

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS

31st DECEMBER 2009 AND 2008

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

Report of Independent Accountants

To the Board of Directors and Stockholders of
Taiwan Stock Exchange Corporation

We have audited the accompanying consolidated balance sheets of Taiwan Stock Exchange Corporation and subsidiaries as of 31st December 2009 and 2008, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of consolidated subsidiaries, which statements reflect total assets of NT\$14,517,603 thousand and NT\$13,396,398 thousand, constituting 13 and 29 percent of the consolidated assets as of 31st December 2009 and 2008, respectively, and total revenues of NT\$2,859,752 thousand and NT\$2,673,498 thousand, constituting 37 and 38 percent, respectively, of consolidated revenues for the years then ended. We also did not audit the financial statements of certain investees accounted for under the equity method. These long-term equity investments amounted to NT\$102,533 thousand and NT\$99,315 thousand as of 31st December 2009 and 2008, respectively, and their related investment income amounted to NT\$17,008 thousand and NT\$14,082 thousand for the years then ended. These financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included in the financial statements relative to the consolidated subsidiaries and these long-term investments, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the "Rules Governing the Examination of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Taiwan Stock Exchange Corporation and subsidiaries as of 31st December 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with the “Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges” and generally accepted accounting principles in the Republic of China.

As stated in Note 3 to the financial statements, effective 1st January 2008, the Company adopted EITF 96-052 of the R.O.C. Accounting Research and Development Foundation, “Accounting for Employees’ Bonuses and Directors’ and Supervisors’ Remuneration” dated 16th March 2007. The cost of employees’ bonuses is accounted for as an expense and liability, provided that such recognition is required under legal or constructive obligation and the amount can be estimated reasonably.

PricewaterhouseCoopers, Taiwan

1st March 2010
Taipei, Taiwan

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
31st DECEMBER
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009		2008			2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Assets					Current Liabilities				
Cash and cash equivalents (Note 4(1))	\$ 51,822,173	47	\$ 7,080,940	15	Accrued expenses	\$ 1,233,989	1	\$ 1,195,842	3
Financial assets at fair value through profit or loss (Note 4(2))	675,302	-	642,399	2	Income tax payable (Note 4(13))	601,033	-	173,866	-
Available-for-sale financial assets (Note 4(3))	22,924,293	21	3,264,200	7	Securities lending and borrowing collateral payable (Note 4(15))	62,022,599	56	842,417	2
Held-to-maturity financial assets (Note 4(4))	3,250,496	3	3,791,728	8	Receipts under custody (Note 4(16))	66,039	-	38,373	-
Accounts receivable-net (Notes 4(6) and 5)	718,901	1	424,801	1	Other current liabilities	806,045	1	704,672	2
Interest receivable	146,572	-	146,667	1	Performance bond payable (Note 4(7))	-	-	-	-
Income tax refundable	85,268	-	84,662	-	Total Current Liabilities	64,729,705	58	2,955,170	7
Other financial assets-current (Note 4(16))	157,229	-	143,710	-	Other Liabilities				
Other current assets (Note 4(13))	63,034	-	63,583	-	Default damages reserve (Note 4(8))	9,486,445	9	9,322,244	20
Performance bond (Note 4(7))	-	-	-	-	Deposits received	49,460	-	37,269	-
Total Current Assets	79,843,268	72	15,642,690	34	Reserve for land value increment tax	44,599	-	44,599	-
Funds and Long-term Investments					Deferred income tax liabilities – noncurrent (Note 4(13))	27,378	-	21,246	-
Available-for-sale financial assets – noncurrent (Note 4(3))	-	-	500,275	1	Total Other Liabilities	9,607,882	9	9,425,358	20
Held-to-maturity financial assets – noncurrent (Note 4(4))	17,939,102	16	17,283,024	37	Securities Settlement Credit (Note 4(9))	-	-	-	-
Financial assets carried at cost – noncurrent (Note 4(5))	951,652	1	951,652	2	Total Liabilities	74,337,587	67	12,380,528	27
Default damages fund (Note 4(8)(9))	9,425,956	9	9,178,523	20	Stockholders' Equity				
Long-term equity investment accounted for under the equity method (Note 4(10))	102,533	-	99,315	-	Capital stock (Note 4(17))				
Total Funds and Long-Term Investments	28,419,243	26	28,012,789	60	Common stock	5,694,908	5	5,556,008	12
Property, Plant and Equipment (Note 4(11))					Capital reserve (Note 4(18))	37,682	-	37,682	-
Original Cost					Retained earnings				
Land	429,941	-	416,941	1	Legal reserve (Note 4(19))	3,733,696	4	3,533,588	8
Buildings	693,473	1	685,473	2	Special reserve (Note 4(19))	18,911,362	17	17,950,847	38
Computer equipment	2,641,528	2	2,664,473	6	Unappropriated earnings (Note 4(20))	2,016,210	2	2,013,954	4
Other equipment	641,558	1	621,344	1	Other adjustments to Stockholders' Equity				
Appreciation – land	37,084	-	37,084	-	Unrealized gain or loss on financial instruments (Note 4(3))	127,346	-	(385,525)	(1)
	4,443,584	4	4,425,315	10	Minority Interest	5,916,464	5	5,448,927	12
Less: Accumulated depreciation	(2,923,765)	(3)	(2,588,092)	(6)	Total Stockholders' Equity	36,437,668	33	34,155,481	73
Accumulated impairment	(1,781)	-	-	-	Commitments and Contingent Liabilities (Note 6)				
Prepayments on equipment	137,293	-	50,629	-					
Total Property, Plant and Equipment	1,655,331	1	1,887,852	4					
Intangible Asset									
Goodwill (Note 1)	169,083	-	169,083	-					
Total Intangible Asset	169,083	-	169,083	-					
Other Assets									
Rental assets	86,111	-	104,910	-					
Operations guarantee deposits (Note 4(12))	290,000	1	280,000	1					
Deferred charges (Note 4(11))	145,982	-	252,095	1					
Refundable deposits and miscellaneous assets	166,237	-	186,590	-					
Total Other Assets	688,330	1	823,595	2					
Securities Settlement Debit (Note 4(9))	-	-	-	-					
TOTAL ASSETS	\$ 110,775,255	100	\$ 46,536,009	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 110,775,255	100	\$ 46,536,009	100

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated 1st March 2010.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31st DECEMBER
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2009		2008	
	Amount	%	Amount	%
Operating revenues				
Trading fees (Notes 4(21) and 5)	\$ 3,444,763	45	\$ 3,052,238	43
Securities recording service fees (Note 5)	993,966	13	835,707	12
Custodial service fees	716,318	9	753,039	11
Market data fees	368,322	5	367,573	5
Listing fees	519,189	7	487,788	7
Securities settlement service fees	412,598	5	427,260	6
Computer and other equipment fees	82,005	1	99,310	1
Data processing fees (Note 5)	182,354	2	121,144	2
Future settlement fees (Note 5)	263,082	4	228,458	3
Others (Note 5)	<u>715,343</u>	<u>9</u>	<u>696,998</u>	<u>10</u>
Total Operating Revenues	7,697,940	100	7,069,515	100
Operating costs-others (Note 4(24))	(63,034)	(1)	(59,646)	(1)
Operating Gross Profit	<u>7,634,906</u>	<u>99</u>	<u>7,009,869</u>	<u>99</u>
Operating expenses (Note 4(24))				
Personnel (Note 4(14))	(2,150,076)	(28)	(2,101,712)	(29)
General and administrative (Notes 4(22) and 5)	(2,629,554)	(34)	(2,834,594)	(40)
Total Operating Expenses	(4,779,630)	(62)	(4,936,306)	(69)
Operating income	<u>2,855,276</u>	<u>37</u>	<u>2,073,563</u>	<u>30</u>
Non-operating income				
Interest	785,051	10	1,074,796	15
Equity in net income of investee company (Note 4(10))	17,008	-	14,082	-
Gain on disposal of investments	28,195	-	87,694	1
Other income	<u>42,140</u>	<u>1</u>	<u>47,126</u>	<u>1</u>
Total Non-operating Income	<u>872,394</u>	<u>11</u>	<u>1,223,698</u>	<u>17</u>
Non-operating expenses				
Interest	(23,614)	-	(12,140)	-
Impairment loss (Note 4(4)(11))	(49,190)	(1)	-	-
Other expenses	(89,654)	(1)	(88,285)	(2)
Total Non-operating Expenses	(162,458)	(2)	(100,425)	(2)
Consolidated income before income tax	3,565,212	46	3,196,836	45
Income tax expense (Note 4(13))	(875,728)	(11)	(602,250)	(8)
Consolidated income after income tax	2,689,484	35	2,594,586	37
Employees' bonus of consolidated subsidiary	-	-	(35,972)	(1)
Consolidated net income	<u>\$ 2,689,484</u>	<u>35</u>	<u>\$ 2,558,614</u>	<u>36</u>
Attributable to:				
Equity holders of the Company	\$ 1,996,280	26	\$ 2,001,073	28
Minority interest	<u>693,204</u>	<u>9</u>	<u>557,541</u>	<u>8</u>
Total consolidated net income	<u>\$ 2,689,484</u>	<u>35</u>	<u>\$ 2,558,614</u>	<u>36</u>
	Pre tax	After tax	Pre tax	After tax
Basic earnings per share (Note 4(23))				
Equity holders of the Company	\$ 5.04	\$ 3.51	\$ 4.63	\$ 3.51
Minority interest	<u>1.22</u>	<u>1.22</u>	<u>0.98</u>	<u>0.98</u>
Total consolidated net income	<u>\$ 6.26</u>	<u>\$ 4.73</u>	<u>\$ 5.61</u>	<u>\$ 4.49</u>

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated 1st March 2010.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED 31st DECEMBER
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Retained Earnings</u>					<u>Unappropriated Earnings</u>	<u>Unrealized Gain or Loss on Financial Instruments</u>	<u>Minority Interest</u>	<u>Total</u>
	<u>Common Stock</u>	<u>Capital Reserve</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated Earnings</u>				
<u>2008</u>									
Balance at 1st January 2008	\$ 5,420,496	\$ 37,682	\$ 3,235,463	\$ 16,162,094	\$ 3,014,916	\$ 186,255	\$ 5,111,145	\$ 33,168,051	
Appropriations of 2007 earnings:									
Legal reserve	-	-	298,125	-	(298,125)	-	-	-	-
Special reserve	-	-	-	1,788,753	(1,788,753)	-	-	-	-
Cash dividends	-	-	-	-	(677,561)	-	-	(677,561)	-
Stock dividends	135,512	-	-	-	(135,512)	-	-	-	-
Employees' bonus	-	-	-	-	(102,084)	-	-	(102,084)	-
Increase in minority interest	-	-	-	-	-	-	(219,759)	(219,759)	-
Equity holders net income for 2008	-	-	-	-	2,001,073	-	-	2,001,073	-
Minority interest income for 2008	-	-	-	-	-	-	557,541	557,541	-
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	(571,780)	-	(571,780)	-
Balance at 31st December 2008	<u>\$ 5,556,008</u>	<u>\$ 37,682</u>	<u>\$ 3,533,588</u>	<u>\$ 17,950,847</u>	<u>\$ 2,013,954</u>	<u>(\$ 385,525)</u>	<u>\$ 5,448,927</u>	<u>\$ 34,155,481</u>	
<u>2009</u>									
Balance at 1st January 2009	\$ 5,556,008	\$ 37,682	\$ 3,533,588	\$ 17,950,847	\$ 2,013,954	(\$ 385,525)	\$ 5,448,927	\$ 34,155,481	
Appropriations of 2008 earnings:									
Legal reserve	-	-	200,108	-	(200,108)	-	-	-	-
Special reserve	-	-	-	960,515	(960,515)	-	-	-	-
Cash dividends	-	-	-	-	(694,501)	-	-	(694,501)	-
Stock dividends	138,900	-	-	-	(138,900)	-	-	-	-
Increase in minority interest	-	-	-	-	-	-	(225,667)	(225,667)	-
Equity holders net income for 2009	-	-	-	-	1,996,280	-	-	1,996,280	-
Minority interest income for 2009	-	-	-	-	-	-	693,204	693,204	-
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	512,871	-	512,871	-
Balance at 31st December 2009	<u>\$ 5,694,908</u>	<u>\$ 37,682</u>	<u>\$ 3,733,696</u>	<u>\$ 18,911,362</u>	<u>\$ 2,016,210</u>	<u>\$ 127,346</u>	<u>\$ 5,916,464</u>	<u>\$ 36,437,668</u>	

Note : Employees' bonuses of \$93,866 were deducted from the statement of income.

The accompanying notes are an integral part of these consolidated financial statements.

