explanation: A decrease in the gross profit for the current year compared with the previous year is mainly due to a decline of selling prices of products for the current year.

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
5,092,877	4,203,259	(5,314,848)	3,981,288	–	–

(1) Analysis of change in cash flow in the current year:

1. Operating activities: Mainly resulting from a cash inflow of NT$1,997,595 thousand generated by net income in operating activities, and a cash inflow of NT$2,2205,664 thousand generated by operating assets and net change in liabilities.
2. Investing activities: NT$908,225 thousand in cash used in investing activities is mainly resulting from an acquisition of property, plant, and equipment of NT$836,272 thousand, an acquisition of investment at equity of NT$310,700 thousand, and a stock dividend received of NT$157,299 thousand.
3. Financing activities: NT$4,625,354 thousand in cash used in financing activities is mainly resulting from an increase in short-term borrowings of NT$18,688,181 thousand, a decrease in short-term borrowings of NT$20,207,824 thousand, an increase in short-term notes and bills payable of NT$8,454,717 thousand, a decrease in short-term notes and bills payable of NT$8,658,582 thousand, an increase in long-term borrowings payable of NT$750,000 thousand, a decrease in long -term borrowings payable of NT$2,247,120 thousand, and a distribution cash dividend totaled NT$1,397,819 thousand.

(2) Corrective measures to be taken in response to illiquidity: None

(3) Liquidity analysis for the coming year:

Unit: NTD in thousands

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
3,981,288	2,968,000	(2,267,000)	4,682,288	–	–

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	368,000,000	98,000,000

(2) Benefits generated: Expected to increase profitability.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

The Company' s major subsidiaries are in China. Due to intense competition in the synthetic rubber market in China in 2015, 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 response measures to be taken in the futnre

Impact on the net income of the Company:

Unit: NTD in thousands

Item	Year 2015
Net interest income (expense)	(69,636)
Net exchange gain (loss)	(196,474)
Net interest income as a percentage of net revenue	(0.27%)
Net interest income as a percentage of pre-tax net income	(10.78%)
Net exchange gain as a percentage of net revenue	(0.76%)
Net exchange gain as a percentage of pre-tax net income	(30.41%)

Interest rate:

Because of the domestic economic growth slowdown and global economic recovery at a slow pace with uncertainty, apart from the rising US interest rates, other market interest rates are estimated to have little chance of going up. The Company will still pay close attention to changes in market interest rates and adjust the currency and period of borrowings to reduce the cost of capital through the optimal borrowing portfolios.

Exchange rate:

The net position after the held foreign currency assets and liabilities have been offset each other is used to conduct the management to reduce risks arising from foreign exchange positions, so that the exchange rate risks can be controlled. In the future, the Company will continue to adopt the net position management, observe international financial situations, keep its finger on the pulse of fluctuations in exchange rates, and adopt stable hedge operations.

Inflation:

Currently, there has been a downturn in the global economy. The market continues to be weak. The inflation can be controlled; therefore, no risks are generated on the Company's operations.

(2) Policy on high risk and high leverage investments, loans to others, guarantee and endorsement and derivative transactions, and the main reason for profit or loss, and response measure to be taken in the future

The Company has not engaged in any high-risk, high-leveraged investments, extending loans to others, or derivatives transactions. Granting endorsements and guarantees is limited to an investee company accounted for under the equity method. The above transactions will be performed in accordance with relevant requirements prescribed in the Company's "Procedures for the Handling Acquiring or Disposal of Assets," "Procedures for Extending Loan to Others," "Procedures for Granting Endorsements and Guarantees."

(3) R&D work to be carried out in the future and future expenditures expected for R&D work

Unit: NTD in thousands

Project name	Expected R&D spending
High Performance SSBR Development for Green Tire	40,000
Develop high value-added TPE products	155,000
Development of applied materials of high-class shoe materials	24,000
Expansion of semi-commercial factories.	60,000
Development of new process technology	10,000

(4) Effect on the company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The Company has always complied with government's laws and regulations and monitored the change in government policies and laws at home and abroad. 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) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: No

(6) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

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 and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: No

(8) Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken : No

(9) Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

Purchase: Capacity of the suppliers of butadiene, the Company's main raw materials, is limited. In order to stabilize the source of raw materials and in consideration of the acquisition cost, the company entered into the supply contract with the domestic major suppliers to concentrate the supply. If the domestic suppliers suffer force majeure, the Company still can acquire the raw materials from foreign suppliers. Therefore, there is no likelihood of short supply of the raw materials.

Sales: The Company's major customers are domestic and international tire companies. Although the downstream tire companies face slower growth in demand, its most sales are contract based thanks to good long-term partnership with international major manufacturers. Meanwhile, customers have sound financial structure while business units have conducted credit line control on all customers and worked on the credit investigations on account customers. Through the above measures, no significant risks occurred on the management and operation of synthetic rubber business division.

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: No

(11) Effect upon and risk to company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: No

(12) Litigious and non-litigious matters involved the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company: No

(13) Other important risks, and mitigation measures being or to be taken: No

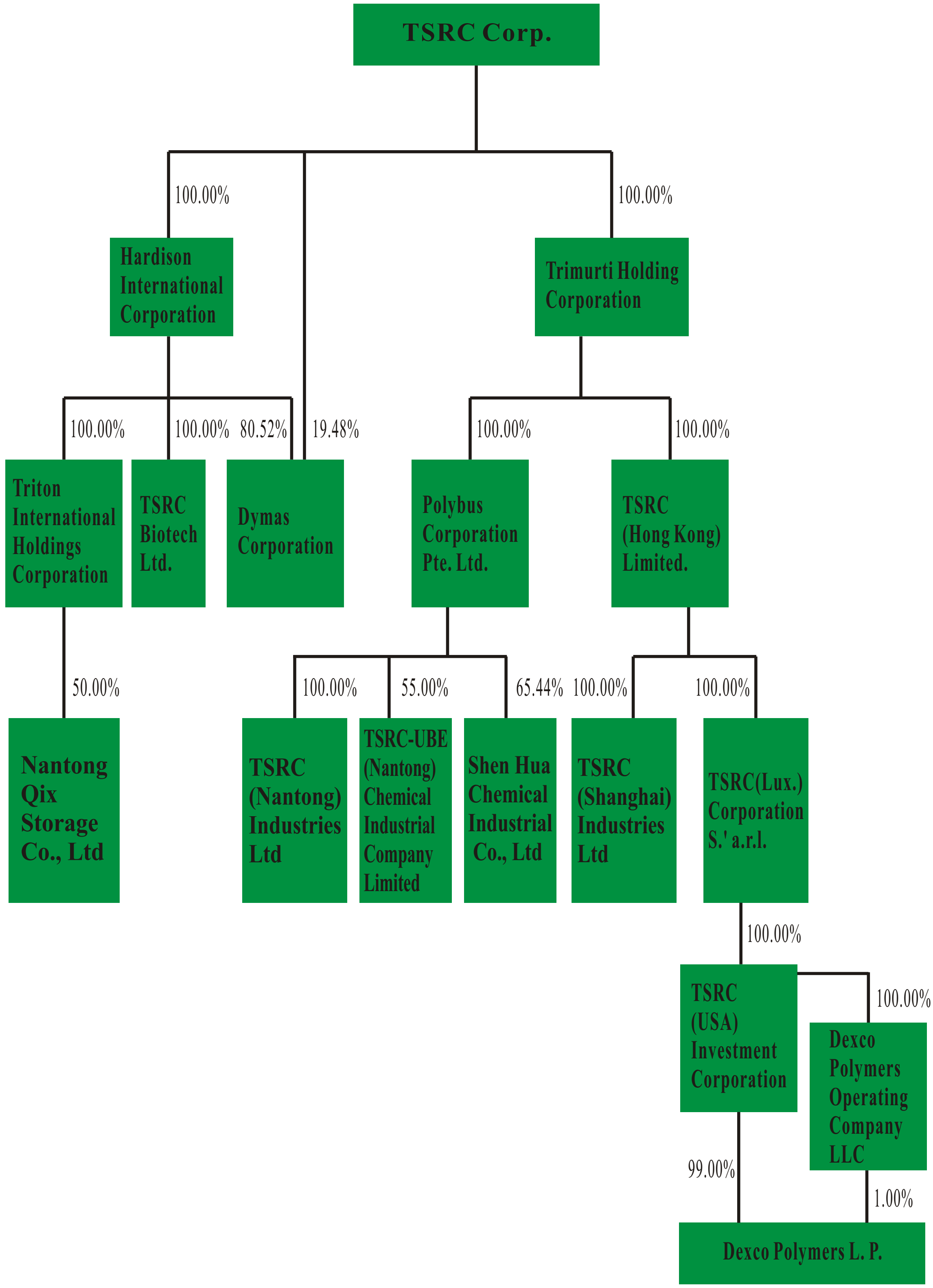
VII. Others important matters: No

Special items to be included

Special items to be included

I. Information related to the Company's affiliates

(1) Organizational chart of affiliates



(2) Profiles of the Company's affiliates

Name of enterprise	Date of incorporation	Address	Paid-in capital	Main 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
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 partner of Dexco Polymers L.P. As a general partner of Dexco Polymers L.P., Dexco Polymers Operating Company LLC (Dexco LLC) has no substantial operations, so that no relevant information on Dexco LLC is disclosed otherwise.

(3) Companies presumed to have a relationship of control and subordination: No

(4) The industries covered by the business operated by the affiliates and mutual dealings and division of work:

Name of enterprise	Business covered	Connection with business	Mutual dealings and division of work
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	Yes	That company is the Company's overseas investee company, and provides the Company with support for R&D technologies and sales services.
Dexco Polymers L. P.	Production and sale of synthetic rubber products	Yes	That company is the Company's overseas investee company, and provides the Company with support for R&D technologies and financial & accounting personnel. The Company provides that company with information services.
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.
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	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
Hardison International Corporation	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Dymas Corporation	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Polybus Corporation Pte Ltd	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
TSRC (Hong Kong) Limited	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
Triton International Holdings Corporation	Director	Joseph Chai	–	–
	Director	Chung-Zung Kung	–	–
TSRC Biotech Ltd	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
TSRC (Lux.) Corporation S.'a r.l.	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
	Director	Peter Martin Herzog	–	–
	Director	David Maria	–	–
	President	Juergen Schneider	–	–
TSRC(USA) Investment Corporation	Director	Wing-Keung Hendrick Lam	–	–
	Director	Chung-Zung Kung	–	–
	Director	Peter Martin Herzog	–	–
	President	Wing-Keung Hendrick Lam	–	–
Dexco Polymers L.P.	President	Peter Martin Herzog	–	–

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
TSRC (Shanghai) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	–	–
	Director	Kuo Huang-Cheng	–	–
	Director	Max Tsai	–	–
	Supervisor	Chung-Zung Kung	–	–
	Acting President	Vincent Chen	–	–
Shen Hua Chemical Industrial Co., Ltd	Chairman	Joseph Chai	–	–
	Director	Chung-Zung Kung	–	–
	Director	R. L. Chiu	–	–
	Director	Tsu-Ti Liu	–	–
	Director	Chao Yang Jiang	–	–
	Director	Qiang Xin Lu	–	–
	Director	Mr. Norihiro Furukawa	–	–
	President	Chao Yang Jiang	–	–
TSRC (Nantong) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	–	–
	Director	Max Tsai	–	–
	Director	Chin-Bao Lu	–	–
	Supervisor	Chung-Zung Kung	–	–
	President	Chin-Bao Lu	–	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Chairman	Joseph Chai	–	–
	Director	Tsu-Ti Liu	–	–
	Director	Chung-Zung Kung	–	–
	Director	Matsuo Norihide	–	–
	Director	Mr. Norihiro Furukawa	–	–
	Supervisor	Mr. Koji Tanamachi	–	–
	President	Jim Chien	–	–
Nantong Qix Storage Co., Ltd	Chairman	Joseph Chai	–	–
	Director	Chao Yang Jiang	–	–
	Director	Delong Luo	–	–
	Director	Xuebing Ben	–	–

(6) Overview of operation in of affiliates

Unit: NTD in thousands

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	2,870,079	11,602,768	37,216	11,565,552	–	(32,247)	220,468	2.54
Hardison International Corporation	128,835	890,391	–	890,391	–	(303)	62,707	16.09
Dymas Corporation	197,060	960,099	–	960,099	–	(126)	82,496	13.84
Polybus Corporation Pte Ltd	2,380,752	6,777,630	119,344	6,658,286	648,404	15,053	564,415	5.33
TSRC (Hong Kong) Limited	2,574,188	2,982,646	1,923	2,980,723	–	(1,020)	(9,542)	(0.12)
Triton International Holdings Corporation	1,653	109,532	–	109,532	–	(49)	(3,417)	(68.34)
TSRC Biotech Ltd	99,859	5	–	5	–	–	–	–
TSRC (Lux.) Corporation S.' a. r. l.	1,823,212	3,296,943	722,392	2,574,551	2,404,359	25,383	(109,030)	(2.15)
TSRC (USA) Investment Corporation	2,514,095	4,042,579	1,533,874	2,508,705	–	(211,242)	(124,120)	–
Dexco Polymers L.P.	–	2,171,440	568,732	1,602,708	4,054,619	40,496	44,190	–
TSRC (Shanghai) Industries Ltd	181,863	353,664	53,467	300,197	509,970	53,461	39,403	–
Shen Hua Chemical Industrial Co., Ltd	1,362,981	3,568,221	584,369	2,983,852	7,104,698	412,670	260,215	–
TSRC (Nantong) Industries Ltd	2,285,687	5,241,821	1,960,132	3,281,689	3,970,484	839,100	499,862	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	1,322,640	2,389,335	738,102	1,651,233	1,728,102	8,184	(40,223)	–
Nantong Qix Storage Co., Ltd	99,198	144,906	9,094	135,812	24,802	723	405	–

(Note) Spot exchange rate on the balance sheet date under the title of assets=USD1:NTD 33.066.
Spot exchange rate on the balance sheet date under the title of income=USD1:NTD 31.904.

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 that require additional description: 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): 3 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 organizes the emergency response, disaster-prevention and safety training, annual health examination, health workshops and psychological consultation, and safety operation environmental testing on a regular basis to ensure that the workplace security and employee personal safety.
The Company has also achieved OHSAS 18001 and CNS15506 requirements for certificates of Occupational Health and Safety Management System, and gained the ISO14001 environmental management system certification to duly fulfill its environmental responsibilities.
In addition, based on the "Security Policy" formulated by the Company, people orientation is disclosed as the core value of the Company. Furthermore, through the operation specifications for "technology," "safety culture," "responsibility," and "communication" the goals of zero disasters and zero losses are pursued.

Any circumstances referred to in Paragraph 3(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 3(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.

V. Consolidated financial statement

Representation Letter

The entities that are required to be included in the combined financial statements of TSRC Corporation as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10 "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TSRC Corporation and its subsidiaries do not prepare a separate set of combined financial statements.

TSRC Corporation

Chairman: Shao Yu Wang

Date: March 17, 2016

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, 2015 and 2014, 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, 2015 and 2014. 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, 2015 and 2014, and the consolidated results of its operations and its cash flows for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, and its 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, 2015 and 2014, on which we have issued an unqualified audit opinion.

