

TAIWAN STOCK EXCHANGE CORPORATION  
NON-CONSOLIDATED FINANCIAL  
STATEMENTS AND REPORT OF INDEPENDENT  
ACCOUNTANTS

31st DECEMBER 2009 AND 2008

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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 non-consolidated balance sheets of Taiwan Stock Exchange Corporation as of 31st December 2009 and 2008, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the 2009 and 2008 financial statements of Taiwan Depository and Clearing Corporation, Taiwan-Ca. Inc. and Taiwan Ratings Corporation, investees accounted for under the equity method. These long-term equity investments amounted to NT\$6,034,499 thousand and NT\$5,561,267 thousand as of 31st December 2009 and 2008, respectively, and their related investment income amounted to NT\$708,142 thousand and NT\$532,424 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 these long-term investments, is based solely on the reports of 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Taiwan Stock Exchange Corporation as of 31st December 2009 and 2008, and the results of its operations and its cash flows for the years then ended, in conformity with the “Business Entity Accounting Act”, “Regulation on Business Entity Accounting Handling”, “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

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The accompanying non-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 non-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**  
**NON-CONSOLIDATED BALANCE SHEETS**  
**31st DECEMBER**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	2009		2008			2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash and cash equivalents (Note 4(1))	\$ 48,791,042	48	\$ 5,306,129	14	Payable for securities settlement service (Note 5)	\$ 78,085	-	\$ 36,706	-
Available-for-sale financial assets (Note 4(2))	22,924,293	22	3,264,200	9	Accrued expenses	773,696	1	732,204	2
Held-to-maturity financial assets (Note 4(3))	2,658,907	3	2,793,703	7	Income tax payable (Note 4(12))	298,745	-	84,912	-
Accounts receivable-net (Notes 4(5) and 5)	421,650	-	224,790	1	Securities lending and borrowing collateral payable (Note 4(14))	62,022,599	61	842,417	2
Interest receivable	146,572	-	146,667	-	Other current liabilities	616,737	-	361,826	1
Income tax refundable (Note 4(12))	85,268	-	84,662	-	Performance bond payable (Note 4(6))	-	-	-	-
Other current assets (Note 4(12))	12,743	-	4,988	-	Total Current Liabilities	63,789,862	62	2,058,065	5
Performance bond (Note 4(6))	-	-	-	-	Other Liabilities				
Total Current Assets	75,040,475	73	11,825,139	31	Default damages reserve (Note 4(7))	7,865,216	8	7,831,009	21
<b>Funds and Long-term Investments</b>					Deposits received	49,460	-	37,269	-
Available-for-sale financial assets-noncurrent (Note 4(2))	-	-	500,275	1	Reserve for land value increment tax	44,599	-	44,599	-
Held-to-maturity financial assets-noncurrent (Note 4(3))	11,296,642	11	10,946,071	28	Total Other Liabilities	7,959,275	8	7,912,877	21
Financial assets carried at cost-noncurrent (Note 4(4))	821,652	1	821,652	2	Securities Settlement Credit (Note 4(8))	-	-	-	-
Default damages fund (Note 4(7)(8))	7,839,909	7	7,706,855	20	Total Liabilities	71,749,137	70	9,970,942	26
Long-term equity investments accounted for under the equity method (Note 4(9))	6,034,499	6	5,561,267	15	<b>Stockholders' Equity</b>				
Total Funds and Long-Term Investments	25,992,702	25	25,536,120	66	Capital stock (Note 4(15))				
<b>Property, Plant and Equipment (Note 4(10))</b>					Common stock	5,694,908	6	5,556,008	14
Original Cost					Capital reserve (Note 4(16))	37,682	-	37,682	-
Land	129,496	-	116,496	-	Retained earnings				
Buildings	180,233	-	172,233	1	Legal reserve (Note 4(17))	3,733,696	4	3,533,588	9
Computer equipment	1,259,017	1	1,225,648	3	Special reserve (Note 4(17))	18,911,362	18	17,950,847	47
Other equipment	437,086	1	414,450	1	Unappropriated earnings (Note 4(18))	2,016,210	2	2,013,954	5
Appreciation - land	37,084	-	37,084	-	Other adjustments to Stockholders' Equity				
	2,042,916	2	1,965,911	5	Unrealized gain or loss on financial instruments (Note 4(2))	127,346	-	(385,525)	(1)
Less: Accumulated depreciation	(1,395,800)	(1)	(1,177,257)	(3)	Total Stockholders' Equity	30,521,204	30	28,706,554	74
Prepayments on equipment	137,293	-	43,658	-	Commitments and Contingent Liabilities (Note 6)				
Total Property, Plant and Equipment	784,409	1	832,312	2					
<b>Other Assets</b>									
Rental assets	86,111	-	104,910	-					
Operations guarantee deposits (Note 4(11))	290,000	1	280,000	1					
Refundable deposits and miscellaneous assets (Note 4(12))	76,644	-	99,015	-					
Total Other Assets	452,755	1	483,925	1					
Securities Settlement Debit (Note 4(8))	-	-	-	-					
<b>TOTAL ASSETS</b>	<b>\$ 102,270,341</b>	<b>100</b>	<b>\$ 38,677,496</b>	<b>100</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 102,270,341</b>	<b>100</b>	<b>\$ 38,677,496</b>	<b>100</b>