See report of independent accountants dated 1st March 2010.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31st DECEMBER
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

<u>Cash flows from operating activities</u>	<u>2009</u>	<u>2008</u>
Consolidated net income	\$ 2,689,484	\$ 2,558,614
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Gain on disposal of investments	(25,466)	(87,694)
Gain on disposal of held-to-maturity financial assets	(507)	(351)
Amortization of bond premium	27,971	32,309
Loss (gain) on valuation of financial assets	29	(4,107)
Bad debts	2,163	-
Impairment loss	49,190	-
Provision for default damages	164,201	251,118
Equity in net income of investee companies-net of cash dividends received	(3,218)	(2,934)
Depreciation	453,660	548,239
Loss on obsolescence and disposal of property, plant and equipment	2,914	5,231
Amortization	150,646	185,919
Changes in assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(32,932)	(149,585)
(Increase) decrease in accounts receivable-net	(296,263)	141,101
Decrease (increase) in interest receivable	95	(22,876)
Increase in income tax refundable	(606)	(84,662)
(Increase) decrease in other financial assets-current	(13,519)	40,639
Decrease in deferred income tax assets	6,304	10,226
Decrease in other current assets-other	376	6,632
Increase in accrued expenses	38,147	271,877
Increase (decrease) in income tax payable	427,167	(624,864)
Increase (decrease) in securities lending and borrowing collateral payable	61,180,182	(2,331,127)
Increase (decrease) in receipts under custody	27,666	(56,549)
Increase in other current liabilities	94,644	304,631
Net cash provided by operating activities	<u>64,942,328</u>	<u>991,787</u>

(Continued)

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31st DECEMBER
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>2009</u>	<u>2008</u>
<u>Cash flows from investing activities</u>		
Increase in available-for sale financial assets-net	(\$ 18,621,481)	(\$ 1,051,206)
Increase in held-to-maturity financial assets-net	(176,933)	(1,973,847)
Increase in default damages fund	(247,433)	(267,943)
Acquisition of property, plant and equipment	(227,339)	(497,635)
Proceeds from disposal of property, plant and equipment	52	2,066
Increase in operations guarantee deposits	(10,000)	-
Increase in deferred charges	(30,337)	(115,753)
Decrease (increase) in refundable deposits-net	<u>20,353</u>	<u>(870)</u>
Net cash used in investing activities	<u>(19,293,118)</u>	<u>(3,905,188)</u>
<u>Cash flows from financing activities</u>		
Increase (decrease) in deposits received-net	12,191	(3,621)
Cash dividends paid	(694,501)	(677,561)
Bonus paid to employees	-	(102,084)
Bonus paid to employees-minority interest	-	(35,474)
Cash dividends paid-minority interest	<u>(225,667)</u>	<u>(184,285)</u>
Net cash used in financing activities	<u>(907,977)</u>	<u>(1,003,025)</u>
Net increase (decrease) in cash and cash equivalents	44,741,233	(3,916,426)
Cash and cash equivalents at beginning of year	<u>7,080,940</u>	<u>10,997,366</u>
Cash and cash equivalents at end of year	<u>\$ 51,822,173</u>	<u>\$ 7,080,940</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for:		
Interest	<u>\$ 14,664</u>	<u>\$ 12,665</u>
Income tax	<u>\$ 441,823</u>	<u>\$ 1,301,595</u>
Investing activities which have no effect on cash flows		
Total acquisition of property, plant and equipment	\$ 234,068	\$ 447,725
Less: Payables at end of year	(7,200)	(471)
Add: Payables at beginning of year	<u>471</u>	<u>50,381</u>
Cash paid	<u>\$ 227,339</u>	<u>\$ 497,635</u>

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 1st March 2010.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31st DECEMBER 2009 AND 2008
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

- 1) Taiwan Stock Exchange Corporation (the Company) was established in December 1961. The main activities of the Company are providing location and facilities for trading and settlement of securities, and other services as approved by the Competent Authority. As of 31st December 2009, the Company had 585 employees.

On 29th November 2001, the Competent Authority authorized the Company to continue existing in its current corporate form for the next ten years until a change into a membership-type organization is approved.

- 2) Taiwan Depository & Clearing Corporation (TDCC) and Taiwan-Ca Inc. (TWCA) were consolidated subsidiaries in 2009. Consolidated subsidiaries are as follows:

A. TDCC

(A)TDCC was established in October 1989. It provides the following services: (a) custody of securities certificates; (b) maintenance of records of securities settled or pledged; (c) electronic processing of records for securities; (d) service in connection with book-entry distribution of securities; (e) book-entry registration of noncertificated securities; (f) depository and clearing of short-term bills; and (g) other services approved by the Competent Authority. As of 31st December 2009, TDCC had 511 employees.

(B)In the stockholders' meeting on 8th February 2006, the stockholders of Taiwan Securities Central Depository Co., Ltd. (TSCD) decided that TSCD would merge with Debt Instruments Depository and Clearing Co., Ltd. Taiwan (DIDC). TSCD, the surviving entity, was renamed as Taiwan Depository & Clearing Corporation (TDCC).

(C) The Company's ownership percentage as of 31st December 2009 and 2008 is 50.43%.

B. TWCA

(A) Taiwan-Ca Inc. (TWCA) was 30.25% owned by the Company as of 31st December 2009 and 2008. Although the Company does not directly or indirectly hold more than 50% of TWCA's voting shares, the Company and TDCC together hold 5 of the 9 Board of Directors' seats after the Company increased its investment in TWCA in 2006. As the Company exercises significant control over TWCA, TWCA was accounted for as a subsidiary of the Company since 2006.

(B) TWCA was incorporated on 17th December 1999 and is mainly engaged in internet certification, retail and wholesale of information software and related services. As of 31st December 2009, TWCA had 52 employees.

- 3) Non-consolidated subsidiaries: None.
- 4) Adjustment and approach for difference of accounting period of subsidiaries: None.
- 5) Specific risk of operation of overseas subordinate companies: None.
- 6) Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.
- 7) Contents of subsidiaries' securities issued by the parent company: None.
- 8) Information on convertible bonds and common stock issued by subsidiaries: None.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) were prepared in accordance with the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" and generally accepted accounting principles in the Republic of China. A summary of the significant accounting policies of the Group are as follows:

1) Principles in preparing consolidated financial statements

- A. The Company prepared consolidated financial statements in accordance with R.O.C. SFAS No. 7 “Accounting for Consolidated Financial Statements”, which defines the consolidated subsidiaries as an investee company wherein the Company owns at least 50% voting rights by itself or with other investors, or wherein the Company has significant control.
- B. All material transactions between the Company and the consolidated subsidiaries are eliminated in the consolidated financial statements.

2) Classification of current and non-current

- A. Assets that meet one of the following conditions are regarded as current; otherwise they are classified as non-current:
 - (A) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;
 - (B) Assets held mainly for trading purposes;
 - (C) Assets that are expected to be realized within twelve months from the balance sheet date;
 - (D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following conditions are regarded as current; otherwise they are classified as non-current.
 - (A) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;
 - (B) Liabilities arising mainly from trading activities;
 - (C) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

3) Cash equivalents

Cash equivalents are short-term and highly liquid investments which are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value resulting from fluctuations in interest rates.

- 4) Financial instruments at fair value through profit or loss
 - A. Financial instruments at fair value through profit or loss consist of any financial assets and liabilities held for trading and that are designated on initial recognition as those to be measured at fair value changes in profit or loss. The instruments are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the instruments are remeasured at fair value, with the changes in fair value recognized as current profit or loss. Cash dividends received are accounted for as current revenue. A regular purchase or sale of financial assets is recognized and de-recognized using settlement date accounting.
 - B. Fair values are determined as follows: (a) beneficiary certificates (open-end funds) - net asset values as of the balance sheet date; and (b) bonds - reported purchase price as of the balance sheet date.
- 5) Available-for-sale financial assets
 - A. Available-for-sale financial assets are recognized and derecognized using settlement date accounting. They are recognized initially at their fair value plus transaction costs.
 - B. The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices at the balance sheet date. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.
 - C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity should be removed and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

6) Held-to-maturity financial assets

- A. Held to-maturity financial assets are recognized and derecognized using settlement date accounting. They are recognized initially at their fair value plus transaction costs.
- B. The financial assets are measured at amortized cost.
- C. If there is any objective evidence that financial assets are impaired, the impairment loss is recognized in profit or loss. If, subsequently, the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

7) Financial assets carried at cost

- A. The financial assets are recognized and derecognized using settlement date accounting. They are recognized initially at their fair value plus transaction costs.
- B. If there is any objective evidence that the financial asset is impaired, the impairment loss shall be recognized in profit or loss. Such impairment loss cannot be reversed.

8) Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on the evaluation of the collectibility of accounts receivable and other receivables, taking into account the aging analysis of receivables.

9) Long-term equity investments accounted for under the equity method

Long-term investments in which the Company owns at least 20% of the investee company's voting rights or can exercise significant influence over the management of the investee company are accounted for by the equity method.

10) Property, plant and equipment

- A. With the exception of certain fixed assets revalued based on government regulations, fixed assets are stated at cost.

- B. For the Company, depreciation is provided on the straight-line method using the estimated useful lives of the assets except for computer equipment. Depreciation of computer equipment is provided using the fixed-percentage-on-declining balance method over 3 years. The estimated useful lives are 55 years for buildings and 3 to 17 years for other property and equipment.

-Depreciation of TDCC is provided using the fixed-percentage-on-declining balance method except for buildings, which are depreciated on a straight-line method over 55 years. The estimated useful lives are 55 years for buildings and 3 to 15 years for other property and equipment. Depreciation of TWCA's property, plant and equipment is provided under the straight-line method with the estimated useful lives for major assets ranging from 3 to 5 years. Salvage value of fixed assets still in use are depreciated based on the new estimated remaining useful lives of the assets.
- C. Upon revaluation of properties, any increment is added to the cost of properties. Reserve for land value incremental tax, if any, is recognized, and the resulting net increment is credited to capital surplus.
- D. Significant renewals or betterments are capitalized. Maintenance and repairs are charged to expense as incurred. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current results of operations.

11) Goodwill

Investment premiums for the cost of acquisitions exceeding the identified net assets of the merged company, representing goodwill, are no longer amortized but tested annually for impairment.

12) Deferred charges

Computer software is amortized using the fixed-percentage-on-declining balance method over 3 years, except for the cost of computer software of TWCA which is amortized on a straight-line basis over 1 to 5 years.

13) Retirement plan

Monthly contributions to the employees' pension funds are charged to current expense and pension funds will be used exclusively to pay for pension obligation. Any payments made in excess of the fund are charged to current expense.

14) Default damages reserve

Monthly provision for a default damages reserve which is determined based on the fixed ratio of the revenue derived from trading fees and related securities settlement fees are charged to expense according to related regulations. If a securities company defaults its obligations, the related expenses should be paid from its securities settlement fund. If its fund is insufficient, any shortfall will be paid from the default damages fund. The default damages reserve is debited for this shortfall and credited when the shortfall is refunded by the defaulting company.

15) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered. The recoverable amount of goodwill shall be evaluated periodically. Impairment loss will be recognized whenever there is indication that the recoverable amount of goodwill is less than its respective carrying amount. Impairment loss of goodwill recognized in prior years is not recoverable in the following years.

16) Recognition of revenue and cost

- A. Revenue is recognized when the earning process is substantially completed and the payment is realized or realizable. Costs and expenses are recognized as incurred.
- B. TWCA's revenue is mainly derived from systems setup and installation and electronic certification services. Revenue derived from systems setup and installation services is recognized based on the timing of completion. Revenue from electronic certification services is recognized mainly for the services provided during the effective period of certification in which TWCA is obliged to provide the related services. The associated cost incurred is included in operating costs.

17) Income tax

- A. According to R.O.C. SFAS No. 22 "Accounting for income taxes", provision

for income tax includes deferred income tax on items reported in different periods for tax and financial reporting purposes. Deferred income tax consequences attributable to deductible temporary differences, taxable temporary differences and investment tax credits are recognized as deferred income tax assets or liabilities. The deferred income tax assets and liabilities are classified as current and non-current according to the nature of the underlying assets and liabilities and the timing of their expected realization. A valuation allowance is provided for deferred income tax assets to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior year's income tax liability is included in the current year's income tax expense.

- B. According to R.O.C. SFAS No. 12 "Accounting for income tax credit", income tax credits generated from the acquisition of automation equipment or technology, expenses for research and development, employee training and equity investments are recognized during the period the tax credits arise. However, if the amount is significant and there is a high uncertainty on the amount of tax credit, the expense or benefit of the Company is recognized when it is approved by the tax authority.
- C. Income tax on interest derived from short-term negotiable instruments, which is levied separately, is included in the current year's income tax expense.
- D. The additional 10% corporate income tax on undistributed earnings derived on or after 1st January 1998 is included in the income tax expense in the following year when shareholders approved the resolution to retain the earnings.