KPMG
Po Shu Hung
Ann Tine Yu
March 17, 2016

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollar)

	Dec.31, 2015			Dec.31, 2014	
Assets		**Amount**	**%**	**Amount**	**%**
Current assets:					
Cash and cash equivalents (note 6(a))	$	3,981,288	13	5,092,877	15
Notes receivable, net (note 6(c))		616,258	2	652,449	2
Accounts receivable, net (note 6(c))		2,545,060	8	3,388,626	10
Other receivable (notes 6(c) and 7)		154,535	1	267,462	1
Current income tax assets		54,161	-	93,521	-
Inventories (note 6(d))		4,782,543	16	5,843,927	19
Other current assets (note 6(j))		255,391	1	320,684	1
Total current assets		12,389,236	41	15,659,546	48
Non-current assets:					
Available-for-sale financial assets－non-current (note 6(b))		1,502,347	5	1,083,079	3
Investments accounted for under equity method (note 6(e) and 7)		1,309,765	4	1,351,021	4
Property, plant and equipment (note 6(g))		9,875,244	33	10,071,167	30
Investment property (note 6(h))		1,640,500	6	1,655,225	5
Intangible assets (note 6(i))		2,397,426	8	2,467,432	7
Deferred income tax assets (note 6(n))		346,311	1	244,580	1
Other non-current assets (notes 6(j) and 8)		533,156	2	624,603	2
Total non-current assets		17,604,749	59	17,497,107	52
Total assets	$	29,993,985	100	33,156,653	100

See accompanying notes to these financial Statements (Continued)

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollar)

Liabilities and Stockholders' Equity	Dec.31, 2015 Amount	%	Dec.31, 2014 Amount	%
Current liabilities:				
Short-term borrowings (notes 6(k) and 8)	$ 3,992,948	13	5,487,318	17
Current portion of long-term borrowings (notes 6(k) and 8)	861,391	3	1,805,780	5
Short-term commercial paper payable (note 6(k))	299,915	1	499,402	2
Accounts payable	1,341,422	4	1,294,127	4
Accounts payable – related parties (note 7)	13,195	–	33,889	–
Current income tax liabilities	81,589	–	38,233	–
Other payable (notes 6(m), 6(p) and 7)	1,124,315	4	1,054,244	3
Other current liabilities (note 6(k))	260,072	1	232,756	1
Total current liabilities	7,974,847	26	10,445,749	32
Non-current liabilities:				
Long-term borrowings (notes 6(k) and 8)	2,886,395	10	3,336,022	10
Provision liabilities – non-current	32,351	–	38,358	–
Deferred income tax liabilities (note 6(n))	598,150	2	777,826	2
Other non-current liabilities (notes 6(e), 6(k) and 6(m))	425,128	1	420,300	1
Total non-current liabilities	3,942,024	13	4,572,506	13
Total liabilities	11,916,871	39	15,018,255	45
Equity attributable to shareholders of the parent (notes 6(n), 6(o) and 6(u)):				
Common stock	8,257,099	28	8,257,099	24
Capital surplus	849	–	849	–
Retained earnings:				
Legal reserve	3,618,765	12	3,504,631	11
Unappropriated earnings	1,795,251	6	2,689,501	8
	5,414,016	18	6,194,132	19
Other equities:				
Financial statement translation differences for foreign operations	1,672,819	6	1,569,373	5
Unrealized gain on valuation of available-for-sale financial assets	899,902	3	183,207	1
	2,572,721	9	1,752,580	6
Total stockholders' equity	16,244,685	55	16,204,660	49
Non-controlling interests	1,832,429	6	1,933,738	6
Total equity	18,077,114	61	18,138,398	55
Total liabilities and stockholders' equity	$ 29,993,985	100	33,156,653	100

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang　　Manager :Joseph Chai　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

	2015 Amount	2015 %	2014 Amount	2014 %
Revenue (note 6(q))	$ 25,981,759	100	31,868,574	100
Operating costs (notes 6(d), 6(g), 6(i), 6(j), 6(m), 6(o), 6(r) and 7)	22,606,144	87	27,905,236	88
Gross profit	3,375,615	13	3,963,338	12
Operating expenses (notes 6(c), 6(g), 6(i), 6(j), 6(m), 6(o) and 6(r)):				
Selling expenses	980,118	4	1,007,374	3
General and administrative expenses	831,773	3	836,165	3
Research and development expenses	328,614	1	363,035	1
Total operating expenses	2,140,505	8	2,206,574	7
Other income and expenses, net (note 6(h), 6(m), 6(s) and 7)	161,573	–	183,094	1
Operating profit	1,396,683	5	1,939,858	6
Non-operating income and expenses (notes 6(b), 6(e), 6(f) and 6(t)):				
Interest income	86,463	–	109,856	–
Other gains and losses	(363,201)	(1)	59,473	–
Finance costs	(156,099)	(1)	(199,286)	–
Share of loss of associates and joint ventures accounted for under equity method	(317,846)	(1)	(362,357)	(1)
Total non-operating income and expenses	(750,683)	(3)	(392,314)	(1)
Net income before tax	646,000	2	1,547,544	5
Less: income tax expenses (note 6(n))	44,853	–	303,798	1
Net income	601,147	2	1,243,746	4
Other comprehensive income (loss) (notes 6(m), 6(o) and 6(u)):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plans	(54,152)	–	(12,781)	–
Income tax benefit (expense) related to items that will not be reclassified subsequently	–	–	–	–
Total Items that will not be reclassified subsequently to profit or loss	(54,152)	–	(12,781)	–
Items that may be reclassified subsequently to profit or loss:				
Financial statements translation differences for foreign operations	74,952	–	562,977	2
Unrealized gain on valuation of available-for-sale financial assets	716,695	3	73,871	–
Income tax expense relating to components of other comprehensive income (loss)	–	–	–	–
Total Items that may be reclassified subsequently to profit or loss	791,647	3	636,848	2
Other comprehensive income (loss), net of tax	737,495	3	624,067	2
Total comprehensive income	$ 1,338,642	5	1,867,813	6
Net income attributable to:				
Shareholders of the parent	$ 529,115	2	1,141,338	4
Non-controlling interests	72,032	–	102,408	–
	$ 601,147	2	1,243,746	4
Total comprehensive income attributable to:				
Shareholders of the parent	$ 1,295,104	5	1,706,818	5
Non-controlling interests	43,538	–	160,995	1
	$ 1,338,642	5	1,867,813	6
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(p))	$ 0.64		1.38	

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang   Manager :Joseph Chai   Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

	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, 2014	$ 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
Appropriations and distributions:											
Legal reserve	–	–	114,134	(114,134)	–	–	–	–	–	–	–
Cash dividends	–	–	–	(1,255,079)	(1,255,079)	–	–	–	(1,255,079)	(144,847)	(1,399,926)
Net income	–	–	–	529,115	529,115	–	–	–	529,115	72,032	601,147
Other comprehensive income (loss)	–	–	–	(54,152)	(54,152)	103,446	716,695	820,141	765,989	(28,494)	737,495
Total comprehensive income (loss)	–	–	–	474,963	474,963	103,446	716,695	820,141	1,295,104	43,538	1,338,642
Balance at December 31, 2015	$ 8,257,099	849	3,618,765	1,795,251	5,414,016	1,672,819	899,902	2,572,721	16,244,685	1,832,429	18,077,114

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang Manager :Joseph Chai Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

		2015	2014
Cash flows from operating activities:			
Consolidated net income before tax	$	646,000	1,547,544
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		921,208	921,228
Amortization		175,169	188,958
Provision for bad debt		2,103	735
Interest expenses		156,099	199,286
Interest income		(86,463)	(109,856)
Dividend income		(67,755)	(50,857)
Share of loss of associates and joint ventures accounts for under equity method		317,846	362,357
Losses on disposal of property, plant and equipment, net		13,751	6,090
Gain on disposal of investments, net		(82,784)	–
Impairment loss on financial assets		300,000	–
Impairment loss on non-financial assets		7,072	–
Amortization of long-term prepaid rent		11,786	12,325
Total adjustments to reconcile profit and loss		1,668,032	1,530,266
Changes in assets / liabilities relating to operating activities:			
Net changes in operating assets:			
Notes receivable		36,191	155,189
Accounts receivable		841,443	(301,474)
Other receivable		113,632	(137,619)
Inventories		1,061,384	(210,709)
Other current assets		65,293	192,026
Total changes in operating assets, net		2,117,943	(302,587)
Net changes in operating liabilities:			
Accounts payable		47,295	(233,164)
Accounts payable—related-parties		(20,694)	33,889
Other payable		69,498	(19,967)
Other current liabilities		27,316	49,444
Net defined benefit liabilities		(13,179)	(13,493)
Other operating liabilities		(22,515)	2,456
Total changes in operating liabilities, net		87,721	(180,835)
Total changes in operating assets / liabilities, net		2,205,664	(483,422)
Total adjustments		3,873,696	1,046,844
Cash provided by operating activities		4,519,696	2,594,388
Interest income received		83,776	104,403
Interest paid		(156,669)	(189,568)
Income tax paid		(243,544)	(473,652)
Net cash provided by operating activities		4,203,259	2,035,571

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	2015	2014
Cash flows from investing activities:		
Increase in long-term investments accounted for under equity method	(310,700)	(6,341)
Proceeds from disposal of subsidiaries	996	–
Acquisition of property, plant and equipment	(836,272)	(480,312)
Proceeds from disposal of property, plant and equipment	791	966
Decrease (increase) in other non-current assets	79,661	(32,399)
Dividend received	157,299	50,857
Net cash used in investing activities	(908,225)	(467,229)
Cash flows from financing activities:		
Increase in short-term borrowings	18,688,181	21,069,525
Decrease in short-term borrowings	(20,207,824)	(21,387,901)
Increase in short-term commercial paper payable	8,454,171	10,389,229
Decrease in short-term commercial paper payable	(8,658,582)	(10,700,745)
Increase in long-term borrowings	750,000	2,325,034
Repayment of long-term borrowings	(2,247,120)	(2,038,107)
Decrease in finance lease liabilities	(6,361)	(6,287)
Cash dividends paid	(1,397,819)	(1,286,916)
Net cash used in financing activities	(4,625,354)	(1,636,168)
Effects of changes in exchange rates	218,731	165,730
Increase (decrease) in cash and cash equivalents	(1,111,589)	97,904
Cash and cash equivalents at beginning of period	5,092,877	4,994,973
Cash and cash equivalents at end of period	$ 3,981,288	5,092,877

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang   Manager :Joseph Chai   Chief Accountant :Ming-Huang Chen

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

(1) Organization and Business Scope

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

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on March 17, 2016.

(3) New Standards and Interpretations

(a) International Financial Reporting Standards 2013 (IFRSs 2013) endorsed by the Financial Supervisory Commission ("FSC"). The Group has adopted to prepare financial reports according to IFRSs 2013 endorsed by the FSC from 2015 onward (not including IFRS 9 *Financial Instruments*). A summary of the differences between IFRS 2013 and IFRS 2010 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. The Group has also revised the disclosure of the statement of comprehensive income in both current and prior periods.

ii) IFRS 12－Disclosure of Interests in Other Entities

The Group follows the amendments to add the disclosure of associates and joint ventures in the consolidated financial statements. Please refer to note 6(e).

iii) IFRS 13－Fair Value Measurement

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of measurement of fair value. The Group follows the new amendments to disclose the fair value measurement (please refer to note 6(v)), and there is no need to disclose the information of comparable period. As the adoption will be postponed until 2015, the Group does not expect any significant influence on its financial condition and performance.

(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"	Effective date to be determined by IASB
Amended IFRS 10, IFRS 12 and IAS 28 " Investment Entities-Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Acquisitions of an Interest in Joint Operation"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amended IAS 1 "Disclosure Initiative"	January 1, 2016
Amended to IAS 7 "Disclosure Initiative"	January 1, 2017
Amended to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41"Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016

New announcements/revisions/amendments of standards and interpretations	Effective date per IASB
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
Annual improvements to IFRSs 2010-2012 cycle and to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016
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.4

(b) Basis of preparation

i) Basis of measurement

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

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

(c) Basis of consolidation

i) Principles of preparation of consolidated financial statements

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

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

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

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

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

i. the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and

ii. The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.The Group shall apply the accounting treatment to all previously recognizes amount related to its subsidiary in its comprehensive income as if the related assets and liabilities were disposed by the Group directly.

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

Name investor	Name of investee	Scope of business	Percentage of ownership Dec. 31, 2015	Dec. 31, 2014	Description
TSRC	Trimurti Holding Corporation	Investment	100.00%	100.00%	
TSRC	Hardison International Corporation	Investment	100.00%	100.00%	
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00%	100.00%	(Note 1)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	International commerce and investment	100.00%	100.00%	
Trimurti Holding Corporation	TSRC (HONG KONG) Limited	Investment	100.00%	100.00%	
TSRC (HONG KONG) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	100.00%	100.00%	
TSRC (HONG KONG) Limited	TSRC (Jinan) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	-%	100.00%	(Note 3)
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.'a.r.l.	International commerce and investment	100.00%	100.00%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	Investment	100.00%	100.00%	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of synthetic rubber products	100.00%	100.00%	(Note 2)
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Co,. Ltd.	Production and sale of synthetic rubber products	65.44%	65.44%	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00%	55.00%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	100.00%	100.00%	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00%	100.00%	
Hardison International Corporation	TSRC Biotech Ltd.	Investment	100.00%	100.00%	
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	50.00%	50.00%	

Note 1: 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.

Note 3:The investee TSRC (Jinan) Industries Ltd. was disposed of in April 2015.

(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.8

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.9

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

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.10

(i) Investment in associates

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

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

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of 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. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of the associate in capital surplus in proportion to its ownership interests.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(j) Joint arrangements

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28.

The Group determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the separate legal vehicle, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. Previously the Group determines the type of joint arrangement by considering only the structure and form of the arrangement. The Group has re-determined the joint arrangement which it is involved and has reclassified the "jointly controlled entity" to "joint venture." After the reclassification, the Group continues to adopt the accounting treatment by the equity method. Therefore, there is no impact on the recognized assets, liabilities, and comprehensive income of the subsidiary.

(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 improvements 8~30 years
ii. Buildings 3~60 years
iii. Machinery 5~40 years
iv. Furniture and fixtures, and other equipment 3~8 years

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

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

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

(n) Intangible assets

i) Goodwill

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

ii) Other intangible assets

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

iii) Subsequent expenditure

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

iv) Amortization

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

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

i. Computer software 3 years
ii. Industrial technology and know-how 10~20 years
iii. Patent 20 years
iv. Non-compete agreement 3 years
v. Customer relationship 18 years
vi. Trademark and goodwill Uncertain useful lives

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. 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 ecoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

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

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

(p) Provisions

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

(q) Revenue

i) Sale of goods

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

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

ii) Rendering of services

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

iii) Rental income

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

(r) Employee benefits

i) Defined contribution plans

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

ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the 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.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

iii) Short-term employee benefits

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

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

(s) Income tax

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

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

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

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

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

iii) Initial recognition of goodwill.

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

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

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

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

i. levied by the same taxing authority; or

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

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that 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(h)－classification of investment property

(b) Notes 6(k) and 6(l)－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, 2015, is included in note 6(m)－employee benefits.