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

TAIWAN STOCK EXCHANGE CORPORATION  
NON-CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED 31st DECEMBER  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

	2009		2008	
	Amount	%	Amount	%
Operating revenues				
Trading fees (Notes 4(19) and 5)	\$ 3,444,763	71	\$ 3,052,238	70
Market data fees	368,322	7	367,573	8
Listing fees	519,189	11	487,788	11
Computer and other equipment fees	82,005	2	99,310	2
Data processing fees (Note 5)	182,354	4	121,144	3
Others (Note 5)	<u>241,555</u>	<u>5</u>	<u>267,964</u>	<u>6</u>
Total Operating Revenues	<u>4,838,188</u>	<u>100</u>	<u>4,396,017</u>	<u>100</u>
Operating expenses				
Personnel (Notes 4(13)(22))	( 1,207,845)	( 25)	( 1,185,070)	( 27)
General and administrative (Notes 4(20)(22))	( 2,404,609)	( 49)	( 2,309,454)	( 52)
Total Operating Expenses	<u>( 3,612,454)</u>	<u>( 74)</u>	<u>( 3,494,524)</u>	<u>( 79)</u>
Operating income	<u>1,225,734</u>	<u>26</u>	<u>901,493</u>	<u>21</u>
Non-operating income				
Interest	560,671	12	812,718	18
Equity in net income of investee companies (Note 4(9))	708,142	15	532,424	12
Gain on disposal of investments	25,466	-	79,146	2
Other income	<u>27,499</u>	<u>-</u>	<u>26,087</u>	<u>1</u>
Total Non-operating Income	<u>1,321,778</u>	<u>27</u>	<u>1,450,375</u>	<u>33</u>
Non-operating expenses				
Interest	( 23,614)	-	( 12,140)	-
Impairment loss (Note 4(3))	( 34,623)	( 1)	-	-
Other expenses	<u>( 85,409)</u>	<u>( 2)</u>	<u>( 80,812)</u>	<u>( 2)</u>
Total Non-operating Expenses	<u>( 143,646)</u>	<u>( 3)</u>	<u>( 92,952)</u>	<u>( 2)</u>
Income before income tax	2,403,866	50	2,258,916	52
Income tax expense (Note 4(12))	<u>( 407,586)</u>	<u>( 9)</u>	<u>( 257,843)</u>	<u>( 6)</u>
Net income	<u>\$ 1,996,280</u>	<u>41</u>	<u>\$ 2,001,073</u>	<u>46</u>
	<u>Pre tax</u>	<u>After tax</u>	<u>Pre tax</u>	<u>After tax</u>
Basic earnings per share (Note 4(21))	<u>\$ 4.22</u>	<u>\$ 3.51</u>	<u>\$ 3.97</u>	<u>\$ 3.51</u>

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

See report of independent accountants dated 1st March 2010.