18) Employees' bonuses

Effective 1st January 2008, pursuant to EITF 96-052 of the R.O.C. Accounting Research and Development Foundation, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration" dated 16th March 2007, the cost of employees' bonuses is accounted for as an expense and liability, provided that such recognition is required under legal or constructive obligation and the amount can be estimated reasonably. However, if the accrued amount for employees' bonuses is significantly different from the actual distributed amount resolved by the stockholders at their annual stockholders' meeting subsequently, the difference shall be recognized as gain or loss in the following year.

19) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Actual results could differ from those assumptions and estimates.

20) Settlement date accounting

If an entity recognizes financial assets using settlement date accounting, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is not recognized for assets carried at cost or amortized cost. For financial asset or financial liability classified as at fair value through profit or loss, the change in fair value is recognized in profit or loss. For available-for-sale financial asset, the change in fair value is recognized directly in equity.

3. EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Effective 1st January 2008, the Group adopted EITF 96-052 of the R.O.C. Accounting Research and Development Foundation, "Accounting for Employees' Bonuses and Directors' and Supervisors' Remuneration" dated 16th March 2007. The cost of employees' bonuses is accounted for as an expense and liability, provided that such recognition is required under legal or constructive obligation and the amount can be estimated reasonably. As a result of the adoption of EITF 96-052, consolidated net income attributable to equity holders of the Company decreased by \$90,289 and earnings per share decreased by \$0.16 for the year ended 31st December 2008.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	<u>31st December</u>	
	<u>2009</u>	<u>2008</u>
Cash		
Checking and savings deposits	\$ 5,306,626	\$ 83,304
Time deposits	13,409,586	6,452,507
Negotiable certificates of deposits	-	400,000
Cash equivalents		
Commercial paper	<u>33,105,961</u>	<u>145,129</u>
	<u>\$ 51,822,173</u>	<u>\$ 7,080,940</u>
Annual interest rates of time deposits	<u>0.1%~1.135%</u>	<u>0.69%~3.00%</u>
Annual interest rates of negotiable certificates of deposits	<u>-</u>	<u>2.3%~2.825%</u>
Annual interest rates of commercial paper	<u>0.19%~0.25%</u>	<u>0.7%</u>

Time deposits as of 31st December 2009 and 2008 were due after one year.

2) Financial instruments at fair value through profit or loss

	<u>31st December</u>	
	<u>2009</u>	<u>2008</u>
<u>Financial assets held for trading</u>		
Beneficiary certificates	<u>\$ 675,302</u>	<u>\$ 642,399</u>

3) Available-for-sale financial assets

	<u>31st December</u>	
	<u>2009</u>	<u>2008</u>
Current items:		
Beneficiary certificates	\$ 22,796,947	\$ 3,650,000
Valuation adjustment	<u>127,346</u>	<u>(385,800)</u>
	<u>\$ 22,924,293</u>	<u>\$ 3,264,200</u>
Non-current items:		
Financial bonds	\$ -	\$ 500,000
Valuation adjustment	<u>-</u>	<u>275</u>
	<u>\$ -</u>	<u>\$ 500,275</u>

4) Held-to-maturity financial assets

	31st December	
	2009	2008
Current items:		
Financial bonds	\$ 1,243,518	\$ 1,990,492
Corporate bonds	1,432,230	-
Beneficiary securities	456,298	903,420
Government bonds	153,073	801,945
Beneficiary certificates	-	95,871
	<u>3,285,119</u>	<u>3,791,728</u>
Accumulated impairment	(<u>34,623</u>)	-
	<u>\$ 3,250,496</u>	<u>\$ 3,791,728</u>
Non-current items:		
Financial bonds	\$ 9,602,081	\$ 8,330,772
Corporate bonds	5,092,556	4,449,528
Beneficiary securities	858,979	1,602,403
Government bonds	2,186,724	2,362,731
Beneficiary certificates	-	331,756
Commercial papers under repurchase agreement	<u>198,762</u>	<u>205,834</u>
	<u>\$ 17,939,102</u>	<u>\$ 17,283,024</u>

Due to the default on part of the asset pools, after assessment the Company recognized impairment loss of \$34,623 on beneficiary securities it held for the year ended December 31, 2009.

5) Financial assets carried at cost

	31st December	
	2009	2008
Unlisted stocks	\$ 1,068,528	\$ 1,068,528
Accumulated impairment	(<u>116,876</u>)	(<u>116,876</u>)
	<u>\$ 951,652</u>	<u>\$ 951,652</u>

A. As the financial assets held by the Company are not quoted in active markets and their fair value cannot be measured reliably, they are carried at cost.

B. An investment loss of \$300,000 was recognized for the investment in Taipei

Financial Center Corporation for the year ended 31st December 2004. In addition, an impairment loss of \$42,696 and \$74,180 were recognized in 2007 and 2006, respectively, based on the net worth stated in its financial statements.

6) Accounts receivable - net

	<u>31st December</u>	
	<u>2009</u>	<u>2008</u>
Accounts receivable	\$ 724,921	\$ 428,988
Less: allowance for doubtful accounts	(6,020)	(4,187)
	<u>\$ 718,901</u>	<u>\$ 424,801</u>

7) Performance bond/Performance bond payable

According to related regulations, the warrant issuer shall pay the performance bond or bank draft to the Company after completion of all necessary arrangements for listing with the Company to protect investors' risk to execute the warrants. Upon the expiration of the issuance period (usually within 1 year), the performance bonds or bank drafts shall be returned to the issuers. As the Company has no claim on the fund and its responsibility is restricted to safekeeping, the performance bonds or bank drafts are not recorded as assets of the Company. However, in order to lift warrant issuers' capital utilization efficiency, effective January 1, 2009, the regulation governing performance bond submission upon warrants issuance was eliminated in accordance with the Jin-Guan-Zheng (2) Letter No. 0970068974. As of 31st December 2009 and 2008, the Company has received performance bonds totaling \$5,000 and \$1,366,000, respectively, and bank drafts totaling \$5,000 and \$6,581,000, respectively.

8) Default damages fund/Default damages reserve

A. The Company, as required by Securities and Exchange Law and related regulations, makes cash contributions to a default damages fund (DDF) at certain percentages of trading fees within 15 days at the end of each quarter (Dr. default damages fund; Cr. cash), except for the first draft of \$50,000. However, the Company stops making cash contributions to DDF when the accumulated amount of the DDF is equal to or greater than the total amount of the Company's capital. In addition, following the regulations of the Competent Authority No. 00480 bulletin (1986), equivalent amount of default damages reserve has been recontributed starting from 1986. Additionally, in accordance with No. 46 of "Taiwan Stock Exchange

Corporation Securities Lending and Borrowing Regulations” and the Competent Authority No. 0920129756 bulletin (2003), the Company contributes 3% of Securities Lending and Borrowing (SLB) service fees as default damages fund and default damages reserve.

- B. As the accumulated amount of the DDF has exceeded the total amount of the Company’s capital, the Company has stopped making contributions to the DDF and default damages reserve since November 2006. In addition, in accordance with the Gin-Gwen – T2(3) Letter No. 0950002968, dated June, 2006, the Company additionally includes 5% of trading fees in the annual budget to participate in public welfare activities, such as capital market development and investor educational training. If the relevant expenditures on the public welfare activities do not reach 5% of trading fees, the Company still has to contribute the remaining amount to the default damages fund and provide for the same amount of default damages reserve pursuant to the Securities and Exchange Law and related regulations and laws.
- C. In September 1996, the Competent Authority approved a common fund, the Securities Settlement Fund (“SSF”), to be used in settling defaults by securities companies. The Company established the special settlement fund (“SF”) with an initial funding of \$1,000,000. If the Company’s DDF exceeds \$1,000,000, the excess should be contributed to the SF until the contribution reaches \$2,000,000. As of 31st December 2009 and 2008, the balance of the SF was \$3,000,000 for both years.
- D. TDCC recognized monthly reserve for default damages equal to 5% of the revenues derived from settlement of securities, recording of securities transactions and custody of securities and contributes cash to the DDF, equal to the above reserve for default damages, within 15 days after the end of each quarter until the accumulated fund balance equals TDCC’s paid in capital.

E. The movements of the DDF and default damages reserve are as follows:

(A) Default damages fund (DDF)

	<u>For the years ended 31st December</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 6,178,523	\$ 5,910,580
Contributions		
Based on the amounts of trading fees	131,429	132,671
5% of securities settlement, securities recording and custodial service fees	114,379	132,353
3% of securities lending and borrowing service fees	<u>1,625</u>	<u>2,919</u>
	6,425,956	6,178,523
Settlement fund (SF)	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 9,425,956</u>	<u>\$ 9,178,523</u>

(B) Default damages reserve

	<u>For the years ended 31st December</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 9,322,244	\$ 9,071,126
Contributions		
Based on the amount of trading fees	33,139	131,429
5% of securities settlement, securities recording and custodial service fees	129,994	117,084
3% of securities lending and borrowing service fees	<u>1,068</u>	<u>2,605</u>
Balance, end of year	<u>\$ 9,486,445</u>	<u>\$ 9,322,244</u>

F. As of 31st December 2009, the DDF is invested in time deposits.

9) Securities settlement fund

- A. As required by the Competent Authority, securities companies make cash deposits to the Securities Settlement Fund (“SSF”), which is administered by a committee and deposited in the name of the Company, and this account is distinguished from the others owned by the Company. Under the Securities and Exchange Law, the SSF can only be (a) invested in government bonds; (b) deposited in banks or in the postal savings system; or (c) invested in other instruments as approved by the Competent Authority. The income on the SSF, less related expenses and taxes, is distributed to the securities companies every six months.
- B. The obligation of a defaulting securities company and expenses incurred in meeting obligations are settled using the balance of the defaulting company’s contributions to the SSF and any undistributed income thereon. If the obligation of the defaulting company still cannot be fully settled, the SF portion in excess of \$1,000,000 will be used. If any obligation remains, then the initial SF of \$1,000,000 plus the contributions to the SSF by other securities companies will be used proportionately.
- C. As required by the Competent Authority, the year-end balances of the asset and liability accounts and related income of the SSF which are recorded as “securities settlement debit” and “securities settlement credit,” with equal amounts, are netted in the balance sheets.
- D. As of 31st December 2009 and 2008, the balances of the SSF were \$4,986,546 and \$5,043,991, respectively, and the balances of the SF were \$3,000,000 for both years. The funds are invested in time deposits pursuant to the regulation. In addition, as of 31st December 2009, the Company had entered into an loan agreement with financial institutions in the amount of NT\$11,607,000 and US\$10,000 and provided time deposit of \$2,000,000 to financial institutions as collateral for the need of Securities firms’ application of the advance settlements for finalizing the funds to the Company and emergent revolving fund due to Securities firms violation of settlement obligation or natural disaster. As of 31st December 2009, the loan amount had not been drawn down. The foregoing time deposit was recognized as DDF of \$750,000, SF of \$550,000, and SSF of \$700,000.

10) Long-term equity investments accounted for under the equity method

A. Details of long-term equity investments

<u>Investee company</u>	Overall ownership percentage as of 31st December 2009	<u>31st December</u>	
		2009	2008
Equity method:			
Taiwan Ratings Co., Ltd. (TRC)	39.00%	<u>\$ 102,533</u>	<u>\$ 99,315</u>

B. The investment income on long-term equity investments accounted for under the equity method is as follows:

<u>Investee company</u>	<u>For the years ended 31st December</u>	
	2009	2008
TRC	<u>\$ 17,008</u>	<u>\$ 14,082</u>

C. The investment income was based on the investee company's financial statements which were audited by other independent accountants.

11) Property, plant and equipment

Item	31st December 2009				Net Book Value
	Original Cost	Revaluation	Accumulated Depreciation	Accumulated Impairment	
Land	\$ 429,941	\$ 37,084	\$ -	\$ -	\$ 467,025
Buildings	693,473	-	(222,023)	-	471,450
Computer equipment	2,641,528	-	(2,275,536)	(1,781)	364,211
Other equipment	641,558	-	(426,206)	-	215,352
Prepayments for equipments	137,293	-	-	-	137,293
	<u>\$4,543,793</u>	<u>\$ 37,084</u>	<u>(\$2,923,765)</u>	<u>(\$ 1,781)</u>	<u>\$ 1,655,331</u>

Item	31st December 2008				Net Book Value
	Original Cost	Revaluation	Accumulated Depreciation	Accumulated Impairment	
Land	\$ 416,941	\$ 37,084	\$ -	\$ -	\$ 454,025
Buildings	685,473	-	(206,045)	-	479,428
Computer equipment	2,664,473	-	(1,997,243)	-	667,230
Other equipment	621,344	-	(384,804)	-	236,540
Prepayments for equipments	50,629	-	-	-	50,629
	<u>\$ 4,438,860</u>	<u>\$ 37,084</u>	<u>(\$ 2,588,092)</u>	<u>(\$ -)</u>	<u>\$ 1,887,852</u>

Taiwan Depository & Clearing Corporation (TDCC) intended to scrap idle information equipment and computer software (shown as other assets - deferred expenses) in 2010. Their book value was \$1,781 and \$12,786, respectively. Thus, impairment loss totaling \$14,567 was provided for year 2009 for the scrapping of such assets.