The Group's accounting policy and disclosure include the financial or non financial assets, or liabilities, which are carried at fair value. The Group's financial department is responsible for measuring the fair value, using the independent sources to make the result of the valuation to reflect closer to the real condition of the market, and confirming the source that is independent, reliable, and consistent to be the appropriate price to ensure the result of the valuation to be reasonable.

The Group used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

(b) 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).

(c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There was no such situation that the Group reclassified the financial instruments from one level to another as of the reporting date.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

		Dec. 31, 2015	Dec. 31, 2014
Cash on hand	$	483	448
Checking and savings deposits		1,366,111	727,058
Time deposits		2,345,657	3,944,620
Commercial paper with reverse sell agreements		269,037	420,751
Cash and cash equivalents per statements of cash flow	$	3,981,288	5,092,877

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, 2015	Dec. 31, 2014
Unlisted stocks (domestic or overseas)	$	1,502,347	1,083,079

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:

Fluctuation in market price at reporting date		2015 Other comprehensive income (after tax)	2015 Net income	2014 Other comprehensive income (after tax)	2014 Net income
Increase 10%	$	150,235	–	108,308	–
Decrease 10%	$	(150,235)	–	(108,308)	–

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

		Foreign currency amount	Exchange rate	NTD
Dec. 31, 2015 THB	$	662,097	0.9146	605,554
Dec. 31, 2014 THB		171,257	0.9670	165,606

In September 2015, Taiwan High Speed Rail Corporation held a provisional shareholders' meeting to approve for a capital reduction to cover all of its accumulated deficits. The Company evaluated and recognized an impairment loss amounting to $300,000 thousand, which was recorded under non-operating income and expenses other gain and losses.

As of December 31, 2015 and 2014, the Group did not pledge its available-for-sale financial instruments.

(c) Notes and accounts receivable, and other receivable

		Dec. 31, 2015	Dec. 31, 2014
Notes receivable	$	616,258	652,449
Accounts receivable		2,546,596	3,389,505
Other receivable		154,535	267,462
Less: allowance for impairment		1,536	879
	$	3,315,853	4,308,537

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

		Dec. 31, 2015	Dec. 31, 2014
Past due 0~30 days	$	82,309	49,193
Past due 31~120 days		719	2,768
Past due 121~180 days		–	1,496
	$	83,028	53,457

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, 2015	$	879	–	879
Impairment loss recognized		2,103	–	2,103
Reversal of impairment loss		(1,426)	–	(1,426)
Effect of changes in exchange rate		(20)	–	(20)
Balance at December 31, 2015	$	1,536	–	1,536

		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

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, 2015	Dec. 31, 2014
Raw materials	$ 1,174,920	1,467,815
	90,749	90,652
Work in progress	354,136	424,506
Finished goods	2,619,236	3,360,434
Merchandise	543,502	500,520
Total	$ 4,782,543	5,843,927

As of December 31, 2015 and 2014, 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:

	2015	2014
Loss (gain) on market value of inventory	$ 73,274	(78,434)
Income from sale of scrap	(40,044)	(58,758)
Loss (gain) on physical count	(522)	295
Loss on idle capacity	288,183	159,920
Total	$ 320,891	23,023

The Group reversed the allowance for loss on inventory for the year period ended December 31, 2013, when the Group sold or used the inventories for which an allowance had been provided previously.

(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, 2015	Dec. 31, 2014
Associates	$ 702,246	717,988
Joint ventures	607,519	633,033
	$ 1,309,765	1,351,021
Associates	$ (25,595)	(11,054)

i) Associates

For the years ended December 31, 2015 and 2014, the Group recognized its share of loss from the associates of $274,006 thousand and $340,093 thousand, respectively.

The details of the significant associates are as follows:

Name of associates	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right	
			Dec. 31, 2015	Dec. 31, 2014
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	30%	30%
Lanxess-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NRB	China	50%	50%

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

i. Summary of financial information of Indian Synthetic Rubber Private Limited

		Dec. 31, 2015	Dec. 31, 2014
Current assets	$	1,411,985	1,353,670
Non-current assets		4,568,668	4,446,149
Current liabilities		(2,368,718)	(1,477,765)
Non-current liabilities		(3,741,387)	(3,498,788)
Equity	$	(129,452)	823,266
Equity attributable to the Group	$	(38,836)	246,980

		2015	2014
Revenue	$	2,160,698	927,572
Net loss of continued operations	$	(943,647)	(869,656)
Other comprehensive income (loss)		–	–
Total comprehensive income (loss)	$	(943,647)	(869,656)
Total comprehensive income attributable to the Group	$	(283,094)	(260,897)

		2015	2014
Beginning equity of the associate attributable to the Group	$	263,534	518,607
Current total comprehensive income of the associate attributable to the Group		(283,094)	(260,897)
Other		(6,035)	5,824
Ending balance of the equity of the associate attributable to the Group	$	(25,595)	263,534

ii. Summary of financial information of Lanxness-TSRC (Nantong)

The Board of the Director of the Group decided to invest in Lanxness-TSRC (Nantong) with $310,700 thousand (USD10,000 thousand) on a pro rata basis on May 7, 2015, and the investment was approved by the Investment Commission Ministry of Economic Affairs on June 2, 2015.

		Dec. 31, 2015	Dec. 31, 2014
Current assets	$	637,980	695,096
Non-current assets		1,270,991	1,417,700
Current liabilities		(1,031,525)	(1,535,106)
Non-current liabilities		(420,346)	(617,643)
Equity	$	457,100	(39,953)
Equity attributable to the Group	$	228,550	(19,977)

		2015	2014
Revenue	$	1,199,841	1,121,100
Net loss of continued operations	$	(115,757)	(306,986)
Other comprehensive income (loss)		–	–
Total comprehensive income (loss)	$	(115,757)	(306,986)
Total comprehensive income attributable to the Group	$	(57,879)	(153,493)

		2015	2014
Beginning equity of the associate attributable to the Group	$	(11,054)	149,431
Current total comprehensive income of the associate attributable to the Group		(57,879)	(153,493)
Capital increase		310,700	–
Other		(6,276)	(6,992)
Ending balance of the equity of the associate attributable to the Group	$	235,491	(11,054)

iii. Summary of respectively not significant associates recognized under equity method were as follows:

		Dec. 31, 2015	Dec. 31, 2014
Balance of not significant associate's equity	$	466,755	454,454
		2015	2014
Attributable to the Group:			
Income from continued operation	$	68,949	80,158
Other comprehensive income		–	–
Total comprehensive income	$	68,949	80,158

ii) Joint ventures

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

		Dec. 31, 2015	Dec. 31, 2014
Balance of not significant joint venture's equity	$	607,519	633,033
		2015	2014
Attributable to the Group:			
Loss from continued operation	$	(43,840)	(22,264)
Other comprehensive income (loss)		–	–
Total comprehensive income (loss)	$	(43,840)	(22,264)

iii) Collateral

As of December 31, 2015 and 2014, the Group's investments accounted for under the equity method were not provided as pledged assets.

(f) Lose control of subsidiaries

In April 2015, the Group disposed all TSRC (Jinan)'s shares, resulting in losing control of TSRC (Jinan). The proceeds and the gain of disposal of the shares were $996 thousand (CNY199 thousand) and $82,784 thousand (CNY16,421 thousand), respectively.

The book value of TSRC (Jinan)'s assets and liabilities on disposal date was as follows:

Cash and cash equivalents	$	5,086
Accounts receivables and other receivables		6,566
Property, plant and equipment, and intangible assets		44,860
Borrowings		(87,776)
Other payables and other current liabilities		(50,010)
Net assets disposed (CNY16,222 thousand)	$	(81,274)

(g) Property, plant and equipment

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

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Cost or deemed cost:									
Balance at Jan. 1, 2015	$	614,101	81,758	4,409,634	19,993,822	195,845	94,596	411,730	25,801,486
Additions		–	–	–	1,531	255	–	812,493	814,279
Disposals		–	–	(97,267)	(209,020)	(9,662)	–	–	(315,949)
Reclassification		–	23,643	14,619	898,826	7,265	–	(954,444)	(10,091)
Effect of changes in exchange rates		–	1,020	(44,497)	29,738	613	–	5,918	(7,208)
Balance at Dec. 31, 2015	$	614,101	106,421	4,282,489	20,714,897	194,316	94,596	275,697	26,282,517

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
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
Depreciation and impairment loss:									
Balance at Jan. 1, 2015	$	–	80,137	1,910,944	13,595,623	143,615	–	–	15,730,319
Depreciation		–	1,176	139,434	748,895	16,978	–	–	906,483
Impairment loss		–	–	–	7,072	–	–	–	7,072
Disposal		–	–	(89,324)	(203,531)	(8,552)	–	–	(301,407)
Effect of changes in exchange rates		–	992	34,396	28,645	773	–	–	64,806
Balance at Dec. 31, 2015	$	–	82,305	1,995,450	14,176,704	152,814	–	–	16,407,273
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

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

The Group's property, plant and equipment was not provided as pledged assets.

(h) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2015	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2015	$	1,073,579	741,889	1,815,468
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

		Land	Buildings	Total
Depreciation:				
Balance as at January 1, 2015	$	–	160,243	160,243
Depreciation		–	14,725	14,725
Balance as at December 31, 2015	$	–	174,968	174,968
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
Carrying value:				
Balance as at December 31, 2015	$	1,073,579	566,921	1,640,500
Balance as at December 31, 2014	$	1,073,579	581,646	1,655,225
Fair value:				
Balance as at December 31, 2015				$ 3,148,146
Balance as at December 31, 2014				$ 3,148,146

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 4~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(s) for further information.

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

Region	2015	2014
Da'an Dist., Taipei City	2.18%~2.34%	2.18%~2.34%

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, 2015 and 2014, the Group's investment properties were not provided as pledged assets.

(i) 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, 2015	$ 1,051,286	193,383	217,865	624,250	1,138,676	9,515	3,234,975
Reclassification	–	10,091	–	–	–	–	10,091
Effect of changes in exchange rates	32,066	(1,491)	9,260	26,552	48,393	404	115,184
Balance at Dec. 31, 2015	$ 1,083,352	201,983	227,125	650,802	1,187,069	9,919	3,360,250
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

	Industrial technology and know-how	Computer software	Goodwill	Patent and trademark	Customer relationship	Non-compete agreement	Total
Amortization:							
Balance at Jan. 1, 2015	$ 280,152	154,537	−	86,115	237,224	9,515	767,543
Amortization	61,267	25,347	−	24,925	63,630	−	175,169
Effect of changes in exchange rates	4,138	(1,398)	−	4,568	12,400	404	20,112
Balance at Dec. 31, 2015	$ 345,557	178,486	−	115,608	313,254	9,919	962,824
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
Carrying value:							
Dece. 31, 2015	$ 737,795	23,497	227,125	535,194	873,815	−	2,397,426
Dec. 31, 2014	$ 771,134	38,846	217,865	538,135	901,452	−	2,467,432

In 2015 and 2014, the amortization of intangible assets was recorded as follows:

	2015	2014
Operating cost	$ 7,199	3,354
Operating expense	$ 167,970	185,604

(j) Prepaid rent

	Land lease prepayment
Cost:	
January 1, 2015	$ 638,650
Disposals	(59,159)
Effects of changes in exchange rates	(9,810)
December 31, 2015	$ 569,681
January 1, 2014	$ 618,137
Effects of changes in exchange rates	20,513
December 31, 2014	$ 638,650
Amortization:	
January 1, 2015	$ 108,176
Amortization	11,786
Disposals	(8,012)
Effects of changes in exchange rates	(1,739)
December 31, 2015	$ 110,211
January 1, 2014	$ 92,357
Amortization	12,325
Effects of changes in exchange rates	3,494
December 31, 2014	$ 108,176
Carrying value:	
December 31, 2015	$ 459,470
December 31, 2014	$ 530,474

		Land lease prepayment
December 31, 2015		
Current	$	11,392
Non-current		448,078
	$	459,470
December 31, 2014		
Current	$	12,325
Non-current		518,149
	$	530,474

As of December 31, 2015 and 2014, the Group's prepaid rent was not provided as pledged assets for long-term borrowings and credit lines.

(k) 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, 2015		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.70~5.35	2016	$ 3,598,252
Secured loans	1.00~1.50	2016	394,696
Total			$ 3,992,948

	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

The abovementioned short-term borrowings were to mature within one year.
As of December 31, 2015 and 2014, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $20,482,781 thousand, and $20,061,739 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2015		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	1.15	$ 100,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	0.99	200,000
			300,000
Less: discount			85
Total			$ 299,915

	Dec. 31, 2014		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	TACHING 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

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

iii) Long-term loan

	Dec. 31, 2015			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	1.57~1.93	2016~2017	$ 1,747,786
Unsecured loans	NTD	1.54~1.60	2017~2019	2,000,000
Total				$ 3,747,786
Current				$ 861,391
Non-current				2,886,395
Total				$ 3,747,786

	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

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

iv) Collateral of loans

The Group has pledge 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: Originally 5 years (starting from March 31, 2011). According to the contracts, TSRC (USA) Investment Corporation could extend the duration for two more years when the loan mature in March 2015.

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. Starting from March 2015, TSRC (USA) Investment Corporation will repay the outstanding amount USD32,000 thousand semi-annually in 5 installments.

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, 2015 and 2014, 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:

December 31, 2015	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	24,723	3,547	21,176
	$ 60,043	4,677	55,366

December 31, 2014	Future minimum lease payments	Interest	Present value of minimum lease payments
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

(l) Operating leases

i) Lessee

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

	Dec. 31, 2015	Dec. 31, 2014
Less than five years	$ 212,361	267,870
More than five years	182,877	188,311
	$ 395,238	456,181

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, 2015 and 2014, lease expenses were $124,906 thousand and $112,045 thousand, respectively.

ii) Lessor

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

	Dec. 31, 2015	Dec. 31, 2014
Less than five years	$ 146,297	206,818

(m) 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, 2015	Dec. 31, 2014
The present value of the defined benefit obligations	$ 632,181	653,870
Fair value of plan assets	(321,576)	(384,238)
The net defined benefit liability	$ 310,605	269,632

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 Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $321,576 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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, 2015 and 2014, were as follows:

	2015	2014
Defined benefit obligation as of 1 January	$ 653,870	658,051
Current service costs and interest	21,409	21,742
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding amounts included in net interest expense)	34,360	10,454
—Due to changes in financial assumption of actuarial (losses) gains	21,983	3,695
Benefits paid by the plan	(99,441)	(40,072)
Defined benefit obligation as of 31 December	$ 632,181	653,870

iii. Movements in fair value of defined benefit plan assets

TThe movements in the fair value of the defined benefit plan assets for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Fair value of plan assets as of January 1	$ 384,238	387,707
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding amounts included in net interest expense)	9,927	9,240
Contributions made	26,852	27,363
Benefits paid by the plan	(99,441)	(40,072)
Fair value of plan assets as of December 31	$ 321,576	384,238

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Current service cost	$ 8,557	8,738
Net interest on the defined benefit liability (asset)	5,116	5,132
	$ 13,673	13,870

	2015	2014
Operating costs	$ 8,768	8,655
Operating expenses	4,905	5,215
	$ 13,673	13,870

v. Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Balance of January 1	$ (63,108)	(50,327)
Recognized during the period	(54,152)	(12,781)
Balance of December 31	$ (117,260)	(63,108)

vi. Actuarial assumptions

The following are the Group's principal actuarial assumptions:

1) The rate use to actuarial the present value of defined benefit obligation as of December 31, 2015 and 2014:

	Dec. 31, 2015	Dec. 31, 2014
Discount rate	1.625%	2.000%
Future salary increases rete	1.500%	1.500%

2) The principal assumption ratio used in determining the Group's defined benefit plan for the years 2015 and 2014 were as follows:

	2015	2014
Discount rate	2.000%	2.000%
Future salary increases rete	1.500%	1.500%

The Group expects to make contributions of $25,768 thousand to the defined benefit plans in the next year starting from the reporting date of 2015.