TAIWAN STOCK EXCHANGE CORPORATION  
NON-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>Unrealized Gain or Loss on Financial Instruments</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	\$ 28,056,906
Appropriations of 2007 earnings:							
Legal reserve	-	-	298,125	-	( 298,125)	-	-
Special reserve	-	-	-	1,788,753	( 1,788,753)	-	-
Employees' bonus	-	-	-	-	( 102,084)	-	( 102,084)
Cash dividends	-	-	-	-	( 677,561)	-	( 677,561)
Stock dividends	135,512	-	-	-	( 135,512)	-	-
Net income for 2008	-	-	-	-	2,001,073	-	2,001,073
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>\$ 28,706,554</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)	\$ 28,706,554
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)	-	-
Net income for 2009	-	-	-	-	1,996,280	-	1,996,280
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>\$ 30,521,204</u>

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

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

See report of independent accountants dated 1st March 2010.



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

	2009	2008
<b><u>Cash flows from operating activities</u></b>		
Net income	\$ 1,996,280	\$ 2,001,073
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain on disposal of investments	( 25,466)	( 79,146)
Impairment loss	34,623	-
Bad debts	1,785	-
Equity in net income of investee companies-net of cash dividends received	( 473,232)	( 340,995)
Depreciation	257,442	300,219
Loss on obsolescence and disposal of property, plant and equipment	2,395	2,935
Amortization	44,057	48,154
Provision for default damages	34,207	134,034
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	( 198,645)	99,216
Decrease (increase) in interest receivable	95	( 22,876)
Increase in income tax refundable	( 606)	( 84,662)
(Increase) decrease in other current assets	( 7,850)	4,631
Decrease (increase) in deferred income tax assets	417	( 255)
Increase (decrease) in payable for securities settlement services	41,379	( 23,814)
Increase in accrued expenses	41,492	207,200
Increase (decrease) in income tax payable	213,833	( 397,721)
Increase (decrease) in securities lending and borrowing collateral payable	61,180,182	( 2,331,127)
Increase in other current liabilities	247,711	246,102
Net cash provided by (used in) operating activities	63,390,099	( 237,032)
<b><u>Cash flows from investing activities</u></b>		
Increase in available-for-sale financial assets-net	( 18,621,481)	( 1,051,206)
Increase in held-to-maturity financial assets - net	( 250,398)	( 1,443,473)
Increase in default damages fund	( 133,054)	( 135,590)
Acquisition of property, plant and equipment	( 205,946)	( 323,859)
Proceeds from disposal of property, plant and equipment	-	1,275
Increase in operations guarantee deposits	( 10,000)	-
Decrease in refundable deposits-net	20,055	1,695
Increase in deferred expenses	( 22,052)	( 29,814)
Net cash used in investing activities	( 19,222,876)	( 2,980,972)
<b><u>Cash flows from financing activities</u></b>		
Increase (decrease) in deposits received-net	12,191	( 3,621)
Cash dividends paid	( 694,501)	( 677,561)
Bonus paid to employees	-	( 102,084)
Net cash used in financing activities	( 682,310)	( 783,266)
Net increase (decrease) in cash and cash equivalents	43,484,913	( 4,001,270)
Cash and cash equivalents at beginning of year	5,306,129	9,307,399
Cash and cash equivalents at end of year	\$ 48,791,042	\$ 5,306,129
<b><u>Supplemental disclosures of cash flow information</u></b>		
Cash paid during the year for:		
Interest	\$ 14,664	\$ 12,665
Income tax	\$ 192,539	\$ 739,822
Investing activities which have no effect on cash flows:		
Total acquisition of property, plant and equipment	\$ 213,146	\$ 282,824
Less: Payables at end of year	( 7,200)	-
Add: Payables at beginning of year	-	41,035
Cash paid	\$ 205,946	\$ 323,859

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

See report of independent accountants dated 1st March 2010.

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

**1. HISTORY AND ORGANIZATION**

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements were prepared in accordance with the "Business Entity Accounting Act", "Regulation on Business Entity Accounting Handling", "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 Company is as follows:

1) Classification of assets and liabilities

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 process;

(B) Assets held mainly for trading purposes;

(C) Assets expected to be converted to cash within twelve months from the balance sheet date;

(D) Unrestricted cash and cash equivalents, excluding 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 accrued for operating purposes and expected to be paid in the normal course of the business operating cycle;



- (B) Liabilities arising mainly from trading activities;
- (C) Liabilities expected to be paid within twelve months after 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.

2) 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.

3) 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 of the accounting period. 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 in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

4) 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 carried 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.