12) Operations guarantee deposits

Guarantee deposits consist of government bonds with face value of \$290,000 and \$280,000 as of 31st December 2009 and 2008, respectively, that are deposited with the Central Bank of China.

13) Income tax

Income tax expense and income tax payable (refundable) are reconciled as follows:

	For the years ended 31st December	
	2009	2008
Income tax expense	\$ 875,728	\$ 602,250
Effect of deferred income tax-net (Under) over provision of prior year's income tax	(6,304)	(10,226)
Prepaid income tax	(8,985)	807
Income tax on separately taxed interest income	(336,515)	(577,960)
	<u>(11,058)</u>	<u>(30,413)</u>
Income tax payable (refundable)	<u>\$ 512,866</u>	<u>(\$ 15,542)</u>

A. As of 31st December 2009 and 2008, the deferred income tax assets were as follows:

	31st December	
	2009	2008
Total deferred income tax assets	\$ 118,159	\$ 227,799
Valuation allowance	\$ 133,051	\$ 224,841
Total deferred income tax liabilities	\$ 31,703	\$ 23,249

B. As of 31st December 2009 and 2008, details of deferred income tax assets (liabilities) were as follows:

Item	2009		2008	
	Amount	Tax Effect	Amount	Tax Effect
Current:				
Employees' welfare	\$ 3,917	\$ 783	\$ 3,818	\$ 955
Others	195	39	196	49
		822		1,004
Less: valuation allowance		(39)		(49)
		783		955
Noncurrent:				
Contributions to retirement fund	430,752	86,150	398,819	99,705
Default damages expenses	-	-	362,344	90,586
Equity in investees' net losses	118,540	23,708	128,696	32,174
Goodwill	(158,515)	(31,703)	(92,996)	(23,249)
Others	37,396	7,479	17,321	4,330
		85,634		203,546
Less: valuation allowance		(113,012)		(224,792)
		(27,378)		(21,246)
Total		(\$ 26,595)		(\$ 20,291)

C. As of December 31, 2009, losses of TWCA available to be carried forward were as follow:

Year in which losses incurred	Unused loss carry forwards	Final year losses can be carried forward
2004(Approved)	\$ 64,953	2014
2005(Approved)	53,587	2015
	<u>\$ 118,540</u>	

- D. The 10% additional income tax expense on the undistributed earnings for the years ended 31st December 2009 and 2008 is \$8,504 and \$6,680, respectively.
- E. The income tax returns of the Company and TDCC through 2005 and TWCA through 2007 have been assessed and approved by the tax authorities.
- F. The Company's income tax returns for the years ended 31st December 2003, 2004 and 2005 have been approved by the Tax Authority in June 2005, December 2006 and March 2008, respectively, and additional income tax of \$6,324, \$45,092 and \$37,968 was assessed for the years 2003, 2004 and 2005, respectively, due to adjustment of pre-paid withholding tax on bond interest and adjustment of interest income on amortization of the premiums and discounts of bond investment. The Company has filed an appeal for reassessment with the Tax Authority to contest the Tax Authority's decision. In November 2008, the Company and the Tax Authority had reached a reconciliation that the Company is only required to pay 20% of the additional pre-paid withholding tax on bond interest assessed previously. However, in December 2008, the Tax Authority decided to keep its original ruling as to the adjustment of interest income on amortization of the premiums and discounts of bond investment for the Company after reassessment. Thus, the Company filed an administrative appeal, but it was dismissed in May 2009. Subsequently, the Company filed an administrative litigation, but it was also dismissed in October 2009. At present, the Company is still appealing. Even though half of the additional income tax has been paid, for conservatism purposes, the Company had provided for additional income tax liabilities of \$35,598 as of 31st December 2009.
- G. On TDCC's 2004 and 2005 tax return, an additional income tax of \$8,468 and \$11,501 was assessed for the years 2004 and 2005, respectively, by the Tax Authority, arising from the amortization of premiums/discounts on long-term investments in bonds, and recognition of prior interest deduction. TDCC claimed that the assessment was unreasonable and has filed for a reexamination; however, an additional income tax of the above amount has been accrued for current expense. In 2009, TDCC and the Tax Authority reached a reconciliation to return TDCC the tax based on 80% of the pre-paid withholding tax on bond interest that the Tax Authority did not allow to be recognized previously. Thus, TDCC wrote off an additional income tax of \$1,881 and \$518, which had been accrued for years 2004 and 2005, respectively, in 2009 according to the above ratio.

14) Retirement and severance plans

A. Based on the Company's internal regulations for employee hiring and management, both the Company and its employees contribute monthly to the workers' pension fund and employees' retirement fund, respectively. The Company contributes based on certain percentages of salary expenses to the common retirement fund. These funds are administered by the independent pension fund committee and employees' retirement fund committee, respectively. The contributed amounts are deposited to the Bank of Taiwan and other financial institutions under the name of the respective committees. Employees who have retired and resigned will receive benefits from the relevant pension fund, retirement fund, and common fund.

The details of changes in the pension fund and retirement funds are as follows:

	<u>For the years ended 31st December</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 2,082,828	\$ 1,921,218
Contributions	149,865	130,344
Interest income	46,608	42,873
Payments of benefits	(18,614)	(11,607)
Balance, end of year	<u>\$ 2,260,885</u>	<u>\$ 2,082,828</u>

Effective July 1, 2005, the Company established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"). The pension costs under defined contribution pension plan for the years ended December 31, 2009 and 2008 were \$9,462 and \$7,158, respectively.

B. TDCC contributes monthly 13.5% and 1.5% of the employees' monthly salaries to the Company-contributed fund and the common fund, respectively. The employees contribute 3% of their monthly salaries to the employee-contributed fund. All of the retirement funds are administered by a non-managerial fund administration committee and managerial retirement plan committee and the funds are deposited in the committees' names with financial institutions. When employees retire, the benefit is paid from the interest and the principal of both the Company-contributed fund and the employee-contributed fund. An additional 20% will be paid from the common fund if retirement or termination is due to work-related injury.

TDCC's pension expenses for 2009 and 2008 were \$109,352 and \$120,320, respectively. As of 31st December 2009 and 2008, the balances of the funds amounted to \$1,330,318 and \$1,194,905, respectively.

C. TWCA has a pension plan covering all regular employees. Under the pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.

Pursuant to the Labor Standards Law, TWCA contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with the Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

Effective 1st July 2005, TWCA established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act. The new employees are all covered under the New Plan, whereas the existing employees have the option to be covered under the New Plan. Under the New Plan, TWCA contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The contributions are recognized as current expenses.

15) Securities lending and borrowing collateral payable

The Company has provided securities lending and borrowing service since June 2003. The borrower is required to deposit collaterals based on a certain percentage (the stipulated collateral ratio) of borrowed securities daily market prices to the Company. In addition, individual collateral maintenance ratio of each transaction will be calculated on a daily basis, and further collateral will be required if the maintenance ratio is below the collateral ratio. As of 31st December 2009 and 2008, the Company has received collaterals consisting of cash amounting to \$62,022,599 and \$842,417 (Note a), bank draft of \$573,553 and \$233,530 (Note b), and securities of \$13,822,050 and \$19,793,781, respectively (Notes b and c).

Note a: Interest will be added based on the bank's current interest rate on refund of cash collateral.

Note b: Bank draft, securities and collaterals are to be returned to borrowers upon the completion of the transaction. Accordingly, these are not reflected as assets of the Company. The Company is only responsible for the custodianship of these assets.

Note c: Securities are revalued according to their closing prices at 31st December 2009 and 2008. After the completion of application for securities lending and borrowing service, the borrowers' securities are under the custodianship of TDCC. Upon the rendering of service, the securities are turned over to the Company as collateral.

16) Receipts under custody

Since August 2006, TDCC has provided receipt and payment services involving offshore mutual funds. The accounting for receipt of this business are debited to other financial assets-current and credited to receipts under custody upon receiving and reverses it when payment has occurred.

17) Capital stock

- A. In accordance with the resolution adopted at the stockholders' meeting on 27th June 2008, the Company issued common stock by capitalizing the unappropriated retained earnings and legal reserve totaling 13,551 thousand shares. The registration of this capital increase was approved by the Competent Authority.
- B. In accordance with the resolution adopted at the stockholders' meeting on 1st June 2009, the Company issued common stock by capitalizing the unappropriated retained earnings and legal reserve totaling 13,890 thousand shares. The registration of this capital increase was approved by the Competent Authority.
- C. As of 31st December 2009, the Company's authorized, issued and outstanding common stock consisted of 569,491 thousand shares at \$10 dollars par value per share.
- D. Under an amendment of the Securities and Exchange Law promulgated on 19th July 2000, the Company's common stocks can only be sold to authorized securities companies starting 15th January 2001.

18) Capital reserve

The R.O.C. Company Law requires that capital reserve shall be exclusively used to cover accumulated deficit or to increase capital and shall not be used for any other purpose. However, all or part of capital reserve arising from paid-in capital in excess of par value on issuance of common stock and donations can be capitalized once a year, provided that the Company has no accumulated deficit.

19) Legal reserve / Special reserve

- A. According to the ROC Company Law, the annual net income should be used initially to cover any accumulated deficit; thereafter 10% of the annual net income should be set aside as legal reserve until it has reached 100% of contributed capital. Under the ROC Company law, the legal reserve shall be exclusively used to cover accumulated deficit or, if the balance of reserve exceeds 50% of contributed capital, to increase capital not exceeding 50% of reserve balance and shall not be used for any other purpose except under other acts. A company shall not pay dividends or bonuses, if there is no surplus earnings provided, however, that the aggregate of its legal reserve exceeds fifty percent of its paid-in capital.
- B. Special reserve, as required by regulations of the Securities and Futures Bureau (SFB), of at most 80% of the annual net income was determined by the Competent Authority, and special reserve as resolved by the stockholders can only be used, upon the Competent Authority's approval, to offset deficit or transferred to capital.

20) Unappropriated earnings

- A. The annual net income of the Company and TDCC should be used initially to cover any accumulated deficit. 10% of the annual net income should be set aside as legal reserve. Specific percentage of the annual net income, as determined by the Competent Authority, should be set aside as special reserve. The remaining balance can be distributed as follows:
 - a) Between 1% to 12% for employees' bonus following the resolution by the Board of Directors.
 - b) The remaining amount can be distributed by a resolution passed by a meeting of the Board of Directors and approved at the stockholders' meeting.

B. Under TWCA's Articles of Incorporation, the current years' earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder, after making a provision for the special reserve, plus the accumulated retained earnings of prior years are appropriated as follows after distributing preferred dividends of 6% and common stock dividends of at most 6%:

- a) 90% as stockholders' bonus
- b) 10% as employees' bonus

The annual interest rate on preferred dividends is 6%. In the event that the earnings available are insufficient for distributing preferred dividends, the preferred dividends should be paid first before the distribution of dividends on common stock, and the remaining undistributed portion shall be deferred to the following year's dividends distribution and not subject to the restriction of 6% each year.

C. As approved by the stockholders during their meeting, cash dividends declared per share for 2009 and 2008 was \$1.25 dollar for both years, and the stock dividend per share for 2009 and 2008 was \$0.25 dollars for both years.

D. The amount of employees' bonus for 2009 was estimated at \$115,729 based on a certain percentage of the Company's distributable earnings which was prescribed by the Company's Articles of Incorporation after taking into account the 2009 budgeted net income and the historical employees' bonus distribution experience, surplus reserve and other factors, and was recognized as operating expense for that year. However, if the estimated amount is different from the amount resolved by the stockholders subsequently, the difference shall be recognized as gain or loss for 2010. Employees' bonus and directors' and supervisors' remuneration of 2008 as resolved by the stockholders were different from those amounts recognized in the 2008 financial statements. The difference of \$1,018 had been adjusted in the statement of income of 2009.

E. The actual creditable tax ratio of distributed earnings in 2008 was 16.99%. As of 31st December 2009, the imputation tax credit account balance was \$119,012, and the estimated creditable tax ratio was 18.52%. As of 31st December 2009, the Company's undistributed earnings derived before and

after the adoption of the imputation tax system were \$156 and \$2,016,054, respectively.