The weighted average duration of the defined benefit plan is 12.43 years.

vii. Sensitivity analysis

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

As of December 31, 2015 and 2014, the effests of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	The impact of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2015		
Discount rate	$ (14,776)	15,336
Future salary increase rate	14,885	(14,430)
December 31, 2014		
Discount rate	(15,243)	15,801
Future salary increase rate	15,387	(14,924)

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

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

ii) Defined contribution plans

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

The Group's pension costs under the defined contribution plan were $93,565 thousand and $95,591 thousand for the years 2015 and 2014, 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, 2015	Dec. 31, 2014
Compensated absence liabilities	$ 31,814	32,029

(n) Income tax

i) Income tax expenses (benefit)

The amount of the Group's income tax for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Current income tax expense		
Current period	$ 305,215	399,994
Adjustment for prior periods	21,045	6,703
	326,260	406,697
Deferred tax benefit		
Origination and reversal of temporary differences	(281,407)	(102,899)
Income tax expenses on continuing operations	$ 44,853	303,798

Reconciliations of the Group's income tax expense and the profit before tax for 2015 and 2014 were as follows:

	2015	2014
Income before tax	$ 646,000	1,547,544
Income tax calculated on pretax accounting income at statutory rate	$ 109,820	263,082
Effect of tax rates in foreign jurisdiction	55,386	243,775
Dividend income	(7,015)	(7,734)
Adjustment for prior periods	21,045	6,703
Foreign investment income	(316,381)	(198,291)
R&D tax credits utilized	(1,033)	(17,106)
Withholding tax of revenue from overseas	45,325	27,085
Others	137,706	(13,716)
Total	$ 44,853	303,798

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2015 and 2014 were as follows:

Deferred tax assets:	Provision for retirement benefit	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at Jan. 1, 2015	$ 45,578	47,158	33,907	117,937	244,580
Recognized in profit or loss	471	22,445	104,968	(26,153)	101,731
Balance at Dec. 31, 2015	$ 46,049	69,603	138,875	91,784	346,311
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

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, 2015	$ 510,372	138,074	56,683	72,697	777,826
Recognized in profit or loss	(265,377)	39,698	–	46,003	(179,676)
Balance at Dec. 31, 2015	$ 244,995	177,772	56,683	118,700	598,150
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

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2013.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

	Dec. 31, 2015	Dec. 31, 2014
Derived from year 1997 and prior years	$ 1,637	1,637
Derived from year 1998 and thereafter	1,793,614	2,687,864
	$ 1,795,251	2,689,501

	Dec. 31, 2015	Dec. 31, 2014
Balance of imputation credit account (ICA)	$ 181,192	317,513

The imputation tax credit ratio of earnings to be distributed in 2016 is estimated at 10.10%. The actual imputation tax credit ratio of earnings distributed in 2015 was 13.47%.

Effective January 1, 2015, the imputation tax credit of dividends or earnings distributed to individual shareholder who are residents of the ROC was adjusted to half of the original amount. Furthermore, the imputation tax credit of dividends or earnings distributed to individual shareholders resulting from the 10% surtax on unappropriated earnings was also adjusted to half of the original amount.

(o) Capital and other equity

As of December 31, 2015 and 2014, 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 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, 2015 and 2014, were as follows:

	Dec. 31, 2015	Dec. 31, 2014
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' remuneration.
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.

In accordance with the amendments to the Company Act in May 2015, employee bonuses and the directors' and supervisors' remuneration were not parts of the appropriations of earnings. The Board of Directors proposed the amendments on March 17, 2016, which will be approved at the 2016 annual shareholders' meeting. Please refer to note 6(r).

For the year 2014, the estimated amounts of employees' bonuses was $25,878 thousand, and the estimated amounts of directors' and supervisors' remuneration was $12,939 thousand. Such amounts were estimated by multiplying after-tax income by the percentage of distribution of employees' bonuses and directors' and supervisors' remuneration, and recorded as cost of sales or operating expenses in the period. The actual amount of employee's bonuses and directors' and supervisors' remuneration distributed for the year 2014 is identical to that estimated in the financial report ended 2014, and related information can be accessed through the Market Observation Post System.

The appropriations of 2014 and 2013 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 10, 2015, and June 11, 2014, respectively, were as follows:

	2014		2013	
Dividends distributed to common shareholders:	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Cash	$ 1.52	1,255,079	1.37	1,077,355
Stock	−	−	0.50	393,195
Total		1,255,079		1,470,550

iv) Other equities

	Foreign exchange differences arising from foreign operation	Available-for-sale financial assets	Total
Balance as of January 1, 2015	$ 1,569,373	183,207	1,752,580
Foreign exchange differences arising from foreign operation	103,446	−	103,446
Unrealized gains (losses) from available-for-sale financial assets	−	716,695	716,695
Balance as of December 31, 2015	$ 1,672,819	899,902	2,572,721
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

(p) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for the years ended December 31, 2015 and 2014, were as follows:

i) Basic earnings per share

	2015	2014
Net income attributable to common shareholders of the Company	$ 529,115	1,141,338
Weighted-average number of common shares	825,710	825,710
Basic earnings per share (in NT dollars)	$ 0.64	1.38

ii) Diluted earnings per share

	2015	2014
Net income attributable to common shareholders of the Company (diluted)	$ 529,115	1,141,338
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares Effect of employees' bonuses	1,011	1,084
Weighted-average number of shares outstanding (diluted)	826,721	826,794
Diluted earnings per share (in NT dollars)	$ 0.64	1.38

(q) Revenue

The details of the Group's revenue for the years ended December 31, 2015 and 2014, are as follows:

	2015	2014
Sale of goods	$ 25,956,957	31,834,508
Service income	24,802	34,066
	$ 25,981,759	31,868,574

(r) Employees' compensation and directors' remuneration

In accordance with the Company's articles of incorporation, which has been revised but has not yet been approved by the shareholder, if there is profit for the year, the Company should contribute more than 1% of its profit as employee compensation, and less than 1% as directors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration to directors, and compensation to employees had been approved by the board of directors.

In 2015, the Company estimated its employees compensation and directors' remuneration amounting to $28,010 thousand and $3,199 thousand, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the employees compensation and the directors' remuneration, as specified in the Company's articles of incorporation. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized in 2016.

(s) Other income and expenses

The components of the Group's other income and expenses for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Rental income	$ 72,492	76,532
Royalty income	52,685	44,112
Net service income (expenses)	31,508	41,714
Depreciation of investment properties	(14,725)	(14,725)
Net other income (expenses)	19,613	35,461
	$ 161,573	183,094

(t) 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, 2015 and 2014, were as follows:

	2015	2014
Dividend income	$ 67,755	50,857
Foreign exchange gain (loss), net	(196,474)	8,610
Gain (loss) on disposal of property, plant and equipment, net	(13,751)	(6,090)
Impairment loss on financial assets	(300,000)	–
Impairment loss on non-financial assets	(7,072)	–
Gains on disposal of investments	82,784	–
Other	3,557	6,096
	$ (363,201)	59,473

ii) Finance costs

The components of the Group's finance costs for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Interest expenses	$ 156,099	199,286

(u) Reclassification of components of other comprehensive income

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

	2015	2014
Available-for-sale financial assets		
Net change in fair value for current period	$ 716,695	73,871
Net change in fair value reclassified to profit or loss	–	–
Net changes in fair value recognized in other comprehensive income	$ 716,695	73,871

(v) Financial instruments

i) 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, 2015 and 2014, the maximum credit risk exposure amounted to $8,799,488 thousand, and $10,484,493 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.

ii) Liquidity risk

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

		Carrying amount	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2015							
Non-derivative financial liabilities							
Short-term borrowings	$	4,025,462	3,392,163	633,299	−	−	−
Short-term commercial paper payable		300,000	300,000	−	−	−	−
Accounts payable (including related parties)		1,354,617	1,354,617	−	−	−	−
Other payable		878,449	878,449	−	−	−	−
Long-term borrowings (including current portion)		3,867,836	493,405	424,212	1,112,372	1,837,847	−
Financial guarantee contracts		2,651,056	399,840	575,348	574,770	440,439	660,659
	$	13,077,420	6,818,474	1,632,859	1,687,142	2,278,286	660,659
December 31, 2014							
Non-derivative financial liabilities							
Short-term borrowings	$	5,539,336	4,525,408	1,013,928	−	−	−
Short-term commercial paper payable		500,000	500,000	−	−	−	−
Accounts payable (including related parties)		1,328,016	1,328,016	−	−	−	−
Other payable		732,899	732,899	−	−	−	−
Long-term borrowings (including current portion)		5,285,795	924,968	954,162	1,889,835	1,516,830	−
Financial guarantee contracts		2,344,123	406,080	−	704,173	600,144	633,726
	$	15,730,169	8,417,371	1,968,090	2,594,008	2,116,974	633,726

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

iii) 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, 2015				
Financial assets:				
Monetary assets:				
USD	$	40,686	33.0660	1,345,323
EUR	$	12,817	35.8900	460,002
JPY	$	101,580	0.2730	27,731
CNY	$	16,899	4.9980	84,461
Financial liabilities:				
Monetary liabilities:				
USD	$	79,060	33.0660	2,614,198
EUR	$	14,529	35.8900	521,446
JPY	$	54,264	0.2730	14,814
CNY	$	1,883	4.9980	9,411

		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

ii. Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. A 1% appreciation (depreciation) of the NTD against the USD, EUR, CNY and JPY as of December 31, 2015 and 2014, would have increased (decreased) the net income before tax by $12,424 thousand and $27,818 thousand, respectively. The analysis was performed on the same basis for both periods.

iii. Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2015 and 2014, foreign exchange gain (loss) (including realized and unrealized abortions) amounted to $(196,474) thousand and $8,610 thousand.

iv) Interest rate risk analysis

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

The following sensitivity analysis is based on the risk exposure to interest rates of the non-derivative financial instruments 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 before tax would have increased / decreased by $77,407 thousand and $106,291 thousand for the years ended December 31, 2015 and 2014, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

v) Fair value

i. Categories and fair value of financial instruments

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

	Dec. 31, 2015				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) unlisted stocks	$ 1,502,347	–	1,502,347	–	1,502,347
Loans and receivables					
Cash and cash equivalents	3,981,288	–	–	–	–
Accounts and notes receivable	3,161,318	–	–	–	–
Other receivables	154,535	–	–	–	–
Subtotal	7,297,141	–	–	–	–
Total	$ 8,799,488	–	1,502,347	–	1,502,347
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 3,992,948	–	–	–	–
Short-term notes and bills payable	299,915	–	–	–	–
Long-term debts (including current portion)	3,747,786	–	–	–	–
Accounts payables (including related parties)	1,354,617	–	–	–	–
Other payables	878,449	–	–	–	–
Total	$ 10,273,715	–	–	–	–

	Dec. 31, 2014				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) unlisted stocks	$ 1,083,079	–	1,083,079	–	1,083,079
Loans and receivables					
Cash and cash equivalents	5,092,877	–	–	–	–
Accounts and notes receivable	4,041,075	–	–	–	–
Other receivables	267,462	–	–	–	–
Subtotal	9,401,414	–	–	–	–
Total	$ 10,484,493	–	1,083,079	–	1,083,079
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 5,487,318	–	–	–	–
Short-term notes and bills payable	499,402	–	–	–	–
Long-term debts (including current portion)	5,141,802	–	–	–	–
Accounts payables (including related parties)	1,328,016	–	–	–	–
Other payables	732,899	–	–	–	–
Total	$ 13,189,437	–	–	–	–

ii. Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Company have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Group uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity.

(w) Financial risk management

i) Overview

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

i. Credit risk

ii. Liquidity risk

iii. Market risk

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

ii) Risk management framework

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

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

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

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 2015 and 2014, 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, 2015 and 2014, 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 currency of the Group, with primarily NTD, USD, EUR, and CNY, respectively. The currencies used in these transactions are NTD, EUR, USD, JPY and CNY.

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

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

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

The Group does not hedge against investments of related parties.

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.

(x) 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% in 2015 and 2014, the return was 3.33% and 6.86%, respectively. In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 2.02% and 1.76%, respectively. The Group's debt-to-adjusted-capital ratio at the end of the reporting period were as follows:

	Dec. 31, 2015	Dec. 31, 2014
Total liabilities	$ 11,916,871	15,018,255
Less: cash and cash equivalents	3,981,288	5,092,877
Net debt	$ 7,935,583	9,925,378
Total equity	$ 18,077,114	18,138,398
Debt-to-adjusted-capital ratio	44%	55%

(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) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	2015	2014
Associates	$ 12,462	−

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

ii) Purchases

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

	2015	2014
Other related parties	$ 403,496	469,479

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.

iii) 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:

	2015	2014
Associates and joint ventures	$ 173,895	215,877
Other related parties	5,118	9,840
	$ 179,013	225,717

iv) Receivable from related parties

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

Accounts	Type of related parties	Dec. 31, 2015	Dec. 31, 2014
Other receivable	Associates and joint ventures	$ 98,061	93,540

v) Payable to related parties

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

Accounts	Type of related parties	Dec. 31, 2015	Dec. 31, 2014
Accounts payable	Other related parties	$ 13,195	33,889

vi) Lending to related parties

The amount of lending to related parties was as follows:

	Dec. 31, 2015	Dec. 31, 2014
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.

vii) Guarantees

As of December 31, 2015 and 2014, the Group had provided guarantees on the bank loans of associates and joint ventures. The credit limits of the guarantees were $2,651,056 thousand, and $2,750,203 thousand, respectively, and accordingly, the Group increased provision liabilities and investments accounted for under equity method by $32,351 thousand, and $38,358 thousand, respectively.

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

		2015	2014
Short-term employee benefits	$	77,865	77,683
Post-employment benefits		1,496	1,933
	$	79,361	79,616

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object		Dec. 31, 2015	Dec. 31, 2014
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	$	5,149	6,978
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production		4,549	4,614
			9,698	11,592

(9) Significant Commitments and Contingencies

(a) As of December 31, 2015 and 2014, the Group's unused letters of credit outstanding for purchases of materials were $835,192 thousand, and $1,157,685 thousand, respectively.