- 5) 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 loss. Such impairment loss cannot be reversed.
- 6) 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.
- 7) Long-term equity investments accounted for under the equity method
  - A. 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.
  - B. The Company prepares annual consolidated financial statements which includes all subsidiaries wherein the Company or the Company and other subsidiaries own at least 50% of the investee company's voting rights or the investee company is a controlled entity.
- 8) Property, plant and equipment
  - A. With the exception of the fixed assets revalued based on government regulations, fixed assets are stated at cost.
  - B. 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 the other property and equipment. Salvage values of fixed assets still in use after the end of their original estimated useful lives are depreciated based on the new estimated remaining useful lives of the assets.
  - C. Upon revaluation of properties, any appreciation is added to the cost of properties. Reserve for land value increment 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.

9) Deferred expenses

Deferred expenses refer to computer software costs which are amortized over 3 years using the fixed-percentage-on-declining balance method.

10) Retirement and pension

Monthly contributions to the employees' pension funds are charged to current expense and pension funds will be used exclusively to pay for pension obligation.

11) Default damages

Monthly provision for a default damages reserve which is determined based on the fixed ratio of trading fees is 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.

12) 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.

13) Recognition of revenue and cost

Revenue is recognized when the earning process is substantially completed and the payment is realized or realizable. Costs and expenses are recognized as incurred.

14) 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", the Company's 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 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 approve the resolution to retain the earnings.

#### 15) 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.

#### 16) 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.

#### 17) 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 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. As a result of the adoption of EITF 96-

052, net income decreased by \$69,636 and earnings per share decreased by \$0.13 for the year ended December 31, 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	\$ 5,281,575	22,253
Time deposits	10,403,506	4,738,747
Negotiable certificates of deposits	-	400,000
Cash equivalents		
Commercial papers	33,105,961	145,129
	<u>\$ 48,791,042</u>	<u>\$ 5,306,129</u>
Annual interest rates of time deposits	<u>0.11%~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 papers	<u>0.19%~0.25%</u>	<u>0.7%</u>

Time deposits as of 31st December 2009 and 2008 are all due within one year.

##### 2) 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	127,346	( 385,800)
	<u>\$ 22,924,293</u>	<u>\$ 3,264,200</u>
Non-current items:		
Financial bonds	\$ -	\$ 500,000
Valuation adjustment	-	275
	<u>\$ -</u>	<u>\$ 500,275</u>

3) Held-to-maturity financial assets

	31st December	
	2009	2008
Current items:		
Financial bonds	\$ 913,509	\$ 1,590,212
Corporate bonds	1,332,641	-
Beneficiary securities	447,380	705,485
Government bonds	-	402,135
Beneficiary certificates	-	95,871
	<u>2,693,530</u>	<u>2,793,703</u>
Accumulated impairment	( 34,623)	-
	<u>\$ 2,658,907</u>	<u>\$ 2,793,703</u>
Non-current items:		
Financial bonds	\$ 7,344,876	\$ 5,690,657
Corporate bonds	2,898,464	3,150,270
Beneficiary securities	806,646	1,518,787
Government bonds	47,894	48,767
Beneficiary certificates	-	331,756
Commercial papers under repurchase agreement	198,762	205,834
	<u>\$ 11,296,642</u>	<u>\$ 10,946,071</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.

4) Financial assets carried at cost

	31st December	
	2009	2008
Unlisted stocks	\$ 938,528	\$ 938,528
Accumulated impairment	( 116,876)	( 116,876)
	<u>\$ 821,652</u>	<u>\$ 821,652</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.

5) Accounts receivable - net

	31st December	
	2009	2008
Accounts receivable	\$ 425,909	\$ 227,594
Less: Allowance for doubtful accounts	( 4,259)	( 2,804)
	<u>\$ 421,650</u>	<u>\$ 224,790</u>

6) 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 bond or bank draft shall be returned to the issuers. As the Company has no claim on the fund and its responsibility is restricted to safekeeping, the performance bond or bank draft 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 draft totaling \$5,000 and \$6,581,000, respectively.