- F. TDCC's actual creditable tax ratio of distributed earnings for cash dividends in 2008 were 29.79%. As of 31st December 2009, the imputation tax credit account balance of TDCC was \$251,210, and the estimated creditable tax ratio was 33.60%. As of 31st December 2009, TDCC's undistributed earnings derived before and after the adoption of the imputation tax system were \$0 and \$1,517,064, respectively.

21) Trading fees

Trading fees mainly represent fees collected for the use of the Company's facilities for trading and settlement of securities. The fees are computed as a percentage of the value of the transactions of securities traded and the rate is 0.000065 per dollar for dealers and brokers. After reaching an agreement with Taiwan Securities Association, which was approved by the Board of Directors of the Company and the Competent Authority in No. 0950156625 bulletin (14th December 2006), the rate had been reduced by 12% during the time that the Company stopped to make cash contributions to the DDF.

22) Expense of investors' protection

In accordance with the regulations of the "Securities and Futures Investors Protection Law", the Company contributes 5% of monthly trading fees to Securities and Futures Investors Protection Center as a protection fund.

23) Earnings per common share

	For the year ended 31st December 2009				
	Amount		Outstanding shares at the end of the year (in thousands)	Earnings per common share	
	Before income tax	After income tax		Before income tax	After income tax
Continuing operating income	\$ 2,872,008	\$ 1,996,280	<u>569,491</u>	\$ 5.04	\$ 3.51
Minority interest income	<u>693,204</u>	<u>693,204</u>		<u>1.22</u>	<u>1.22</u>
Total consolidated net income	<u>\$ 3,565,212</u>	<u>\$ 2,689,484</u>		<u>\$ 6.26</u>	<u>\$ 4.73</u>

	For the year ended 31st December 2008				
	Amount		Outstanding shares at the end of the year (in thousands)	Earnings per common share	
	Before income tax	After income tax		Before income tax	After income tax
Continuing operating income	\$ 2,639,295	\$ 2,001,073	<u>569,491</u>	\$ 4.63	\$ 3.51
Minority interest income	<u>557,541</u>	<u>557,541</u>		<u>0.98</u>	<u>0.98</u>
Total consolidated net income	<u>\$ 3,196,836</u>	<u>\$ 2,558,614</u>		<u>\$ 5.61</u>	<u>\$ 4.49</u>

The number of shares outstanding for the year ended 31st December 2008 was retroactively adjusted in accordance with the ratio of capital increase. The basic earnings per share before and after income tax in 2008 were reduced from \$4.75 and \$3.60 to \$4.63 and \$3.51, respectively.

24) Personnel, depreciation and amortization expenses

The Group's personnel, depreciation and amortization expenses are as follows:

	For the year ended 31st December 2009		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	\$ 30,392	\$ 1,852,406	\$ 1,882,798
Insurance	-	94,429	94,429
Pension	-	277,801	277,801
Others	512	18,869	19,381
Depreciation	8,056	445,604	453,660
Amortization	248	150,398	150,646

	<u>For the year ended 31st December 2008</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ 29,042	\$ 1,801,607	\$ 1,830,649
Insurance	-	85,521	85,521
Pension	-	281,036	281,036
Others	520	19,071	19,591
Depreciation	7,972	540,267	548,239
Amortization	74	185,845	185,919

5. RELATED PARTY TRANSACTIONS

1) Names of related parties and the relationship with the Company

<u>Names of Related Parties</u>	<u>Relationship with the Company</u>
Taiwan Futures Exchange (TFE)	The Company is a director of TFE
Gre Tai Securities Market (OTC)	Chairman of the Company and TDCC are directors of OTC
Securities and Futures Investors Protection Center (SFIPC)	President of the Company is a director of SFIPC
Securities and Futures Institute (SFI)	President of the Company is a director of SFI
Taipei Financial Center Corporation (TFCC)	The Company is a supervisor of TFCC
Land Bank of Taiwan Co., Ltd.	An institutional director of the Company
Fubon Securities Finance Co., Ltd. (FB)	An institutional director of the Company
Yuanta Securities Co., Ltd. (YCPS)	An institutional director of the Company and TDCC
Bank of Taiwan Co., Ltd.	An institutional director of the Company
First Commercial Bank Co., Ltd.	An institutional supervisor of the Company
Jih Sun Financial Holding Co., Ltd. (JS)	An institutional supervisor of the Company and an institutional director of TDCC
SinoPac Securities Co., Ltd. (SPS)	An institutional supervisor of TDCC
Financial Information Service Co., Ltd. (FISC)	An institutional supervisor and an institutional director of TWCA
HiTRUST Inc.	TWCA is an investee of FISC accounted for under the equity method

2) Significant transactions and balances with related parties

A. Trading fees

	For the years ended 31st December			
	2009		2008	
	Amount	% of trading fees	Amount	% of trading fees
YCPS	\$ 401,687	12	\$ 339,403	11
FB	211,462	6	160,726	5
JS	153,936	4	118,790	4
Others	105,518	3	74,114	3
	<u>\$ 872,603</u>	<u>25</u>	<u>\$ 693,033</u>	<u>23</u>

Terms are at arms-length.

B. Securities recording service fees

	For the years ended 31st December			
	2009		2008	
	Amount	% of Securities recording service fees	Amount	% of Securities recording service fees
YCPS	\$ 120,584	12	\$ 98,042	12
SPS	49,224	5	37,995	4
JS	45,166	5	33,998	4
	<u>\$ 214,974</u>	<u>22</u>	<u>\$ 170,035</u>	<u>20</u>

Terms are at arms-length.

C. Data processing fees

	For the years ended 31st December			
	2009		2008	
	Amount	% of data processing fees	Amount	% of data processing fees
OTC	<u>\$ 176,854</u>	<u>97</u>	<u>\$ 115,675</u>	<u>95</u>

According to the agreement signed by the Company and Gre Tai Securities Market (OTC) in June 2000, the Company receives data processing fees from OTC based on 25% of OTC's business service revenue.

D. License fees (part of operating revenue-others)

	For the years ended 31st December			
	2009		2008	
	Amount	% of license fees	Amount	% of license fees
TFE	\$ 144,271	86	\$ 141,979	91

According to the agreement signed by the Company and Taiwan Futures Exchange (TFE), the Company authorizes TFE to use the Taiwan Stock Exchange Capitalization Weighted Stock Indices (TAIEX) as the objects of index futures contracts and index options contracts. TFE should pay the Company monthly royalties for the TAIEX use based on monthly trading volume of the above contracts multiplied by agreed-upon royalty for each contract.

E. Future settlement fees

	For the years ended 31st December			
	2009		2008	
	Amount	% of future settlement fees	Amount	% of future settlement fees
TFE	\$ 263,082	100	\$ 228,458	100

Terms are at arms-length.

F. Securities settlement service fees (part of operating revenue-others)

	For the years ended 31st December			
	2009		2008	
	Amount	% of data processing fees	Amount	% of data processing fees
OTC	\$ 151,504	100	\$ 99,036	100

Terms are at arms-length.

G. Rental and administrative expense (included in operating expenses)

	For the years ended 31st December			
	2009		2008	
	Amount	% of rental and administrative expense	Amount	% of rental and administrative expense
TFCC	\$ 138,340	50	\$ 136,574	50

H. Advertisement and public welfare expense (part of operating expenses)

	For the years ended 31st December	
	2009	2008
	% of advertisement and public welfare expenses	% of advertisement and public welfare expenses
	Amount	Amount
SFI	\$ 63,281	\$ 19,380
	2	1

I. Accounts receivable

	31st December	
	2009	2008
	Amount	Amount
	% of accounts receivable	% of accounts receivable
YCPS	\$ 56,662	\$ 28,773
OTC	50,140	11,365
TFE	31,922	36,679
FB	24,446	10,841
JS	17,572	11,483
Others	27,517	10,689
	\$ 208,259	\$ 109,830
	28	26

J. Expense of investors' protection

	For the years ended 31st December	
	2009	2008
	Amount	Amount
	% of Expense of investors' protection	% of Expense of investors' protection
SFIPC	\$ 172,238	\$ 152,612
	100	100

6. COMMITMENTS AND CONTINGENT LIABILITIES

1) As of 31st December 2009, the Company leased certain offices. The total future minimum lease payments under these operating lease agreements were as follows:

Year	Amount
2010	\$ 152,003
2011	144,013
2012	133,106
2013	125,750
2014	125,750
2015~2019 (The present value of \$569,069) (Note)	628,749
2020 (The present value of \$107,107) (Note)	115,271
	\$ 1,424,642

Notes: Starting the sixth year, the present value of lease payments and administrative expense was calculated by "Chunghwa Post Co., Ltd." based on the time deposit rate for one-year (0.67%)

- 2) As of 31st December 2009, TDCC was under renewable operating lease contracts with other companies. The total future minimum lease payments under these operating lease agreements were as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 73,280
2011	7,920
2012	<u>1,320</u>
	<u>\$ 82,520</u>

- 3) As of 31st December 2009, TWCA was under renewable operating lease contracts with other companies. The total future minimum lease payments under these operating lease agreements were as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 7,849
2011	7,777
2012	7,777
2013	<u>1,296</u>
	<u>\$ 24,699</u>

- 4) As of 31st December 2009, TDCC has custody of stocks, beneficiary certificates, warrants and convertible bonds with aggregate par value of about \$9,531,269,721, domestic bonds with aggregate par value of about \$1,490,009,092, international bonds with aggregate par value of about \$10,081,759 and short-term bills with aggregate par value of about \$700,054,465.

- 5) TWCA entered into a renewal agreement with Cybertrust Hong Kong Limited for Cybertrust certificate premium in the amount of US \$400,000 dollars (NT\$13,080) with the contract period from 1st July 2007 to 30th June 2010. TWCA paid the full contract amount in 2007, which was recognized under "Other Current Assets" and is amortised to "Operating Cost" over three years effective 1st July 2007. An amount of \$4,360 had been accounted for as operating cost in both 2009 and 2008, respectively. TWCA entered into a renewal agreement with Verizon Taiwan Co., Ltd for OmniRoot certificate premium in the amount of \$9,500 with the contract period from 30th June 2010 to 30th June 2013.

7. OTHERS

1) The fair values of the financial instruments

	31st December 2009		
	Book value	Fair value	
		Quotation in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with book value equal to fair value	\$ 52,930,143	\$ -	\$ 52,930,143
Financial assets at fair value through profit or loss	675,302	675,302	-
Available-for-sale financial assets	22,924,293	22,924,293	-
Held-to-maturity financial assets	21,189,598	8,984,115	12,391,096
Financial assets carried at cost	951,652	-	-
Liabilities			
Financial liabilities with book value equal to fair value	63,923,660	-	63,923,660
31st December 2008			
	Book value	Fair value	
		Quotation in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with book value equal to fair value	\$ 7,880,780	\$ -	\$ 7,880,780
Financial assets at fair value through profit or loss	642,399	642,399	-
Available-for-sale financial assets	3,764,475	3,764,475	-
Held-to-maturity financial assets	21,074,752	7,133,739	14,139,557
Financial assets carried at cost	951,652	-	-
Liabilities			
Financial liabilities with book value equal to fair value	2,250,498	-	2,250,498

The methods and assumptions used to estimate the fair values of the above financial instruments are summarized below:

- A. The fair values of short-term instruments were determined based on their carrying values because of the short maturities of the instruments. This method was applied to cash and cash equivalents, accounts receivable, interest receivable, income tax refundable and the current liability accounts, excluding other current liabilities.

- B. For financial assets at fair value through profit or loss, fair value is best determined at quoted market prices. If quoted market prices are not available, fair values are based on estimates using indirect data and appropriate valuation methodologies. The valuation techniques incorporate estimates and assumptions that are consistent with prevailing market conditions.
- C. For available-for-sale instruments, the market value is regarded as the fair value.
- D. For held-to-maturity instruments, the quoted price is regarded as the fair value, if it is readily and regularly available from an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique.
- 2) As of 31st December 2009 and 2008, the financial assets with cash flow risk due to the change of interest amounted to \$14,519,599 and \$5,324,185, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to \$62,022,599 and \$842,417, respectively.
- 3) For the years ended 31st December 2009 and 2008, total interest income for financial assets and financial liabilities that are not at fair value through profit or loss amounted to \$560,671 and \$812,718, respectively. Total interest expense for financial assets and financial liabilities that are not at fair value through profit or loss amounted to \$23,614 and \$12,140, respectively. For available-for-sale financial assets, the amount of unrealized gain recognized directly in equity in 2009 was \$127,346, and the amount of unrealized loss recognized directly in equity in 2008 was \$385,525.
- 4) Procedure of financial risk control
- A. The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.
- B. Risk management is carried out by a central financial department in accordance with the policies approved by the Board of Directors. The central financial department identifies and evaluates a variety of financial instruments, the procedure of the transaction, and transaction parties. Moreover, the central

financial department regularly proposes recommendations and reviews the business performance. The internal auditor is in charge of conducting the audit of the business function.