(b) As of December 31, 2015 and 2014, the Group's signed construction and design contracts with several factories totaled $13,050 thousand, and $177,181 thousand, respectively, of which $7,830 thousand, and $100,576 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	2015			2014		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	848,203	560,426	1,408,629	791,693	565,015	1,356,708
Labor and health insurance	76,358	52,597	128,955	72,054	49,396	121,450
Pension	71,558	35,680	107,238	70,599	38,862	109,461
Others (note 1)	130,009	76,723	206,732	122,396	64,226	186,622
Depreciation (Note 2)	792,556	113,927	906,483	726,832	179,671	906,503
Amortization	7,199	167,970	175,169	3,354	185,604	188,958

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

Note 2: Depreciation expenses for investment property recognized under other income and expenses amounting to $14,725 thousand for both 2015 and 2014 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	32,487	-	-	4%	2	-	Operating capital	-	-	-	150,099 (Note 1)	300,197 (Note 2)
2	TSRC (Nantong) Industries Ltd.	Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	Loan	Yes	99,960	-	-	6.73%	2	-	Operating capital	-	-	-	328,169 (Note 3)	1,312,676 (Note 4)

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 10% of total equity. However, if the counterparty is a subsidiary 100.00% 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. 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. and TSRC (Nantong) Industries Ltd. 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.

Note 9: The investee TSRC (Jinan) Industries Ltd. was disposed of in April 2015.

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)	5,026,032	1,058,112	1,058,112	–	6.51%	(Note 3)	Y		
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	3	(Note 2)	1,157,310	1,157,310	702,653	–	7.12%	(Note 3)	Y		Y
0	TSRC Corp.	TSRC (Jinan) Industries Ltd	3	(Note 2)	74,399	–	–	–	–%	(Note 3)	Y		Y
0	TSRC Corp.	Lanxess-TSRC (Nantong) Chemical Industrial Company Ltd	6	(Note 2)	2,099,738	1,549,958	738,094	–	9.54%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,101,098	1,101,098	1,101,098	–	6.78%	(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 $24,367,028 thousand.

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

Note 5: The investee TSRC (Jinan) Industries Ltd. was disposed of in April 2015.

iii) Securities held as of December 31, 2015

(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 2015	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC Corp.	Taiwan High Speed Rail Corporation	–	Available-for-sale financial assets – non-current	20,000,000	206,000	0.36%	206,000	500,000	
TSRC Corp.	Evergreen Steel Corporation	–	Available-for-sale financial assets – non-current	12,148,000	387,521	3.00%	387,521	209,878	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	599,999	252,744	5.42%	252,744	65,143	

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2015	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC Corp.	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets – non-current	5,657,000	303,272	3.90%	303,272	64,296	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	837,552	352,810	7.57%	352,810	63,128	
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)		
					1,502,347		1,502,347	902,445	

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

iv) Accumulated holding amount of a single security in excess of $300 million or 20% of TSRC's issued share capital: None.
v) Acquisition of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.
vi) Disposal of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.
vii) Sales to and purchases from related parties in excess of $100 million or 20% of TSRC's issued share capital:

Unit: thousand dollars

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Shen Hua Chemical Industries Co., Ltd	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	221,220	3.98%	14 days	–	–	(5,290)	(1.49)%	
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	176,896	15.43%	14 days	–	–	(7,905)	(12.59)%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	355,289	58.80%	40 days	–	–	(8,108)	(15.03)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd.	Related parties	Sale	(355,289)	(8.95)%	40 days	–	–	8,108	1.66%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd	Related parties	Purchase	164,154	27.17%	40 days	–	–	(10,124)	(18.77)%	

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 Industries Co., Ltd	Polybus Corporation Pte Ltd.	Related parties	Sale	(164,154)	(2.31)%	40 days	–	–	10,124	0.87%	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	957,256	43.32%	90 days	–	–	(85,149)	(21.70)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(957,256)	(23.61)%	90 days	–	–	85,149	25.61%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	1,155,182	52.28%	70 days	–	–	(292,832)	(74.62)%	
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,155,182)	(29.09)%	70 days	–	–	292,832	59.86%	
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	170,118	7.81%	70 days	–	–	(22,116)	(8.92)%	
TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	Related parties	Sale	(170,118)	(4.28)%	70 days	–	–	22,116	4.52%	

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 TSRC's 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	292,832	4.32	–	–	292,832	–

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

Note 2: Until March 12, 2016.

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	31,599	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.12%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Other income and expenses	40,232	〃	0.15%
0	TSRC Corp.	TSRC (Lux.) Corporation S.' a. r. l.	1	Sales revenue	78,813	〃	0.30%
0	TSRC Corp.	Polybus Corporation Pte. Ltd.	1	Sales revenue	44,206	〃	0.17%
0	TSRC Corp.	Shen Hua Chemical Industries Co., Ltd	1	Other income and expenses	32,216	〃	0.12%
1	TSRC (Nantong) Industries Ltd	TSRC Corp.	2	Sales revenue	27,425	〃	0.11%
1	TSRC (Nantong) Industries Ltd	TSRC (Shanghai) Industries Ltd	3	Sales revenue	61,751	〃	0.24%
1	TSRC (Nantong) Industries Ltd	Polybus Corporation Pte. Ltd.	3	Sales revenue	355,289	〃	1.37%
1	TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	1,155,182	〃	4.45%
1	TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	291,548	〃	0.97%
1	TSRC (Nantong) Industries Ltd	TSRC-UBE(Nantong) Chemical Industrial Company Limited	3	Other income and expenses	141,040	〃	0.54%
1	TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	3	Sales revenue	170,118	〃	0.65%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	957,256	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.68%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	85,149	〃	0.28%
3	Shen Hua Chemical Industries Co., Ltd	Polybus Corporation Pte. Ltd.	3	Sales revenue	164,154	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.63%
4	TSRC (Lux.) Corporation S.' a. r. l.	TSRC Corp.	2	Other income and expenses	29,877	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.11%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Note 4	1,157,310	–	–
0	TSRC Corp.	TSRC (USA) Investment Corporation	1	〃	1,058,112	–	–

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 dowmstream 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: TSRC's guarantees for bank loans of investees.

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

(b) Information on investees:

The following is the information on investees for the year 2015 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2015	Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2015	Dec. 31, 2014	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%	11,565,552	1,005,945	220,468	221,245	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%	890,391	109,442	62,707	62,707	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%	182,875	38,376	82,496	16,070	Subsidiary (Note 2)
TSRC Corp.	Taiwan Advanced Materials Corp.	No 39, Bengong 1st Rd., Gangshan Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	607,519	720,000	(91,333)	(43,840)	–
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	9. Temasek Boulevard, 31F Suntec Tower 2, Singapore 038989	International commerce and investment corporation	2,152,630 (USD 65,101)	2,152,630 (USD 65,101)	105,830,000	100.00%	6,658,286	2,152,630	564,415	562,433	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited.	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai HK	Investment corporation	2,574,188 (USD 77,850)	2,574,188 (USD 77,850)	77,850,000	100.00%	2,980,723	2,574,188	(9,542)	(9,542)	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	700,996 (USD 21,200)	700,996 (USD 21,200)	106,734,375	30.00%	(25,595)	700,996	(943,647)	(283,094)	–
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	1,823,212 (EUR 50,800)	1,823,212 (EUR 50,800)	50,800,000	100.00%	2,574,551	1,823,212	(109,030)	(109,030)	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	2,514,095 (USD 70,050)	2,514,095 (USD 70,050)	100	100.00%	2,508,705	2,514,095	(124,120)	(124,120)	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	6,369,074 (USD 192,617)	6,369,074 (USD 192,617)	–	100.00%	1,602,708	6,369,074	44,190	44,190	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	1,653 (USD50)	1,653 (USD50)	50,000	100.00%	109,532	1,653	(3,417)	(3,417)	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	158,684 (USD 4,799)	158,684 (USD 4,799)	4,798,566	80.52%	777,224	158,684	82,496	66,426	Indirectly owned subsidiary

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2015	Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2015	Dec. 31, 2014	Shares	Percentage of ownership	Book value				
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613,George Town, Grand Cayman	Investment corporation	99,859 (USD 3,020)	99,859 (USD 3,020)	3,020,210	100.00%	5	99,859	–	–	Indire-ctly owned subsi-diary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	373,150 (USD 11,285)	373,150 (USD 11,285)	7,522,337	37.78%	466,755	373,150	182,500	68,949	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD33.066; EUR1 to NTD35.89).

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 Mainland China:

i) Information on investment in Mainland 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 2015	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	1,362,981 (USD 41,220)	(2)a.	–	–	–	–	260,215	65.44%	1,362,981	170,285 (Note 2)	1,952,633	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	763,825 (USD 23,100)	(2)c.	126,709 (USD3,832)	–	–	126,709 (USD3,832)	284,640	28.34%	763,825	80,653 (Note 3)	510,280	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	181,863 (USD 5,500)	(2)b.	129,619 (USD3,920)	–	–	129,619 (USD3,920)	39,403	100.00%	181,863	39,403 (Note 2)	300,197	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	99,198 (USD 3,000)	(2)d.	49,599 (USD1,500)	–	–	49,599 (USD1,500)	405	50.00%	99,198	202 (Note 2)	67,906	–
TSRC -UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,322,640 (USD 40,000)	(2)a.	33,066 (USD1,000)	–	–	33,066 (USD1,000)	(40,223)	55.00%	1,322,640	(22,123) (Note 2)	908,178	–
TSRC (Nantong) Industries Ltd	Production and sale of synthetic rubber products	2,285,687 (USD 69,125)	(2)a.	219,823 (USD6,648)	–	–	219,823 (USD6,648)	499,862	100.00%	2,285,687	499,862 (Note 2)	3,281,689	–

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2015	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2015	Net income of investee	Direct / indirect investment holding percentage	Maximum investment in 2015	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
TSRC (Jinan) Industries Ltd	Production and sale of compounding materials	74,399 (USD 2,250)	(2)b.	74,399 (USD2,250)	–	–	74,399 (USD2,250)	(23,330)	100.00%	74,399	(23,330) (Note 2)	–	– (Note 6)
Lanxess-TSRC (Nantong) Chemical Industrial Company Ltd	Production and sale of NBR	1,481,357 (USD 44,800)	(2)a.	–	–	–	–	(115,757)	50.00%	1,481,357	(59,861) (Note 3)	235,491	–

Note 1: 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 NTD33.066).

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

Note 6: The investee was disposed of in April 2015.

ii) Limitation on investment in Mainland China:

Unit: thousand dollars

Company name	Accumulated investment amount in China as of December 31, 2015	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC Corp.	633,215(USD19,150)	5,004,043(USD151,335)(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 October 14, 2015. 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 October 1, 2015 to September 30, 2018.

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 NTD33.066).

iii) Significant transactions with investees in Mainland China:

Related information is provided in note 13(a) 10.

(14) Segment Information

(a) General information

There are three service departments which should be reported: synthetic rubber services department, non-synthetic rubber services department, and others. The synthetic rubber services department produces and sells synthetic rubber products. The non-synthetic rubber services department produces and sells reengineering plastic and plastic elasticity engineering 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:

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

	2015				
	Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 25,094,392	862,565	24,802	–	25,981,759
Inter-segment revenues	3,076,861	38,347	–	(3,115,208)	–
Interest revenue	81,514	1,008	3,941	–	86,463
Total revenue	$ 28,252,767	901,920	28,743	(3,115,208)	26,068,222
Interest expenses	$ 153,324	3,304	–	(529)	156,099
Depreciation and amortization	$ 1,035,386	30,691	51,494	(21,194)	1,096,377
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ (77,570)	–	68,949	(309,225)	(317,846)
Reportable segment profit or loss	$ 794,297	70,910	(255,476)	36,269	646,000
Reportable segment assets (note)	$ –	–	–	–	–

	2014					
		Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:						
Revenue from external customers	$	31,096,752	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)	$	–	–	–	–	–

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		2015	2014
Revenue from external customers:			
China	$	10,886,751	12,311,453
United States		3,645,296	4,686,544
Taiwan		2,439,396	3,382,443
Thailand		2,057,964	3,072,833
Japan		1,266,469	1,372,877
Other countries		5,685,883	7,042,424
Total	$	25,981,759	31,868,574

Geographical information		Dec. 31, 2015	Dec. 31, 2014
Non-current assets:			
China	$	7,673,433	8,031,525
Taiwan		4,989,252	4,730,642
United States		2,558,835	2,592,926
Other countries		534,571	814,355
Total	$	15,756,091	16,169,448

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 2015 and 2014, the Group had no major customer who constituted 10% or more of net sales.

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, 2015 and 2014, 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, 2015 and 2014. 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, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

KPMG
Po Shu Hung
Ann Tine Yu
March 17, 2016

TSRC CORPORATION
Balance Sheets
December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollar)

Assets	Dec. 31, 2015 Amount	%	Dec. 31, 2014 Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	$ 398,138	2	495,619	2
Notes receivable, net (note 6(c))	650	－	175	－
Accounts receivable, net (note 6(c))	983,482	5	1,691,272	8
Accounts receivable－related-parties (notes 6(c) and 7)	71,401	－	43,934	－
Other receivable (notes 6(c) and 7)	256,358	1	248,377	1
Current income tax assets	54,143	－	93,521	1
Inventories (note 6(d))	1,694,446	8	1,653,386	8
Other current assets	73,437	－	76,749	－
Total current assets	3,532,055	16	4,303,033	20
Non-current assets:				
Available-for-sale financial assets－non-current (note 6(b))	1,149,537	5	986,593	4
Investments accounted for under equity method (note 6(e))	13,246,337	59	12,592,289	57
Property, plant and equipment (notes 6(f) and 6(g))	2,686,179	12	2,406,647	11
Investment property (note 6(g))	1,640,500	8	1,655,225	8
Intangible assets (note 6(h))	49,355	－	61,045	－
Deferred income tax assets (note 6(l)	86,445	－	82,404	－
Other non-current assets	5,699	－	5,357	－
Total non-current assets	18,864,052	84	17,789,560	80
Total assets	$ 22,396,107	100	22,092,593	100

See accompanying notes to the Consolidated financial Statements (Continued)

TSRC CORPORATION

Balance Sheets

December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollar)

Liabilities and Stockholders' Equity	Dec. 31, 2015 Amount	%	Dec. 31, 2014 Amount	%
Current liabilities:				
Short-term borrowings (note 6(i))	$ 1,940,389	9	1,906,825	9
Short-term commercial paper payable (note 6(i))	299,915	1	499,402	2
Accounts payable	557,235	2	676,159	3
Other payable (notes 6(m), 6(o) and 7)	546,994	2	524,724	2
Current income tax liabilities	−	−	5,437	−
Other current liabilities (note 6(i))	54,333	−	33,782	−
Total current liabilities	3,398,866	14	3,646,329	16
Non-current liabilities:				
Long-term borrowings (note 6(i))	2,000,000	9	1,250,000	6
Provision-non current (note 7)	32,351	−	38,358	−
Deferred income tax liabilities (note 6(l))	345,172	2	611,089	3
Other non-current liabilities (notes 6(i) and 6(k))	375,033	2	342,157	2
Total non-current liabilities	2,752,556	13	2,241,604	11
Total liabilities	6,151,422	27	5,887,933	27
Shareholders' equity (notes 6(l), 6(m) and 6(r)):				
Common stock	8,257,099	37	8,257,099	37
Capital surplus	849	−	849	−
Retained earnings:				
Legal reserve	3,618,765	16	3,504,631	16
Unappropriated earnings	1,795,251	8	2,689,501	12
	5,414,016	24	6,194,132	28
Other equities:				
Financial statements translation differences for foreign operations	1,672,819	8	1,569,373	7
Unrealized gain on valuation of available-for-sale financial assets	899,902	4	183,207	1
Total equity	2,572,721	12	1,752,580	8
	16,244,685	73	16,204,660	73
Total liabilities and stockholders' equity	$ 22,396,107	100	22,092,593	100