C. TDCC considers the risk, duration, and the economic environment of the invested financial instruments periodically and reallocates and controls the investments to manage the market and liquidity risk. TDCC also examines counterparties' creditworthiness to manage its credit risk periodically.

5) Information of material financial risk

A. Market risk

- a) The Group invests in available-for-sale financial assets, which are traded in active markets and influenced by the variation of the market price to reduce its market risk.
- b) The fair value of the bond funds TDCC invested in will fluctuate with the changes in the fund net asset values. Bonds and securities, which have fixed interest rates, amounted to \$6,634,049 and \$6,734,978 as of 31st December 2009 and 2008, respectively. Their fair values will fluctuate with the changes in market interest rates. However, TDCC classified the bonds as held-to-maturity financial assets, which gain interest throughout their maturity period and will not generate gains or losses from fair value fluctuations. The future cash flow on floating-interest-rate instruments, with fair values that will fluctuate with the changes in market interest rates but with no market risk, amounted to \$600,000 as of 31st December 2009 and 2008.

B. Credit risk

- a) The Group's policy requires that all transactions be conducted with counterparties that meet the specified credit rating requirement. As the counterparties are all well-known domestic financial institutions with good credit standing, defaults by the counterparties are not expected to occur. Thus, the possibility that credit risk will arise is remote. As for transaction objects, the default on financial assets investment objects held by the Group might cause the Group's losses. However, the Group controls such risk by setting transaction ceiling and assessing their credit condition strictly. Thus, the Group expects no significant credit risk would arise.
- b) TDCC is exposed to credit risk from counterparties' default on contracts.

The related maximum potential loss is the carrying value of the assets as of the balance sheet date.

C. Liquidity risk

- a) The Group invests in financial securities, which are traded in active markets and can be readily converted into certain amount of cash that approximate their fair values. The liquidity risk exposure is low.
- b) Although the Group holds financial assets carried at cost which are not traded in active markets, these assets represent a small percentage of the Group's assets and the Group has adequate working capital. Therefore, no significant liquidity risk is expected to arise.
- c) The bonds and bond funds TDCC invested in have an active market and, except for held-to-maturity financial assets, are expected to be easily sold at prices approximating their fair value. The liquidity risk is low.

D. Cash flow interest rate risk

The Group has adequate working capital, so the risk in cash flow interest rate would be effectively reduced.

6) Elimination of transactions between the Company and consolidated subsidiaries.

<u>Transactions</u>	<u>Subsidiary</u>	<u>2009</u>	<u>2008</u>
A) Elimination of long-term investments and stockholders' equity	TDCC	\$ 5,924,600	\$ 5,458,525
	TWCA	57,336	51,829
B) Elimination of balance sheet accounts:			
Payable for securities settlement services	TDCC	78,085	36,706
C) Elimination of income statement accounts:			
a) Securities settlement service expense	TDCC	775,006	686,584
b) Securities recording service expense	TDCC	6,129	14,760
c) Promotion expense	TWCA	1,292	1,365
d) Rental revenue	TWCA	7,922	6,464

7) Financial information on custodian and clearing services for short-term notes

The balance sheet and statement of income for the custodian and clearing services provided by TDCC for short-term notes are set forth below:

TAIWAN DEPOSITORY & CLEARING CORPORATION - DEPOSITORY AND CLEARING OF SHORT-TERM BILLS

SHEET 1

BALANCE SHEET
31st DECEMBER 2009 and 2008
(In Thousands of Dollars)

ASSETS	31 st December 2009		31 st December 2008		LIABILITIES AND STOCKHOLDERS' EQUITY	31 st December 2009		31 st December 2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 4,668	1	\$ 3,150	-	Accrued expenses	\$ 49,517	8	\$ 58,722	9
Notes and accounts receivable	50,365	8	39,338	7	Income tax payable	16,263	2	18,609	3
Other current assets	7,907	1	6,349	1	Other current liabilities	40,165	6	31,890	5
Total current assets	62,940	10	48,837	8	Total liabilities	105,945	16	109,221	17
PROPERTIES					STOCKHOLDERS' EQUITY				
Cost					Appropriated working capital	500,000	77	500,000	77
Computers	184,627	28	187,609	28	Retained earnings	48,789	7	42,057	6
Miscellaneous equipment	5,675	1	6,203	1	Total stockholders' equity	548,789	84	542,057	83
Leasehold improvements	542	-	542	-					
Total cost	190,844	29	194,354	29					
Less - accumulated depreciation									
Computers	161,625	25	145,075	22					
Miscellaneous equipment	3,845	1	3,479	-					
Leasehold improvements	386	-	295	-					
Total accumulated depreciation	165,856	26	148,849	22					
Less - accumulated impairment	1,757	-	-	-					
	23,231	3	45,505	7					
Prepayments on equipment	-	-	457	-					
Net properties	23,231	3	45,962	7					
OTHER ASSETS									
Refundable deposits	92,957	14	92,669	14					
Deferred charges	30,734	5	80,842	12					
Others	444,872	68	382,968	59					
Total other assets	568,563	87	556,479	85					
TOTAL	\$ 654,734	100	\$ 651,278	100	TOTAL	\$ 654,734	100	\$ 651,278	100

**TAIWAN DEPOSITORY & CLEARING CORPORATION - DEPOSITORY AND
CLEARING OF SHORT-TERM BILLS**

**STATEMENT OF INCOME
PERIOD FROM 1st JANUARY TO 31st DECEMBER 2009 AND 2008
(In Thousands of Dollars)**

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES				
Bills clearing and settlement	\$ 292,800	84	\$ 352,724	95
Others	54,445	16	19,077	5
Total operating revenues	347,245	100	371,801	100
OPERATING EXPENSES				
Personnel	(104,837)	(30)	(101,426)	(27)
General and administrative	(167,909)	(49)	(219,698)	(59)
Total operating expenses	(272,746)	(79)	(321,124)	(86)
OPERATING REVENUES AND GAINS	74,499	21	50,677	14
NON-OPERATING REVENUES				
Interest	5,081	2	9,995	3
Others	-	-	1,143	-
Total non-operating revenues	5,081	2	11,138	3
NON-OPERATING EXPENSES				
Impairment loss	(14,528)	(4)	-	-
Others	-	-	(1,149)	(1)
Total non-operating expenses	(14,528)	(4)	(1,149)	(1)
INCOME BEFORE INCOME TAX	65,052	19	60,666	16
INCOME TAX EXPENSE	(16,263)	(5)	(18,609)	(5)
NET INCOME	\$ 48,789	14	\$ 42,057	11

8. ADDITIONAL DISCLOSURES

A. Related information of significant transactions

In accordance with the "Criteria Governing Preparation of Financial Reports by Company -- Type Stock Exchanges", the Group's related information of significant transactions are as follows:

- a) Lending to others: None.
- b) Endorsements and guarantees for others: None.
- c) Marketable Securities at 31st December 2009:

(1) Financial instruments at fair value through profit or loss-current

Investor	Name of the securities	Units/Shares (in thousand)	Rate	Book value	Market value or net worth per share (in dollars)	Total amount	Amount of Securities pledged
	Financial assets held for trading						None
TDCC	NITC Bond Fund	2,345	-	\$ 399,587	\$ 170.4055	\$ 399,601	-
"	Hua Nan Phoenix Bond Fund	9,778	-	152,300	15.5762	152,304	-
"	Cathay Bond Fund	8,474	-	101,302	11.9546	101,303	-
"	Hua Nan QiLin Bond Fund	174	-	2,000	11.4943	2,000	-
"	Fuh-Hwa Yuli Bond Fund	703	-	9,000	12.8856	9,061	-
TWCA	Fuh-Hwa Bond Fund	799	-	11,000	13.8153	11,033	-
				675,189		\$ 675,302	
				113			
	Valuation adjustment			\$ 675,302			
	Total						

(2) Available-for-sale financial assets-current

Investor	Name of the securities	Due Date	Units/Shares (in thousand)	Rate	Book value	Market value or net worth per share (in dollars)	Total amount	Amount of Securities pledged
TSEC	Beneficiary Certificates							
"	Grand Cathay Balance Fund	-	3,831	-	\$ 50,000	\$ 21.3400	\$ 81,765	None
"	PCA Balance Fund II	-	13,439	-	150,000	12.0300	161,677	"
"	Fuh-Hwa Heirloom No. 2 Balance Fund	-	8,577	-	100,000	15.2400	130,717	"
"	Grand Cathay Balance 2 Fund	-	3,660	-	50,000	22.7100	83,123	"
"	JF (Taiwan) Balanced Fund	-	3,357	-	50,000	20.1200	67,540	"
"	IBT privately No. 1 Bond Fund	-	18,880	-	188,800	12.1453	229,303	"
"	IBT Ta Chong Bond Fund	-	36,902	-	500,000	13.5495	500,007	"
"	IBT 1699 Bond Fund	-	46,554	-	600,000	12.8959	600,362	"
"	Yuanta Duo Fu Equity Fund	-	1,171	-	30,000	44.0100	51,514	"
"	Yuanta Mainstream Equity Fund	-	4,870	-	60,000	18.3700	89,464	"
"	Cathay Taiwan Quantitative Fund	-	4,329	-	30,000	9.8100	42,468	"
"	JF (Taiwan) Micro Fund	-	2,625	-	30,000	20.0000	52,493	"
"	Grand Cathay Twin-core Global Integration Fund	-	10,000	-	100,000	8.8400	88,400	"
"	Cathay United Bank Lucky Trust Global ETF Collective Investment Trust Account	-	9,999	-	100,000	9.5467	95,453	"
"	UBS Asian Real Estate Securities Fund	-	10,000	-	100,000	5.9800	59,800	"
"	Diversified Quantitative Balance Fund	-	10,000	-	100,000	9.0800	90,800	"
"	Dresdner Bond Dam Fund	-	25,040	-	300,000	11.9864	300,145	"
"	JP Morgan Taiwan Global Focus Fund	-	20,000	-	200,000	7.9700	159,400	"
"	Polaris Global REITs Fund	-	7,424	-	100,000	7.8200	58,055	"
"	Fubon Taiwan Strategy 1 ETF Private Equity Fund	-	30,000	-	300,000	10.7900	323,700	"
"	Polaris PMAX ETF Private Equity Fund	-	30,000	-	300,000	9.6000	288,000	"
"	NITC Taiwan Bond Fund	-	50,742	-	740,000	14.6007	740,872	"
"	NITC Bond Fund	-	4,990	-	850,000	170.4370	850,488	"
"	Shinkong Chi-Shin Fund	-	40,528	-	600,000	14.8122	600,304	"
"	Capital Income Fund	-	13,013	-	200,000	15.4139	200,586	"
"	JF (Taiwan) Bond Fund	-	57,112	-	900,000	15.7856	901,551	"
"	Grand Cathay Securities Bond Fund	-	45,043	-	600,000	13.3369	600,740	"
"	Yuanta Wan Tai Bond Fund	-	152,773	-	2,210,000	14.4696	2,210,559	"
"	PCA Well Pool Fund	-	192,622	-	2,500,000	12.9834	2,500,890	"
"	Mega Diamond Bond Fund	-	164,257	-	1,958,147	11.9311	1,959,771	"
"	Fubon Chi-Hsiang Fund	-	166,645	-	2,500,000	15.0052	2,500,540	"
"	Fuh-Hwa Bond Fund	-	187,585	-	2,590,000	13.8153	2,591,548	"
"	Polaris De-Li Fund	-	77,000	-	1,200,000	15.5951	1,200,823	"
"	Polaris De-Bao Fund	-	55,770	-	640,000	11.4792	640,197	"
"	ING Bond Fund	-	62,248	-	970,000	15.5975	970,910	"
"	Prudential Financial Bond Fund	-	19,825	-	300,000	15.1357	300,058	"
"	AIG Taiwan Bond Fund	-	45,573	-	600,000	13.1717	600,270	"
					22,796,947		\$ 22,924,293	
	Valuation adjustment				127,346			
	Total available-for-sale financial assets-current				\$ 22,924,293			

(3) Held-to-maturity financial assets-current

Investor	Name of the Securities	Due Date	Face value	Rate	Book value	Amount of Securities Pledged
	Financial bonds					
TSEC	E.Sun Bank 2004 1st-6th Financial Bond	2010.06.17	\$ 200,000	2.30%	\$ 200,450	None
"	E.Sun Bank 2004 1st-6th Financial Bond	2010.06.17	250,000	2.80%	250,000	"
"	Bank of Communications 20th-1st 5-year Financial Bond	2010.07.05	61,400	2.77%	61,086	"
"	Chinatrust 92-2 Financial Bond	2010.10.13	400,000	1.96% Note 1	401,973	"
TDCC	2004 Zong Yin 6	2010.01.29	30,000	2.70%	30,009	"
"	2007 Chinatrust Bank I	2010.11.28	200,000	Note 2	200,000	"
"	2008 Industrial Bank of Taiwan 3A	2010.06.30	100,000	2.90%	100,000	"
					<u>1,243,518</u>	
	Note 1: Based on Taiwan Bank two-years time deposit plus 0.8%.					
	Note 2: The bond's interest rate is the floating rate for three-year time deposits obtained from Bank of Taiwan plus 0.25%.					
	Corporate bonds					
TSEC	Chinatrust Financial Holding Company Ltd Bond	2010.04.07	100,000	2.25% Note 3	99,237	None
"	Taipower 2000 2rd Corporate Bond	2010.04.20	200,000	2.50%	201,935	"
"	Taipower 2000 2rd Corporate Bond	2010.04.20	350,000	2.52%	353,367	"
"	Taipower 2000 3rd Corporate Bond	2010.06.08	17,000	2.26%	17,362	"
"	Taipower 2000 3rd Unsecured Corporate Bond	2010.06.08	68,000	3.58%	69,630	"
"	Formosa Petrochemical Co. 2005-1 (B712ET)	2010.07.28	150,000	2.25%	149,424	"
"	Chinatrust Financial Holding Co. Corporate Bond BA8381	2010.10.21	250,000	2.12%	245,977	"
"	PO of Chinatrust Financial Holding Co. Subordinated Bond 39PI	2010.10.22	200,000	2.80%	195,709	"
TDCC	Taipower 2005 3D Corporate Bond	2010.12.06	100,000	1.98%	99,589	"
					<u>1,432,230</u>	
	Beneficiary securities					
TSEC	Shin Kong Life Chung Shan Building CMBS	2010.01.10	75,968	2.70%	75,968	None
"	E Sun Bank CBO-A	2010.10.19	50,003	1.82%	50,006	"
"	E Sun Bank CBO-A	2010.10.19	1,429	1.98%	1,421	"
"	Industrial Bank of Taiwan 1st CBO	2010.12.01	95,566	2.18%	95,566	"
"	HonTai Century Building CMBS	2010.12.25	224,419	2.80%	224,419	"
TDCC	951BNPA2	2010.04.26	200,000	2.12%	8,918	"
					<u>456,298</u>	
	Government bonds					
TDCC	2000 Jia 14 Bond	2010.12.15	150,000	5.13%	153,073	None
					3,285,119	
	Accumulated Impairment				(34,623)	
	Total held-to-maturity financial assets-current				<u>\$ 3,250,496</u>	

(4)Held-to-maturity financial assets-noncurrent

Investor	Name of the securities	Due date	Face value	Rate	Book value	Amount of Securities
TSEC	Financial bonds					
"	E.Sun 2005 1st-3rd Subordinate Classes Financial Bond	2012.10.19	\$ 150,000	2.73%	\$ 150,000	None
"	Bank SinoPac 2005 1st Subordinate Classes Financial Bond	2011.06.13	100,000	0.99% Note1	100,000	"
"	Taishin Bank 2005 4th Subordinate Classes Financial Bond	2017.06.06	140,000	2.70% Note2	140,000	"
"	Taishin Bank 2005 4th Subordinate Classes Financial Bond	2017.06.06	100,000	1.76% Note3	100,000	"
"	2006 Fu Hwa Bank 1	2011.08.24	200,000	2.55%	200,000	"
"	Industrial Bank of Taiwan 2006 1st subordinate Classes Financial Bond	2011.01.23	150,000	2.50%	150,000	"
"	Tcb-Bank 2006 1st Subordinate Class A Financial Bond	2013.04.24	237,000	1.26% Note4	237,000	"
"	Tcb-Bank 2009 2nd Subordinate Financial Bond	2015.03.28	400,000	2.10%	400,000	"
"	Bank of Communications 2005 19th- 21st Subordinate Classes Financial Bond	2012.05.23	200,000	2.07%	199,775	"
"	Taipei Fubon Subordinated Bank Debentures 96-1	2013.06.28	200,000	2.90%	200,000	"
"	Taipei Fubon Subordinated Bank Debentures 98-2	2016.12.22	300,000	2.20%	300,000	"
"	Tcb-Bank 2007 Class A Financial Bond	2014.09.28	200,000	0.84% Note5	200,000	"
"	Hua Nan Bank 2007 3rd Subordinate Classes Financial Bond	2014.09.20	200,000	0.85% Note6	200,000	"
"	China Development Industrial Bank 94-2 Bank Debenture	2013.05.17	500,000	3.09%	483,301	"
"	China Development Industrial Bank 94-2 Bank Debenture	2013.05.17	200,000	2.03%	199,801	"
"	Yuanta Bank 95 year second issue of first cis-position finance debt	2012.12.22	100,000	2.50%	99,999	"
"	Yuanta Bank 95 year second issue of first cis-position finance debt	2012.12.22	150,000	2.36%	150,579	"
"	Bank SinoPac 97-1 Subordinate Classes Financial Bond	2013.09.17	200,000	3.05%	200,000	"
"	Chinatrust 97-3 Subordinate Classes Financial Bond	2015.04.25	200,000	3.10%	200,000	"
"	Mega International 97-6 Subordinate Classes Financial Bond	2011.06.26	300,000	0.70% Note7	300,000	"
"	Bank SinoPac 97-3 Subordinate Classes Financial Bond	2014.09.09	100,000	1.44% Note8	100,000	"
"	Standard Chartered 2009-1 Subordinate Classes Financial Bond	2019.10.28	100,000	2.90% Note9	100,000	"
"	Mega International 97-9 Subordinate Classes Financial Bond	2015.12.23	300,000	3.00%	300,000	"
"	China Development Industrial Bank 96-1 Financial Bond (G11262)	2012.02.05	300,000	2.50%	297,660	"
"	First Bank stripped Subordinate Classes Financial Bond	2015.06.23	300,000	2.95%	302,183	"
"	Shanghai Commercial 97-2 Subordinate Classes Financial Bond	2015.12.26	200,000	3.05%	200,000	"
"	Land Bank 97-2 Subordinate Classes Financial Bond	2015.12.29	300,000	2.80%	300,000	"
"	Taiwan Agriank 98-1 Subordinate Classes Financial Bond(G13102)	2014.11.08	200,000	2.30%	200,000	"
"	Bank SinoPac 98-1 Subordinate Classes Financial Bond	2016.04.29	200,000	2.80%	200,000	"
"	E.Sun Bank 97-1 Subordinate Classes Financial Bond	2015.10.24	300,000	3.15%	300,000	"
"	E.Sun Bank 98-2 Subordinate Classes Financial Bond	2014.09.05	300,000	2.15%	300,000	"
"	E.Sun Bank 98-3 Subordinate Classes Financial Bond	2016.04.03	300,000	2.50%	300,000	"
"	Bank of Communications 20th-2nd 5-year Financial Bond	2011.03.07	32,200	2.77%	31,837	"
"	Shin Kong 95-1 Subordinate Classes Financial Bond-B	2016.11.13	200,000	2.50%	202,741	"

Note 1 : Based on 180-day commercial paper interest rate plus 0.35%.

Note 2 : The annual interest rate of first 7 years and from 8th to 12th year is 2.70% and 3.20%, respectively.

Note 3 : Based on the one-year time savings deposit floating rate of the bank plus 0.65%.

Note 4 : Floating rate of one-year time deposit plus 0.25%.

Note 5 : Based on 90-day commercial paper interest rate plus 0.34%.

Note 6 : Based on 90-day commercial paper interest rate plus 0.35%.

Note 7 : Based on 90-day commercial paper interest rate plus 0.2%.

Note 8 : Based on Taiwan Bank two-years time deposit plus 0.8%.

Note 9 : The annual interest rate of first 5 years and from 6th to 10th year is 2.90% and 3.40%, respectively.

Investor	Name of the securities	Due date	Face value	Rate	Book value	Amount of Securities pledged
TDCC	Taiwan Cooperative Bank 2006 1A	2013.04.24	\$ 300,000	Note 1	\$ 300,000	None
"	2006 Fuhwa Bank 1	2011.08.24	200,000	2.550%	150,078	"
"	2005 Industrial Bank of Taiwan 1	2011.06.01	150,000	2.500%	149,888	"
"	2006 Industrial Bank of Taiwan 1	2011.01.23	150,000	2.500%	150,229	"
"	2006 First Bank 2A	2012.01.27	50,000	2.450%	50,207	"
"	2004 Shanghai Commercial & Savings Bank 4	2011.11.26	200,000	2.900%	202,598	"
"	2006 E.Sun 1B	2013.08.24	350,000	2.600%	354,205	"
"	2007 Land Bank of Taiwan 2	2014.06.26	100,000	Note 2	100,000	"
"	2007 Taipei Fubon Bank 1	2013.06.28	100,000	2.900%	100,000	"
"	2008 Taipei Fubon Bank 1	2014.01.31	100,000	3.050%	100,000	"
"	2008 Taichi 1B	2013.09.13	100,000	3.100%	100,000	"
"	2008 Taipei Fubon Bank 3	2015.05.30	200,000	3.090%	200,000	"
"	2008 Cathay United Bank 1A	2015.09.19	100,000	2.950%	100,000	"
"	2008 First Bank 2	2015.10.21	200,000	3.020%	200,000	"
					<u>9,602,081</u>	

Note 1: The bond's interest rate is the floating rate for one-year time deposits obtained from Taiwan Cooperative Bank plus 0.25%.

Note 2: The bond's interest rate is the floating rate for 90-days CP plus 0.27%.

Investor	Name of the securities	Due date	Face value	Rate	Book value	Amount of Securities pledged
	Corporate bonds					
TSEC	E.SUN Financial Holding Co., Ltd. 2005 1st Subordinate Classes Corporate Bond	2012.12.15	300,000	1.40% Note 3	300,000	None
"	2006-1 Formosa Petrochemical Corporation Ordinary Corporate without Guarantee	2011.04.28	200,000	2.07%	199,690	"
"	Taiwan Power 95-3 Unsecured A	2011.11.15	200,000	2.06%	200,067	"
"	96 E SUN Financial Holding Corporate Bond	2014.12.13	200,000	1.10% Note 4	200,000	"
"	Taipower 2001 1st Corporate Bond	2011.05.25	50,000	2.26%	51,506	"
"	Mega International 97-2 Unsecured Corporate Bond	2015.12.26	300,000	3.26%	300,000	"
"	Cathay Financial Holdings 2008 Unsecured Subordinate Classes Corporate Bond	2015.12.24	300,000	3.10%	300,000	"
"	Cathay Financial Holdings 2009-1 Unsecured Subordinate Classes Corporate Bond	2016.10.08	300,000	2.65%	300,000	"
"	Huanan Bank Subordinate Classes Corporate Bond(95-1)	2013.06.29	150,000	2.20%	153,210	"
"	Taiwan Power 98-2 secured A	2012.08.28	600,000	1.17%	596,872	"
"	Taiwan Power 98-3 secured A	2012.10.21	300,000	1.20%	297,119	"
TDCC	Taipower 2005 3C02 Corporate Bond	2012.12.02	200,000	2.19%	200,000	"
"	Taipower 2006 3B Corporate Bond	2013.11.15	200,000	2.20%	200,217	"
"	CPC Corporation, Taiwan 2006 1 st class B bond	2013.11.28	200,000	2.16%	195,845	"
"	Taipower 2008 4 Jia Corporate Bond	2011.07.21	200,000	2.70%	201,039	"
"	CPC Corporation, Taiwan 2008 1 st class A bond	2013.12.02	200,000	2.40%	200,000	"
"	Taipower 2008 3A Corporate Bond	2011.06.16	200,000	2.42%	202,043	"
"	Taipower 2006 3A Corporate Bond	2011.11.15	140,000	2.08%	140,866	"
"	Taipower 2008 5A Corporate Bond	2011.10.31	200,000	2.50%	203,393	"
"	Taipower 2006 1A Corporate Bond	2011.05.22	50,000	1.85%	50,689	"
"	Taipower 2009 2A Corporate Bond	2012.08.28	300,000	0.97%	300,000	"
"	Taipower 2009 3A Corporate Bond	2012.10.21	300,000	0.85%	300,000	"
					<u>5,092,556</u>	

Note 3: The interest rate is the floating rate for one-year time deposits obtained from Chunghwa Post Co. plus 0.4%

Note 4: Based on 90-day commercial paper interest rate plus 0.6%.