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang　　Manager :Joseph Chai　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

	Dec. 31, 2015		Dec. 31, 2014	
	Amount	**%**	**Amount**	**%**
Revenue (note 7)	$ 8,636,050	100	12,265,005	100
Operating costs (notes 6(d), 6(f), 6(h), 6(k), 6(m) and 6(o))	7,628,838	88	10,891,334	89
Gross profit	1,007,212	12	1,373,671	11
Less: Unrealized gain (loss) on affiliated transactions	(7,221)	–	(15,855)	–
Gross profit, net	1,014,433	12	1,389,526	11
Operating expenses (notes 6(f), 6(g), 6(h), 6(j), 6(k), 6(m), 6(o) and 7):				
Selling expenses	302,177	4	339,940	3
General and administrative expenses	391,958	5	375,259	3
Research and development expenses	207,114	2	246,125	2
Total operating expenses	901,249	11	961,324	8
Other income and expenses, net (notes 6(g), 6(h), 6(k), 6(p) and 7)	182,006	2	240,781	2
Operating profit	295,190	3	668,983	5
Non-operating income and expenses (notes 6(b), 6(e) and 6(q)):				
Interest income	8,344	–	12,476	–
Other gains and losses	(221,931)	(3)	88,643	1
Finance costs	(49,060)	–	(37,733)	–
Share of profit from the subsidiaries, the associates and the joint ventures	256,182	3	388,986	3
Total non-operating income and expenses	(6,465)	–	452,372	4
Net income before tax	288,725	3	1,121,355	9
Less: income tax expense (benefit) (note 6(l))	(240,390)	(3)	(19,983)	–
Net income	529,115	6	1,141,338	9
Other comprehensive income (loss) (notes 6(k) and 6(m)):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plans	(54,152)	(1)	(12,781)	–
Income tax benefit (expense) related to items that will not be reclassified subsequently	–	–	–	–
Total Items that will not be reclassified subsequently to profit or loss	(54,152)	(1)	(12,781)	–
Items that may be reclassified subsequently to profit or loss:				
Financial statements translation differences for foreign operations	103,446	1	504,390	4
Unrealized gain on valuation of available-for-sale financial assets	716,695	9	73,871	1
Income tax expense relating to components of other comprehensive income (loss)	–	–	–	–
Total Items that may be reclassified subsequently to profit or loss	820,141	10	578,261	5
Other comprehensive income (loss), net of tax	765,989	9	565,480	5
Total comprehensive income	$ 1,295,104	15	1,706,818	14
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(n))	$ 0.64		1.38	

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang Manager :Joseph Chai Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated earnings	Retained earnings: Total	Other equity adjustments: Financial statement translation differences for foreign operations	Other equity adjustments: Unrealized gain (loss) on valuation of available-for-sale financial assets	Other equity adjustments: Total	Total
Balance at January 1, 2014	$ 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(note 1):									
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
Appropriations and distributions(note 2):									
Legal reserve	–	–	114,134	(114,134)	–	–	–	–	–
Cash dividends	–	–	–	(1,255,079)	(1,255,079)	–	–	–	(1,255,079)
Net income	–	–	–	529,115	529,115	–	–	–	529,115
Other comprehensive income (loss)	–	–	–	(54,152)	(54,152)	103,446	716,695	820,141	765,989
Total comprehensive income (loss)	–	–	–	474,963	474,963	103,446	716,695	820,141	1,295,104
Balance at December 31, 2015	$ 8,257,099	849	3,618,765	1,795,251	5,414,016	1,672,819	899,902	2,572,721	16,244,685

Supplemental disclosure:

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

2: Directors' and supervisors' enumeration and employee bonuses amounting to $12,939 and $25,878, respectively, were deducted from profit and loss of 2014.

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang　　Manager :Joseph Chai　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan dollars)

		2015	2014
Cash flows from operating activities:			
Net income before tax	$	288,725	1,121,355
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		263,331	266,901
Amortization		21,780	27,947
Interest expenses		49,060	37,733
Interest income		(8,344)	(12,476)
Dividend income		(53,228)	(45,494)
Share of profit from the subsidiaries, the associates and the joint ventures		(256,182)	(388,986)
Losses on disposal of property, plant and equipment, net		149	142
Impairment loss on financial assets		300,000	–
Impairment loss on non-financial assets		742	–
Unrealized loss on affiliated transactions		(7,221)	(15,855)
Unearned revenue from technology provided to investee		(19,147)	(19,028)
Total adjustments to reconcile profit and loss		290,940	(149,116)
Changes in assets / liabilities relating to operating activities:			
Net changes in operating assets:			
Notes receivable		(475)	1,008
Accounts receivable		707,790	(466,420)
Accounts receivable—related-parties		(27,467)	62,185
Other receivable		(2,694)	(73,833)
Inventories		(41,060)	85,969
Other current assets		3,312	30,838
Total changes in operating assets, net		639,406	(360,253)
Net changes in operating liabilities:			
Accounts payable		(118,924)	(54,037)
Other payable		16,004	(1,652)
Other current liabilities		20,551	4,887
Net defined benefit liabilities		(13,179)	(13,493)
Other non-current liabilities		(20,062)	7,001
Total changes in operating liabilities, net		(115,610)	(57,294)
Total changes in operating assets / liabilities, net		523,796	(417,547)
Total adjustments		814,736	(566,663)
Cash provided by operating activities		1,103,461	554,692
Interest income received		1,075	6,618
Interest paid		(43,937)	(26,357)
Income tax refund (paid)		4,373	(131,418)
Net cash provided by operating activities		1,064,972	403,535

TSRC CORPORATION
Statements of Cash Flows-continued
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan dollars)

	2015	2014
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(535,159)	(235,340)
Increase in other non-current assets	(342)	3
Dividend received	53,228	97,214
Net cash used in investing activities	(482,273)	(138,123)
Cash flows from financing activities:		
Increase in short-term borrowings	9,361,668	13,197,848
Decrease in short-term borrowings	(9,328,104)	(13,214,094)
Increase in short-term commercial paper payable	8,454,171	10,389,229
Decrease in short-term ammercial paper payable	(8,658,582)	(10,700,745)
Increase in long-term borrowings	750,000	1,250,000
Decrease in finance lease liabilities	(6,361)	(6,287)
Cash dividends paid	(1,252,972)	(1,079,896)
Net cash used in financing activities	(680,180)	(163,945)
Increase (decrease) in cash and cash equivalents	(97,481)	101,467
Cash and cash equivalents at beginning of period	495,619	394,152
Cash and cash equivalents at end of period	$ 398,138	495,619

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang Manager :Joseph Chai Chief Accountant :Ming-Huang Chen

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

(1) Organization and Business Scope

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting, and the registered address is 18F, No. 95, Sec. 2, Dunhua S. Rd., Taipei City. The Company is mainly engaged in the manufacture, import, and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. 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 17, 2016.

(3) New Standards and Interpretations Not Yet Adopted

(a) International Financial Reporting Standards 2013 (IFRSs 2013) endorsed by the Financial Supervisory Commission ("FSC")

The Company has adopted to prepare financial reports according to IFRSs 2013 endorsed by the FSC from 2015 onward (not including IFRS 9 Financial Instruments). A summary of the differences between IFRS 2013 and IFRS 2010 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 Company 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. The Company has also revised the disclosure of the statement of comprehensive income in both current and prior periods.

ii) FRS 12－Disclosure of Interests in Other Entities

The Company follows the amendments to add the disclosure of associates and joint ventures in the financial statements. Please refer to note 6(e).

iii) IFRS 13－Fair Value Measurement

IFRS 13 defines the meaning of fair value and sets the method of calculation and the presentation of measurement of fair value. The Company follows the new amendments to disclose the fair value measurement (please refer to note 6(s)), and there is no need to disclose the information of comparable period. As the adoption will be postponed until 2015, the Company does not expect any significant influence on its financial condition and performance.

(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 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"	Effective date to be determined by IASB
Amended IFRS 10, IFRS 12 and IAS 28 " Investment Entities-Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Acquisitions of an Interest in Joint Operation"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amended IAS 1 "Disclosure Initiative"	January 1, 2016
Amended to IAS 7 "Disclosure Initiative"	January 1, 2017
Amended to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41"Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendments to IAS 27 "Equity Method in Separate 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

New announcements/revisions/amendments of standards and interpretations	Effective date per IASB
Annual improvements to IFRSs 2010-2012 cycle and to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company is currently evaluating the impact of the abovementioned standards and amendments on the Company'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 those otherwise explained in the accounting policies in the notes.

ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment in which the entity 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 security is recognized in other comprehensive income, and accumulated in other equity.

iii. Derecognition of financial assets

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

ii) Financial liabilities and equity instruments

i. Classification of debt or equity

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

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

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

ii. Other financial liabilities

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

iii. Derecognition of financial liabilities

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

iv. Offsetting of financial assets and liabilities

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

v. Financial guarantee contract

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

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

(g) Inventories

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

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 or joint control, over the financial and operating policies.

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

The 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. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the changes in ownership interests of the associate in capital surplus in proportion to its ownership interests.

Unrealized profits resulting from the 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.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(i) Investment in subsidiaries

When preparing the Company's financial statements, investments in subsidiaries which are controlled by the Company 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.

If the investment in shares is not made by cash but in exchange with providing service or other assets, the cost of the investment is determined by either the fair value of shares purchased, the fair value of the service provided, or the fair value of the assets exchanged, which ever can be determined more objectively. If the investment in subsidiary is in exchange with service to be provided in the future, the account "investment in equity method" should be credited and reversed to recognized investment income based on the timing of the service provided under a reasonable accounting system.

(j) Joint arrangement

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28.

The Company determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the separate legal vehicle, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. Previously the Company determines the type of joint arrangement by considering only the structure and form of the arrangement. The Company has re-determined the joint arrangement which it is involved and has reclassified the " jointly controlled entity " to " joint venture." After the reclassification, the Company continues to adopt the accounting treatment by the equity method. Therefore, there is no impact on the recognized assets, liabilities, and comprehensive income of the subsidiary.

(k) Property, plant and equipment

i) Recognition and measurement

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

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

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

ii) Reclassification to investment properties

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

iii) Subsequent cost

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

iv) Depreciation

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

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

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

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

i. Land improvements	8~30 years
ii. Buildings	3~60 years
iii. Machinery	5~40 years
iv. Furniture and fixtures, and other equipment	3~8 years

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

(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 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 reporting date. 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. The fair value of any plan assets is 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 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.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income 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, 2015, is included in note 6(k)－employee benefits.

The Company's accounting policy and disclosure include the financial or non financial assets, or liabilities, which are carried at fair value. The Company's financial department is responsible for measuring the fair value, using the independent sources to make the result of the valuation to reflect closer to the real condition of the market, and confirming the source that is independent, reliable, and consistent to be the appropriate price to ensure the result of the valuation to be reasonable.

The Company used the fair value that can be observed in the market to measure the value of assets and liabilities. Fair values levels are based on the degree in which the fair value can be observed and grouped in to Levels 1 to 3 as follows:
(a) Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.
(b) 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).
(c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).
There was no such situation that the Company reclassified the financial instruments from one level to another as of the reporting date.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

		Dec. 31, 2015	Dec. 31, 2014
Checking and savings deposits	$	129,101	74,868
Commercial paper with reverse sell agreements		269,037	420,751
Cash and cash equivalents per statements of cash flow	$	398,138	495,619

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(s).

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

		Dec. 31, 2015	Dec. 31, 2014
Unlisted stocks (domestic or overseas)	$	1,149,537	986,593

Please refer to note 6(q) 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:

		2105		2104	
Fluctuation in market price at reporting date		Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$	114,954	－	98,659	－
Decrease 10%	$	(114,954)	－	(98,659)	－

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

		Foreign currency amount	Exchange rate	NTD
Dec. 31, 2015 THB	$	276,344	0.9146	252,744
Dec. 31, 2014 THB		71,479	0.9670	69,120

In September 2015, Taiwan High Speed Rail Corporation held a provisional shareholders' meeting to approve for a capital reduction to cover all of its accumulated deficits. The Company evaluated and recognized an impairment loss amounting to $300,000 thousand, which was recorded under non-operating income and expenses other gain and losses.
As of December 31, 2015 and 2014, the Company did not pledge its available-for-sale financial instruments.

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

		Dec. 31, 2015	Dec. 31, 2014
Notes receivable	$	650	175
Accounts receivable		983,482	1,691,272
Accounts receivable－related parties		71,401	43,934
Other receivable		52,280	54,312
Other receivable－related parties		204,078	194,065
	$	1,311,891	1,983,758

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

		Dec. 31, 2015	Dec. 31, 2014
Past due 0~30 days	$	14,979	904
Past due 31~120 days		719	－
Past due over 365 days		－	3,052
	$	15,698	3,956

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, 2015	Dec. 31, 2014
Raw materials	$	364,102	286,651
Supplies		22,536	29,233
Work in progress		157,151	209,508
Finished goods		1,144,282	1,125,361
Merchandise		6,375	2,633
Total	$	1,694,446	1,653,386

As of December 31, 2015 and 2014, 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:

		2015	2014
Loss on (reversal of) decline in market value of inventory	$	42,963	(55,109)
Income from sale of scrap		(21,438)	(25,538)
Loss on idle capacity		54,166	2,773
Total	$	75,691	(77,874)

The Company reversed the allowance for loss on inventory for the year period ended December 31, 2013, 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, 2015	Dec. 31, 2014
Subsidiaries	$	12,638,818	11,959,256
Joint ventures		607,519	633,033
	$	13,246,337	12,592,289

i) Subsidiaries

Please refer to the consolidated financial statements.

ii) Joint ventures

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

	Dec. 31, 2015	Dec. 31, 2014
Balance of not significant joint venture's equity	$ 607,519	633,033

Attributable to the Company:

	2015	2014
Income from continued operation	$ (43,840)	(22,264)
Other comprehensive income	–	–
Total comprehensive income	$ (43,840)	(22,264)

iii) Collateral

As of December 31, 2015 and 2014, 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 January 1, 2015	$	614,101	57,769	1,159,543	7,954,540	53,339	94,596	217,493	10,151,381
Additions		–	–	–	–	–	–	539,119	539,119
Disposals		–	–	(5,727)	(135,184)	(222)	–	–	(141,133)
Reclassification		–	23,643	–	569,106	1,216	–	(604,055)	(10,090)
Balance at December 31, 2015	$	614,101	81,412	1,153,816	8,388,462	54,333	94,596	152,557	10,539,277
Balance at January 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 December 31, 2014	$	614,101	57,769	1,159,543	7,954,540	53,339	94,596	217,493	10,151,381