Investor	Name of the securities	Due date	Face value	Rate	Book value	Amount of Securities pledged
	Beneficiary securities					
TSEC	94 E. Sun Bond 1C (CBO)	2011.01.19	\$ 50,000	2.350%	\$ 49,790	None
"	Shin Kong Life Tun Nan Building CMBS	2012.06.22	141,154	2.400%	141,154	"
"	Polaris Securities CBO 95-1	2013.02.18	100,000	2.300%	100,007	"
"	Cathay Dun Nan Commercial Building REAT	2012.06.25	176,544	2.460%	176,544	"
"	Chailease 2007 Securitization Trust Certificate	2011.11.24	250,000	3.010%	250,000	"
"	Shin Kong Life Insurance REAT No.3	2012.02.08	89,151	2.210%	89,151	"
TDCC	Shin Kong Life Tun Nan Building CMB Securities A	2012.06.22	46,062	2.400%	42,333	"
"	Shin Kong Life Tun Nan Building CMB Securities B	2012.06.22	10,000	2.680%	10,000	"
					<u>858,979</u>	
	Government bonds					
TSEC	2001 Jia 1 Bond	2011.01.09	47,000	3.002%	47,894	None
TDCC	2006 Jia 1 Bond	2011.01.06	100,000	1.750%	100,035	"
"	2004 Jia 4 Bond	2014.03.04	50,000	2.375%	48,781	"
"	2001 Jia 7 Bond	2016.10.19	100,000	3.500%	103,614	"
"	2004 Taipei Construction Bond	2014.03.16	200,000	2.850%	200,000	"
"	2003 Jia 10 Bond	2013.12.05	50,000	2.875%	50,392	"
"	2000 Jia 7 Bond	2020.01.18	100,000	6.250%	126,526	"
"	2003 Jia 7 Bond	2013.09.19	50,000	2.750%	49,971	"
"	2003 Jia 4 Bond	2013.03.07	150,000	1.875%	145,935	"
"	1997 Jiao Jian Jia 10 Bond	2012.01.21	100,000	6.900%	107,117	"
"	1999 Yi 1 Bond	2019.04.23	100,000	5.875%	120,984	"
"	2000 Jia 4 Bond	2014.10.15	200,000	6.125%	226,243	"
"	2001 Jia 3 Bond	2016.03.06	100,000	4.625%	108,833	"
"	2001 Jia 6 Bond	2016.08.07	150,000	3.750%	156,534	"
"	1997 Jiao Jian Jia 9 Bond	2011.08.23	150,000	7.100%	158,739	"
"	2003 Jia 3 Bond	2023.02.18	250,000	2.500%	233,237	"
"	2008 Jia 1 Bond	2013.01.16	200,000	2.375%	201,889	"
					<u>2,186,724</u>	
	Commercial papers under repurchase agreement					
TSEC	Taishin Bank ABCP	2013.02.13	-	2.250%	198,762	None
	Total held-to-maturity financial assets-noncurrent				<u>\$ 17,939,102</u>	

(6) Financial assets carried at cost-noncurrent

<u>Investor</u>	<u>Name of the securities</u>	<u>Nature of securities</u>	<u>Units/Shares (in thousand)</u>	<u>Book value</u>	<u>Amount of Securities pledged</u>
TSEC	Taiwan International Futures Exchange Corporation	Stock	12,523	\$ 100,000	None
"	Taipei Financial Center Corporation	"	83,853	<u>838,528</u>	"
				938,528	
	Accumulated Impairment			<u>(116,876)</u>	
				<u>\$ 821,652</u>	
TDCC	Taiwan International Futures Exchange Corporation	Stock	16,280	<u>\$ 130,000</u>	None

(7) Long-term equity investments accounted for under the equity method

<u>Investor</u>	<u>Name of the securities</u>	<u>Nature of securities</u>	<u>Relationship with the Company</u>	<u>Units/Shares (in thousand)</u>	<u>Book value</u>	<u>Shares held by the Company</u>	<u>Market Value or Net Value of the Stock Rights</u>	<u>Amount of Securities pledged</u>
TSEC	Taiwan Ratings Co.	Stock	The investee company accounted for under the equity method	3,998	\$ 52,563	19.99%	\$ 52,563	None
TDCC	"	"	"	3,800	49,960	19.00%	49,960	"
TWCA	"	"	"	1	<u>10</u>	0.01%	-	"
					<u>\$ 102,533</u>			

(8) Operations guarantee deposits

<u>Investor</u>	<u>Name of the securities</u>	<u>Due Date</u>	<u>Face Value</u>	<u>Rate</u>	<u>Book value</u>
TSEC	Taishin Bank 2005 4th subordinate Classes Financial Bond	2017.06.06	\$ 90,000	2.70% Note 1	\$ 90,000
"	Taishin Bank 2005 4th subordinate Classes Financial Bond	2017.06.06	200,000	1.76% Note 2	<u>200,000</u>
					<u>\$ 290,000</u>

Note 1 : The annual interest rate of first 7 years and from 8th to 12th year is 2.70% and 3.20%, respectively.

Note 2 : Based on the one-year time savings deposit rate of the bank plus 0.65%.

(9) Refundable deposits

<u>Investor</u>	<u>Name of the securities</u>	<u>Due Date</u>	<u>Face Value</u>	<u>Rate</u>	<u>Book value</u>
TSEC	2001 Jia 1 Bond	2011.01.09	3,000	3.002%	<u>\$ 3,057</u>

Note: Floating rate of one-year time deposit plus 0.25%.

d) Acquisition or sale of the same security with the accumulated cost exceeding \$100 million or 20% of the Company's paid-in capital during the year ended 31st December 2009

Investor	Name of the securities	General ledger account	Counter party	Balance as at 1st January 2009		Addition		Disposals			Balance as at 31st December 2009		Note	
				Number of shares (in thousand)	Amount	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Sales price	Book value	Gain (loss) from disposal	Number of shares (in thousands)		Market Value
TSEC	Mega Pan Shi Private Equity Fund	Available-for-sale financial assets-current	-	20,000	\$ 200,000	-	\$ -	20,000	\$ 216,526	\$ 200,000	\$ 16,526	-	\$ -	
-	Grand Cathay Bond Fund	-	-	-	-	45,043	600,000	-	-	-	-	45,043	600,740	
-	Mega Diamond Bond Fund	-	-	-	-	338,919	4,037,850	174,662	2,081,304	2,079,703	1,601	164,257	1,959,771	
-	ING Elite Bond Fund	-	-	-	-	25,589	300,000	25,589	300,061	300,000	61	-	-	
-	ING Bond Fund	-	-	-	-	62,248	970,000	-	-	-	-	62,248	970,910	
-	Hua Nan Phoenix Bond Fund	-	-	-	-	70,717	1,100,000	70,717	1,100,322	1,100,000	322	-	-	
-	Prudential Financial Bond Fund	-	-	-	-	19,825	300,000	-	-	-	-	19,825	300,058	
-	Shinkong Chi-Shin Fund	-	-	4,738	70,000	40,528	600,000	4,738	70,145	70,000	145	40,528	600,304	
-	Fuh-Hwa Bond Fund	-	-	-	-	373,085	5,150,000	185,500	2,560,737	2,560,000	737	187,585	2,591,548	
-	NITC Bond Fund	-	-	1,709	290,000	6,751	1,150,000	3,470	590,560	590,000	560	4,990	850,488	
-	IBT Ta Chong Bond Fund	-	-	22,299	300,000	36,902	500,000	22,299	300,950	300,000	950	36,902	500,007	
-	IBT 1699 Bond Fund	-	-	-	-	62,113	800,000	15,559	200,428	200,000	428	46,554	600,362	
-	JF (Taiwan) Balanced Fund	-	-	19,070	300,000	38,042	600,000	-	-	-	-	57,112	901,551	
-	Fubon Chi-Hsiang Fund	-	-	-	-	366,723	5,500,000	200,078	3,000,654	3,000,000	654	166,645	2,500,540	
-	Yuanta Wan Tai Bond Fund	-	-	-	-	263,409	3,810,000	110,636	1,600,307	1,600,000	307	152,773	2,210,559	
-	Polaris De-Li Fund	-	-	-	-	77,000	1,200,000	-	-	-	-	77,000	1,200,823	
-	Polaris De-Bao Fund	-	-	-	-	55,770	640,000	-	-	-	-	55,770	640,197	
-	Capital Income Fund	-	-	13,013	200,000	103,887	1,600,000	103,887	1,600,347	1,600,000	347	13,013	200,586	
-	JP Morgan First Fund	-	-	-	-	6,884	100,000	6,884	100,023	100,000	23	-	-	
-	PCA Well Pool Fund	-	-	-	-	300,514	3,900,000	107,892	1,400,384	1,400,000	384	192,622	2,500,890	
-	NITC Taiwan Bond Fund	-	-	16,506	240,000	41,112	600,000	6,876	100,342	100,000	342	50,742	740,872	
-	Dresdner Bond Dam Fund	-	-	-	-	25,040	300,000	-	-	-	-	25,040	300,145	
-	AIG Taiwan Bond Fund	-	-	-	-	45,573	600,000	-	-	-	-	45,573	600,270	

Investor	Name of the securities	General ledger account	Counter party	Balance as at 1st January 2009		Addition		Disposals			Balance as at 31st December 2009			
				Number of shares (in thousand)	Amount	Number of shares (in thousand)	Amount	Number of shares (in thousand)	of (in)	Gain (loss) from disposal	Number of shares (in thousands)	Amount	Note	
														Sales price
TSEC	E.Sun Bank 2004 1st-6th Financial Bond	Held-to-maturity financial asset-current	-	250,000	\$ 250,000	200,000	\$ 201,385	-	\$ -	\$ -	\$ -	450,000	\$ 450,450	Note 1
"	China Development Industrial Bank 94-2 Bank Debenture	Held-to-maturity financial asset-noncurrent	-	500,000	478,358	200,000	199,746	-	-	-	-	700,000	683,102	"
"	Yuanta Bank 95 year second issue of first cis-position finance debt	"	-	100,000	99,999	150,000	150,750	-	-	-	-	250,000	250,578	"
"	E.Sun Bank 98-2 Subordinate Classes Financial Bond	"	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000	
"	E.Sun Bank 98-3 Subordinate Classes Financial Bond	"	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000	
"	Bank SinoPac 98-1 Subordinate Classes Financial Bond	"	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
"	Taiwan Agribank 98-1 Subordinate Classes Financial Bond	"	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
"	Hua Nan Bank Subordinate Classes Financial Bond	"	-	-	-	150,000	153,929	-	-	-	-	150,000	153,210	Note 1
"	Taipei Fubon Subordinated Bank Debentures 98-2	"	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000	
"	Tcb-Bank 2009 2nd Subordinate Financial Bond	"	-	-	-	400,000	400,000	-	-	-	-	400,000	400,000	
"	Standard Chartered 2009-1 Subordinate Classes Financial Bond	"	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	
"	Shin Kong 2006-1 Class B Financial Bond	"	-	-	-	200,000	202,788	-	-	-	-	200,000	202,741	Note 1
"	Taiwan Power 98-2 secured A	"	-	-	-	600,000	596,823	-	-	-	-	600,000	596,872	"
"	Taiwan Power 98-3 secured A	"	-	-	-	300,000	297,077	-	-	-	-	300,000	297,119	"
"	Cathay Financial Holdings 2009-1 Unsecured	"	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000	
TDCC	Taipower 2006 3A Corporate Bond	Held-to-maturity financial asset-noncurrent	-	-	-	140,000	141,305	-	-	-	-	140,000	140,866	Note 1
"	Taipower 2008 5A Corporate Bond	"	-	-	-	200,000	205,121	-	-	-	-	200,000	203,393	"
"	Taipower 2009 2A Corporate Bond	"	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000	
"	Taipower 2009 3A Corporate Bond	"	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000	

Note 1: Due to valuation of adjustment, ending balance is not equal to beginning balance.

- e) Acquisition of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended 31st December 2009: None
- f) Disposal of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended 31st December 2009: None
- g) Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended 31st December 2009: None
- h) Derivative financial instruments undertaken during the year ended 31st December 2009: None

B. Related information of investee companies for the year ended 31st December 2009

Investor	Investee	Address	Initial investment amount		Major operating activities	Holding Status			Net income (loss) of the investee	Investment income (loss) recognized by the Company	Note
			At the end of this period	At the end of last period		No. of shares (in thousand)	Ownership (%)	Book value			
TSEC	Taiwan Ratings Co.	49F., No.7, Sec. 5, Sinyi Rd., Taipei City	\$ 41,032	\$ 41,032	Credit rating services	3,998	19.99%	\$ 52,563	\$ 43,621	\$ 8,720	The investee company accounted for under the equity method
TDCC	"	"	38,000	38,000	"	3,800	19.00%	49,960	43,621	8,288	"
TWCA	"	"	10	10	"	1	0.01%	10	43,621	-	The investee company accounted as financial assets carried at cost-noncurrent.