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Depreciation and impairment loss:								
Balance at January 1, 2015 $	−	56,877	765,761	6,877,674	44,422	−	−	7,744,734
Depreciation	−	1,068	26,288	217,207	4,043	−	−	248,606
Impairment	−	−	−	742	−	−	−	742
Disposal	−	−	(5,727)	(135,035)	(222)	−	−	(140,984)
Balance at December 31, 2015$	−	57,945	786,322	6,960,588	48,243	−	−	7,853,098
Balance at January 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 December 31, 2014$	−	56,877	765,761	6,877,674	44,422	−	−	7,744,734
Carrying value:								
December 31, 2015$	614,101	23,467	367,494	1,427,874	6,090	94,596	152,557	2,686,179
December 31, 2014$	614,101	892	393,782	1,076,866	8,917	94,596	217,493	2,406,647

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, 2015	$	1,073,579	741,889	1,815,468
Additions		−	−	−
Balance as at December 31, 2015	$	1,073,579	741,889	1,815,468
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
Depreciation:				
Balance as at January 1, 2015	$	−	160,243	160,243
Depreciation		−	14,725	14,725
Balance as at December 31, 2015	$	−	174,968	174,968
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
Carrying value:				
Balance as at December 31, 2015	$	1,073,579	566,921	1,640,500
Balance as at December 31, 2014	$	1,073,579	581,646	1,655,225
Fair value:				
Balance as at December 31, 2015				$ 3,148,146
Balance as at December 31, 2014				$ 3,148,146

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(p) 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 were as follows:

Region	2015	2104
Da'an Dist., Taipei City	2.18%~2.34%	2.18%~2.34%

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, 2015 and 2014, 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, 2015	$	41,756	104,684	146,440
Reclassification		-	10,090	10,090
Balance at December 31, 2015	$	41,756	114,774	156,530
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
Amortization:				
Balance at January 1, 2015	$	9,396	75,999	85,395
Amortization		4,176	17,604	21,780
Balance at December 31, 2015	$	13,572	93,603	107,175
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
Carrying value:				
December 31, 2015	$	28,184	21,171	49,355
December 31, 2014	$	32,360	28,685	61,045

In 2015 and 2014, the amortization of intangible assets were recorded as follows:

		2015	2014
Operating costs	$	307	40
Operating expenses	$	18,601	24,840
Other income and expenses	$	2,872	3,067

(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, 2015		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.87~1.10	105	$ 1,940,389

	Dec. 31, 2014		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.79~1.65	104	$ 1,906,825

The abovementioned short-term borrowings were to mature within one year.
As of December 31, 2015 and 2014, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $6,647,930 thousand and $7,128,193 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2015		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	INTERNATIONAL BILLS FINANCE LTD.	1.15	$ 100,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	0.99	200,000
			300,000
Less: discount			85
Total			$ 299,915

	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

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

iii) Long-term borrowings

	Dec. 31, 2015			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.54~1.60	106~108	$ 2,000,000
Current				$ –
Non-current				2,000,000
Total				$ 2,000,000

	Dec. 31, 2014			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.67	106~108	$ 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(s).

iv) Collateral of loans

The Company did not pledge certain assets against the 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, 2015			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	24,723	3,547	21,176
	$ 60,043	4,677	55,366
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

(j) Operating leases

i) Lessee

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

	Dec. 31, 2015	Dec. 31, 2014
Less than five years	$ 26,663	36,919

The Company leases offices and factory facilities under operating leases. The leases typically run for a period of 4 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, 2015 and 2014, lease expenses were $17,991 thousand and $13,283 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, 2015	Dec. 31, 2014
Less than five years	$ 119,996	178,285

(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, 2015	Dec. 31, 2014
The present value of the defined benefit obligations	$ 632,181	653,870
Fair value of plan assets	(321,576)	(384,238)
The net defined benefit liability	$ 310,605	269,632

TThe 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 $321,576 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, 2015 and 2014 were as follows:

	2015	2014
Defined benefit obligation as of 1 January	$ 653,870	658,051
Current service costs and interest	21,409	21,742
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding amounts included in net interest expense)	34,360	10,454
—Due to changes in financial assumption of actuarial (losses) gains	21,983	3,695
Benefits paid by the plan	(99,441)	(40,072)
Defined benefit obligation as of 31 December	$ 632,181	653,870

iii. Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Fair value of plan assets as of January 1	$ 384,238	387,707
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding amounts included in net interest expense)	9,927	9,240
Contributions made	26,852	27,363
	(99,441)	(40,072)
Fair value of plan assets as of December 31	$ 321,576	384,238

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Current service cost	$ 8,557	8,738
Net interest on the defined benefit liability (asset)	5,116	5,132
	$ 13,673	13,870

	2015	2014
Operating costs	$ 8,768	8,655
Operating expenses	4,100	3,852
Other income and expenses	805	1,363
	$ 13,673	13,870

v. Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Balance of January 1	$ (63,108)	(50,327)
Recognized during the period	(54,152)	(12,781)
Balance of December 31	$ (117,260)	(63,108)

vi. Actuarial assumptions

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

1) The rate use to actuarial the present value of defined benefit obligation as of December 31, 2015 and 2014:

	Dec. 31, 2015	Dec. 31, 2014
Discount rate	1.625%	2.000%
Future salary increases rate	1.500%	1.500%

2) The principal assumption ratio used in determining the Company's defined benefit plan for the years 2015 and 2014 were as follows:

	2015	2014
Discount rate	2.000%	2.000%
Future salary increases rate	1.500%	1.500%

The Company expects to make contributions of $25,768 thousand to the defined benefit plans in the next year starting from the reporting date of 2015.

The weighted average duration of the defined benefit plan is 12.43 years.

vii. Sensitivity analysis

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

As of December 31, 2015 and 2014, the effects of the present value of the defined benefit obligation arising from changes in principle actuarial assumptions were as follows:

	Effects of defined benefit obligation	
December 31, 2015	Increase 0.25%	Decrease 0.25%
Discount rate	$ (14,776)	15,336
Future salary increase rate	14,885	(14,430)
December 31, 2014		
Discount rate	(15,243)	15,801
Future salary increase rate	15,387	(14,924)

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

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

ii) Defined contribution plans

The Company has made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the 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 $18,849 thousand and $18,961 thousand for the years 2015 and 2014, respectively. Payments were made to the Bureau of Labor Insurance.

iii) Short-term employee benefit liabilities

	Dec. 31, 2015	Dec. 31, 2014
Compensated absence liabilities	$ 21,414	22,122

(l) Income tax

i) Income tax expenses (benefit)

The amount of the Company's income tax benefit for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Current income tax expense		
Current period	$ 13,732	89,310
Adjustment for prior periods	15,836	5,806
	29,568	95,116
Deferred tax benefit		
Origination and reversal of temporary differences	(269,958)	(115,099)
Income tax benefit on continuing operations	$ (240,390)	(19,983)

Reconciliations of the Company's income tax benefit and the profit before tax for 2015 and 2014 were as follows:

	2015	2014
Income before tax	$ 288,725	1,121,355
Income tax calculated on pretax accounting income at statutory rate	$ 49,083	190,630
Dividend income	(7,015)	(7,734)
Adjustment for prior periods	13,680	5,806
Foreign investment income	(316,381)	(198,291)
R&D tax credits utilized	(1,033)	(17,106)
Others	21,276	6,712
Total	$ (240,390)	(19,983)

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2015 and 2014 were as follows:

Deferred tax assets:	Provision for retirement benefit	Allowance for inventory valuation	Deferred credits	Other	Total
Balance at January 1, 2015	$ 45,578	9,903	6,270	20,653	82,404
Recognized in profit or loss	471	10,736	(2,812)	(4,354)	4,041
Balance at December 31, 2015	$ 46,049	20,639	3,458	16,299	86,445
Balance at January 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 December 31, 2014	$ 45,578	9,903	6,270	20,653	82,404

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, 2015	$ 510,372	33,512	56,683	10,522	611,089
Recognized in profit or loss	(265,377)	(1,391)	–	851	(265,917)
Balance at Dec. 31, 2015	$ 244,995	32,121	56,683	11,373	345,172
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

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2013.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

	Dec. 31, 2015	Dec. 31, 2014
Derived from year 1997 and prior years	$ 1,637	1,637
Derived from year 1998 and thereafter	1,793,614	2,687,864
	$ 1,795,251	2,689,501

	Dec. 31, 2015	Dec. 31, 2014
Balance of imputation credit account (ICA)	$ 181,192	317,513

The imputation tax credit ratio of earnings to be distributed in 2016 is estimated at 10.10%. The actual imputation tax credit ratio of earnings distributed in 2015 was 13.47%.

Effective January 1, 2015, the imputation tax credit of dividends or earnings distributed to individual shareholder who are residents of the ROC was adjusted to half of the original amount. Furthermore, the imputation tax credit of dividends or earnings distributed to individual shareholders resulting from the 10% surtax on unappropriated earnings was also adjusted to half of the original amount.

(m) Capital and other equity

As of December 31, 2015 and 2014, 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 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, 2015 and 2014, were as follows:

	Dec. 31, 2015	Dec. 31, 2014
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 re classified 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' remuneration.
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.

In accordance with the amendments to the Company Act in May 2015, employee bonuses and the directors' and supervisors' remuneration were not parts of the appropriations of earnings. The Board of Directors proposed the amendments on March 17, 2016, which will be approved at the 2016 annual shareholders' meeting. Please refer to note 6(o).

For the year 2014, the estimated amounts of employees' bonuses was $25,878 thousand, and the estimated amounts of directors' and supervisors' remuneration was $12,939 thousand. Such amounts were estimated by multiplying after-tax income by the percentage of distribution of employees' bonuses and directors' and supervisors' remuneration, and recorded as cost of sales or operating expenses in the period. The actual amount of employees' bonuses and directors' and supervisors' remuneration distributed for the year 2014 is identical to that estimated in the financial report ended 2014, and related information can be accessed through the Market Observation Post System.

The appropriations of 2014 and 2013 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 10, 2015, and June 11, 2014, respectively, were as follows:

	2014		2013	
Dividends distributed to common shareholders:	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Cash	$ 1.52	1,255,079	1.37	1,077,355
Stock	–	–	0.50	393,195
Total		1,255,079		1,470,550

iv) Other equities

	Foreign exchange differences arising from foreign operation	Available-for-sale financial assets	Total
Balance as of January 1, 2015	$ 1,569,373	183,207	1,752,580
Foreign exchange differences arising from foreign operation	103,446	–	103,446
Unrealized gains (losses) from available-for-sale financial assets-the Company	–	462,944	462,944
Unrealized gains (losses) from available-for-sale financial assets-the subsidiary	–	253,751	253,751
Balance as of December 31, 2015	$ 1,672,819	899,902	2,572,721
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

(n) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the years ended December 31, 2015 and 2014, were as follows:

i) Basic earnings per share

	2015	2014
Net income attributable to common shareholders of the Company	$ 529,115	1,141,338
Weighted-average number of common shares	825,710	825,710
Basic earnings per share (in NT dollars)	$ 0.64	1.38

ii) Diluted earnings per share

	2015	2014
Net income attributable to common shareholders of the Company (diluted)	$ 529,115	1,141,338
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares Effect of employees' bonuses	1,011	1,084
Weighted-average number of shares outstanding (diluted)	826,721	826,794
Diluted earnings per share (in NT dollars)	$ 0.64	1.38

(o) Employees' compensation and directors' remuneration

In accordance with the Company's articles of incorporation, which has been revised but has not yet been approved by the shareholder, if there is profit for the year, the Company should contribute more than 1% of its profit as employee compensation, and less than 1% as directors' remuneration. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amount of remuneration to directors and compensation to employees had been approved by the board of directors.

In 2015, the Company estimated its employees' compensation, and directors' remuneration amounting to $28,010 thousand and $3,199 thousand, respectively. The estimated amounts mentioned above are based on the net profit before tax of each respective ending period, multiplied by the percentage of the employees' compensation, and the directors' remuneration, as specified in the Company's articles of incorporation. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized in 2016.

(p) Other income and expenses

The components of the Company's other income and expenses for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Rental income	69,528	73,653
Royalty income	91,354	88,466
Net service income (expenses)	50,815	70,133
Depreciation of investment properties	(14,725)	(14,725)
Net other income (expenses)	(14,966)	23,254
	182,006	240,781

(q) 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, 2015 and 2014, were as follows:

	2015	2014
Dividend income	$ 53,228	45,494
Foreign exchange gain (loss), net	26,797	44,234
Loss on disposal of property, plant and equipment	(149)	(142)
Impairment loss on financial assets	(300,000)	−
Impairment loss on non-financial assets	(742)	−
Other	(1,065)	(943)
	$ (221,931)	88,643

ii) Finance costs

The components of the Company's finance costs for the years ended December 31, 2015 and 2014, were as follows:

	2015	2014
Interest expenses	$ 49,060	37,733

(r) Reclassification of components of other comprehensive income

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

	2015	2014
Available-for-sale financial assets		
Net change in fair value for current period	$ 716,695	73,871
Net change in fair value reclassified to profit or loss	–	–
Net changes in fair value recognized in other comprehensive income	$ 716,695	73,871

(s) Financial instruments

i) 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, 2015 and 2014, the maximum credit risk exposure amounted to $2,859,566 thousand, $3,465,970 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.

ii) Liquidity risk

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

	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2015						
Non-derivative financial liabilities						
Short-term borrowings	$ 1,942,809	1,942,809	–	–	–	–
Short-term commercial paper payable	300,000	300,000	–	–	–	–
Accounts payable	557,235	557,235	–	–	–	–
Other payable	420,088	420,088	–	–	–	–
Long-term borrowings	2,085,674	16,358	15,754	428,356	1,625,206	–
Financial guarantee contracts	2,651,056	399,840	575,348	574,770	440,439	660,659
	$ 7,956,862	3,636,330	591,102	1,003,126	2,065,645	660,659
December 31, 2014						
Non-derivative financial liabilities						
Short-term borrowings	$ 1,909,250	1,909,250	–	–	–	–
Short-term commercial paper payable	500,000	500,000	–	–	–	–
Accounts payable	676,159	676,159	–	–	–	–
Other payable	336,068	336,068	–	–	–	–
Long-term borrowings	1,317,150	10,830	10,430	20,859	1,275,031	–
Financial guarantee contracts	2,344,123	406,080	–	704,173	600,144	633,726
	$ 7,082,750	3,838,387	10,430	725,032	1,875,175	633,726

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

iii) 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, 2015				
Financial assets:				
Monetary assets:				
USD	$	27,803	33.0660	919,334
EUR	$	1,176	35.8900	42,207
JPY	$	30,096	0.2730	8,216
CNY	$	14,821	4.9980	74,075
Financial liabilities:				
Monetary liabilities:				
USD	$	35,263	33.0660	1,166,006
EUR	$	1,899	35.8900	68,155
JPY	$	26,218	0.2730	7,158
CNY	$	261	4.9980	1,304
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

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, EUR, CNY and JPY as of December 31, 2015 and 2014, would have increased (decreased) the net income before tax by $1,988 thousand and $2,759 thousand, respectively. The analysis was performed on the same basis for both periods.

iii. Foreign exchange gain and loss on monetary item

The amount, expressed in functional currency, of foreign exchange gain and loss (including realized and unrealized portion) of the Company's monetary items, and the exchange rate used to translate the original amount to the Company's functional currency, NTD (also the expressed currency), were as follows:

	2015		2014	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
USD	$ 24,455	31.904	42,643	30.365
CNY	1,021	5.040	281	4.897
Other	1,321	−	1,310	−

vi) 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 before tax would have increased / decreased by $39,404 thousand and $31,568 thousand for the years ended December 31, 2015 and 2014, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

v) Fair value

i. Categories and fair value of financial instruments

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

	Dec. 31, 2015				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) unlisted stocks	$ 1,149,537	–	1,149,537	–	1,149,537
Loans and receivables					
Cash and cash equivalents	398,138	–	–	–	–
Accounts and notes receivable	1,055,533	–	–	–	–
Other receivables	256,358	–	–	–	–
Subtotal	1,710,029	–	–	–	–
Total	$ 2,859,566	–	1,149,537	–	1,149,537
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 1,940,389	–	–	–	–
Short-term notes and bills payable	299,915	–	–	–	–
Long-term debts (including current portion)	2,000,000	–	–	–	–
Accounts payables (including related parties)	557,235	–	–	–	–
Other payables	420,088	–	–	–	–
Total	$ 5,217,627	–	–	–	–

	Dec. 31, 2014				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) unlisted stocks	$ 986,593	–	986,593	–	986,593
Loans and receivables					
Cash and cash equivalents	495,619	–	–	–	–
Accounts and notes receivable	1,735,381	–	–	–	–
Other receivables	248,377	–	–	–	–
Subtotal	2,479,377	–	–	–	–
Total	$ 3,465,970	–	986,593	–	986,593
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 1,906,825	–	–	–	–
Short-term notes and bills payable	499,402	–	–	–	–
Long-term debts (including current portion)	1,250,000	–	–	–	–
Accounts payables	676,159	–	–	–	–
Other payables	336,068	–	–	–	–
Total	$ 4,668,454	–	–	–	–

ii. Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Company have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Company uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity.

(t) Financial risk management

i) Overview

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

i. Credit risk

ii. Liquidity risk

iii. Market risk

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

ii) Risk management framework

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

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

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

iii) Credit risk

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

i. Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2015 and 2014, 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, 2015 and 2014, 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 Group, with primarily NTD, USD, EUR and CNY, respectively. The currencies used in these transactions are EUR, USD, JPY and CNY.

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 NTD, USD, EUR 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.

(u) 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% in 2015 and 2014, the return was 3.26% and 7.05%, respectively. In comparison, the weighted-average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 1.25% and 1.19%, respectively. The Company's debt-to-adjusted-capital ratio at the end of the reporting period were as follows:

	Dec. 31, 2015	Dec. 31, 2014
Total liabilities	$ 6,151,422	5,887,933
Less: cash and cash equivalents	398,138	495,619
Net debt	$ 5,753,284	5,392,314
Total equity	$ 16,244,685	16,204,660
Debt-to-adjusted-capital ratio	35%	33%

(7) Related-party Transactions

(a) List of subsidiaries

本公司之子公司明細如下：

		Percentage of ownership	
	Location	Dec. 31, 2015	Dec. 31, 2014
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
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:

	2015	2014
Subsidiaries	$ 167,214	279,083

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:

	2015	2014
Subsidiaries	$ 112,575	148,562
Associates and joint ventures	59,174	98,165
	$ 171,749	246,727

ii. The Company received consulting services such as marketing, financing and research services from its subsidiaries. In 2015 and 2014, the services amounted to $31,012 thousand and $31,032 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, 2015	Dec. 31, 2014
Accounts receivable －related parties	Subsidiaries	$ 71,401	43,934
Other receivable	Associates and joint ventures	91,273	86,657
Other receivable	Subsidiaries	112,805	107,408
		$ 275,479	237,999

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, 2015	Dec. 31, 2014
Other payable	Subsidiaries	$ 5,348	7,539

v) Guarantees

As of December 31, 2015 and 2014, the Company had provided guarantees on the bank loans of its subsidiaries, associates and joint ventures. The credit limits of the guarantees were $4,866,478 thousand and $7,103,499 thousand, respectively, and the Company increased provision liabilities and the investments accounted for under equity method by $32,351 thousand and $38,358 thousand, respectively.

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2015	2014
Short-term employee benefits	$ 48,794	47,713
Post-employment benefits	396	702
	$ 49,190	48,415

(8) Pledged Assets: None.

(9) Significant Commitments and Contingencies

(a) As of December 31, 2015 and 2014, the Company's unused letters of credit outstanding for purchases of materials were $562,902 thousand, $789,092 thousand, respectively.

(b) As of December 31, 2015 and 2014, the Company's signed construction and design contracts with several factories totaled $13,050 thousand, $116,154 thousand, respectively, of which $7,830 thousand, $54,196 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	2015			2014		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	320,379	256,545	576,924	331,354	268,693	600,047
Labor and health insurance	26,366	20,606	46,972	26,189	20,730	46,919
Pension (Note 1)	17,877	12,848	30,725	17,522	12,557	30,079
Others (note 2)	37,766	36,798	74,564	39,557	32,484	72,041
Depreciation (Note 3)	188,843	59,763	248,606	184,212	67,964	252,176
Amortization (Note 4)	307	18,601	18,908	40	24,840	24,880

Note 1: Pension expenses excluded expenses for employees on international assignments amounting to $1,797 thousand and $2,752 thousand for the years 2015 and 2014, 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 2015 and 2014 were excluded.

Note 4: Amortization of intangible assets recognized under other income and expenses amounting to $2,872 thousand and $3,067 thousand for the years 2015 and 2014, respectively, was excluded.

The average employee numbers were 586 and 578 for the years 2015 and 2014, 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	32,487	–	–	4%	2	–	Operating capital	–	–	–	150,099 (Note 1)	300,197 (Note 2)
2	TSRC (Nantong) Industries Ltd	Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd	Loan	Yes	99,960	–	–	6.73%	2	–	Operating capital	–	–	–	328,169 (Note 3)	1,312,676 (Note 4)

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

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

Note 3: 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. and TSRC (Nantong) Industries Ltd. 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".

Note 8: The investee TSRC (Jinan) Industries Ltd. was disposed of in April 2015.

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)	5,026,032	1,058,112	1,058,112	–	6.51%	(Note 3)	Y		
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	3	(Note 2)	1,157,310	1,157,310	702,653	–	7.12%	(Note 3)	Y		Y
0	TSRC Corp.	TSRC (Jinan) Industries Ltd	3	(Note 2)	74,399	–	–	–	– %	(Note 3)	Y		Y
0	TSRC Corp.	Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd	6	(Note 2)	2,099,738	1,549,958	738,094	–	9.54%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,101,098	1,101,098	1,101,098	–	6.78%	(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 fifty percent 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 $24,367,028 thousand.

Note 4: The investee TSRC (Jinan) Industries Ltd. was disposed of in April 2015.

iii) Securities held as of December 31, 2015
(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	20,000,000	206,000	0.36%	206,000	
TSRC Corp.	Evergreen Steel Corporation	–	Available-for-sale financial assets – non-current	12,148,000	387,521	3.00%	387,521	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	599,999	252,744	5.42%	252,744	
TSRC Corp.	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets – non-current	5,657,000	303,272	3.90%	303,272	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	837,552	352,810	7.57%	352,810	
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)	
					1,502,347		1,502,347	

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

iv) Accumulated holding amount of a single security in excess of $300 million or 20% of TSRC's issued share capital: None.

v) Acquisition of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.

vi) Disposal of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.

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

Unit: thousand dollars

Name of company	Counter -party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Shen Hua Chemical Industries Co., Ltd	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd	Purchase	221,220	3.98%	14 days	—	—	(5,290)	(1.49)%	
TSRC-UBE (Nantong) Chemical Industries Co. Ltd	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd	Purchase	176,896	15.43%	14 days	—	—	(7,905)	(12.59)%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	355,289	58.80%	40 days	—	—	(8,108)	(15.03)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd.	Related parties	Sale	(355,289)	(8.95)%	40 days	—	—	8,108	1.66%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Company Limited	Related parties	Purchase	164,154	27.17%	40 days	—	—	(10,124)	(18.77)%	
Shen Hua Chemical Industrial Company Limited	Polybus Corporation Pte Ltd.	Related parties	Sale	(164,154)	(2.31)%	40 days	—	—	10,124	0.87%	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	957,256	43.32%	90 days	—	—	(85,149)	(21.70)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(957,256)	(23.61)%	90 days	—	—	85,149	25.61%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Namtong) Industries Ltd	Related parties	Purchase	1,155,182	52.28%	70 days	—	—	(292,832)	(74.62)%	
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,155,182)	(29.09)%	70 days	—	—	292,832	59.86%	
Dexco Polymers L.P.	TSRC (Namtong) Industries Ltd	Related parties	Purchase	170,118	7.81%	70 days	—	—	(22,116)	(8.92)%	
TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	Related parties	Sale	(170,118)	(4.28)%	70 days	—	—	22,116	4.52%	

viii) Receivables from related parties in excess of $100 million or 20% of TSRC's issued share capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period (Note 1)	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	292,832	4.32	–	–	292,832	–

Note 1: Until March 17, 2016.

ix) Derivative financial instrument transactions: None.

(b) Information on investees:

The following is the information on investees for the year 2015 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2015	Dec. 31, 2014	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%	11,565,552	220,468	221,245	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%	890,391	62,707	62,707	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%	182,875	82,496	16,070	Subsidiary (Note 2)
TSRC Corp.	Taiwan Advanced Materials Corp.	No 39, Bengong 1st Rd., Gangshan Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	607,519	(91,333)	(43,840)	–
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	9. Temasek Boulevard, 31F Suntec Tower 2, Singapore 038989	International commerce and investment corporation	2,152,630 (USD 65,101)	2,152,630 (USD 65,101)	105,830,000	100.00%	6,658,286	564,415	562,433	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited.	Suite 2303 23F Great Eagle Centre 23 Harbour Road Wanchai HK	Investment corporation	2,574,188 (USD 77,850)	2,574,188 (USD 77,850)	77,850,000	100.00%	2,980,723	(9,542)	(9,542)	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	700,996 (USD 21,200)	700,996 (USD 21,200)	106,734,375	30.00%	(25,595)	(943,647)	(283,094)	–
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	1,823,212 (EUR 50,800)	1,823,212 (EUR 50,800)	50,800,000	100.00%	2,574,551	(109,030)	(109,030)	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	2,514,095 (EUR 70,050)	2,514,095 (USD 70,050)	100	100.00%	2,508,705	(124,120)	(124,120)	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	6,369,074 (USD 192,617)	6,369,074 (USD 192,617)	–	100.00%	1,602,708	44,190	44,190	Indirectly owned subsidiary

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2015	Dec. 31, 2014	Shares	Percentage of ownership	Book value			
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	1,653 (USD50)	1,653 (USD50)	50,000	100.00%	109,532	(3,417)	(3,417)	Indire-ctly owned subsi-diary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	158,684 (USD 4,799)	158,684 (USD 4,799)	4,798,566	80.52%	777,224	82,496	66,426	Indire-ctly owned subsi-diary
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613,George Town, Grand Cayman	Investment corporation	99,859 (USD 3,020)	99,859 (USD 3,020)	3,020,210	100.00%	5	–	–	Indire-ctly owned subsi-diary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	373,150 (USD 11,285)	373,150 (USD 11,285)	7,522,337	37.78%	466,755	182,500	68,949	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD33.066; EUR1 to NTD35.89).

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 Taiwan as of January 1, 2015	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2015	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	1,362,981 (USD 41,220)	(2)a.	–	–	–	–	260,215	65.44%	170,285 (Note 2)	1,952,633	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	763,825 (USD 23,100)	(2)c.	126,709 (USD3,832)	–	–	126,709 (USD3,832)	284,640	28.34%	80,653 (Note 3)	510,280	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	181,863 (USD 5,500)	(2)b.	129,619 (USD3,920)	–	–	129,619 (USD3,920)	39,403	100.00%	39,403 (Note 2)	300,197	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	99,198 (USD 3,000)	(2)d.	49,599 (USD1,500)	–	–	49,599 (USD1,500)	405	50.00%	202 (Note 2)	67,906	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,322,640 (USD 40,000)	(2)a.	33,066 (USD1,000)	–	–	33,066 (USD1,000)	(40,223)	55.00%	(22,123) (Note 2)	908,178	–

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2015	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2015	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						
TSRC (Nantong) Industries Ltd	Production and sale of synthetic rubber products	2,285,687 (USD 69,125)	(2)a.	219,823 (USD6,648)	－	－	219,823 (USD6,648)	499,862	100.00%	499,862 (Note 2)	3,281,689	－
TSRC (Jinan) Industries Ltd	Production and sale of compounding materials	74,399 (USD 2,250)	(2)b.	74,399 (USD2,250)	－	－	74,399 (USD2,250)	(23,330)	100.00%	(23,330) (Note 2)	－	－(Note 5)
Lanxess-TSRC (Nantong) Chemical Industrial Company Limited	Production and sale of NBR	1,481,357 (USD 44,800)	(2)a.	－	－	－	－	(115,757)	50.00%	(59,861) (Note 3)	235,491	－

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 NTD33.066).
Note 5: The investee was disposed of in April 2015.

ii) Limitation on investment in Mainland China:

Unit: thousand dollars

Accumulated investment amount in China as of December 31, 2015	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
633,215(USD19,150)	5,004,043(USD151,335)(Note 2)	－(Note 1)

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 October 14, 2015, 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 October 14, 2015. 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 October 1, 2015 to September 30, 2018.
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 NTD33.066).

iii) Significant transactions with investees in Mainland China:

i. Sales and accounts receivable

Sales to related parties in Mainland China are summarized as follows:

	2015
TSRC (Shanghai) Industries Ltd.	$ 12,597
TSRC (Nantong) Industries Ltd.	31,599
	$ 44,196

The related accounts receivable resulting from the above transactions as of December 31, 2015 as follows:

	Dec. 31, 2015
TSRC (Shanghai) Industries Ltd.	$ 4,860
TSRC (Nantong) Industries Ltd.	22,388
	$ 27,248

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

Nature	Name	Service income in 2015 2015	Accounts receivable as of December 31, 2015 Dec. 31, 2015
Management and technology services	Shen Hua Chemical Industrial Co., Ltd	$ 32,413	28,983
Management and technology services	TSRC (Nantong) Industries Ltd	76,220	72,093
Management and technology services	TSRC-UBE (Nantong) Chemical Industrial Company Limited	8,442	6,471
Management and technology services & trademark rights	TSRC (Shanghai) Industries Ltd.	10,962	5,112
Management and technology services	Lanxess-TSRC (Nantong) Chemical Industrial Company Limited	11,461	6,826
		$ 139,498	119,485

iii. Guarantees

As of December 31, 2015, guarantees provided by the Company for the bank loans of investees in Mainland China were as follows:

	2015
TSRC (Nantong) Industries Ltd	$ 1,157,310
Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd	1,549,958
	$ 2,707,268

(14) Segment information

Please refer to the year 2015 consolidated financial statements.

TSRC Corporation

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