7) 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, following 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. 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	\$ 4,706,855	\$ 4,571,265
Contributions		
Based on the amounts of trading fees	131,429	132,671
3% of securities lending and borrowing service fees	<u>1,625</u>	<u>2,919</u>
	4,839,909	4,706,855
Settlement fund (SF)	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 7,839,909</u>	<u>\$ 7,706,855</u>

B) Default damages reserve

	<u>For the years ended 31st December</u>	
	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 7,831,009	\$ 7,696,975
Contributions		
Based on the amounts of trading fees	33,139	131,429
3% of securities lending and borrowing service fees	<u>1,068</u>	<u>2,605</u>
Balance, end of year	<u>\$ 7,865,216</u>	<u>\$ 7,831,009</u>

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

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

A. List of long-term equity investments

Investee companies	Ownership percentage as of 31st December	31st December	
		2009	2008
Taiwan Depository & Clearing Corporation (TDCC)	50.43%	\$ 5,924,600	\$ 5,458,525
Taiwan-Ca. Inc. (TWCA)	30.25%	57,336	51,829
Taiwan Ratings Co. (TRC)	19.99%	52,563	50,913
		<u>\$ 6,034,499</u>	<u>\$ 5,561,267</u>

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

<u>Investee companies</u>	<u>For the years ended 31st December</u>	
	<u>2009</u>	<u>2008</u>
TDCC	\$ 691,614	\$ 517,305
TWCA	7,808	7,899
TRC	8,720	7,220
	<u>\$ 708,142</u>	<u>\$ 532,424</u>

- C. The investment income or loss in 2009 and 2008 were based on the investee companies' financial statements which were audited by other independent accountants.

10) Property, plant and equipment

<u>Item</u>	<u>31st December 2009</u>			
	<u>Original Cost</u>	<u>Revaluation</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 129,496	\$ 37,084	\$ -	\$ 166,580
Buildings	180,233	-	( 74,758)	105,475
Computer equipment	1,259,017	-	( 1,073,112)	185,905
Other equipment	437,086	-	( 247,930)	189,156
Prepayments for equipments	137,293	-	-	137,293
	<u>\$ 2,143,125</u>	<u>\$ 37,084</u>	<u>(\$ 1,395,800)</u>	<u>\$ 784,409</u>

<u>Item</u>	<u>31st December 2008</u>			
	<u>Original Cost</u>	<u>Revaluation</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 116,496	\$ 37,084	\$ -	\$ 153,580
Buildings	172,233	-	( 68,885)	103,348
Computer equipment	1,225,648	-	( 891,850)	333,798
Other equipment	414,450	-	( 216,522)	197,928
Prepayments for equipments	43,658	-	-	43,658
	<u>\$ 1,972,485</u>	<u>\$ 37,084</u>	<u>(\$ 1,177,257)</u>	<u>\$ 832,312</u>

11) 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.

12) Income tax

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

	<u>For the years ended 31st December</u>	
	<u>2009</u>	<u>2008</u>
Income tax expense	\$ 407,586	\$ 257,843
Effect of deferred income tax-net	( 417)	255
Over provision of prior year's income tax	606	434
Prepaid income tax	( 142,652)	( 312,979)
Income tax on separately taxed interest income	( 10,760)	( 30,215)
Income tax payable (refundable)	<u>\$ 254,363</u>	<u>(\$ 84,662)</u>

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

	<u>31st December</u>	
	<u>2009</u>	<u>2008</u>
Total deferred income tax assets	<u>\$ 70,854</u>	<u>\$ 80,586</u>
Valuation allowance	<u>\$ 69,187</u>	<u>\$ 78,502</u>

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

<u>Item</u>	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Current:				
Employees' welfare	\$ 2,142	<u>\$ 428</u>	\$ 2,090	<u>\$ 523</u>
Noncurrent:				
Employees' welfare	3,280	656	3,200	800
Contributions to retirement fund	345,937	69,187	314,007	78,502
Others	2,916	<u>583</u>	3,045	<u>761</u>
		70,426		80,063
Less: valuation allowance		( 69,187)		( 78,502)
		<u>1,239</u>		<u>1,561</u>
Total		<u>\$ 1,667</u>		<u>\$ 2,084</u>

C. The 10% additional income tax expense on the undistributed earnings for the years ended 31st December 2009 and 2008 is \$705 and \$0, respectively.

D. The Company's income tax returns through 2005 have been assessed and approved by the Tax authority.

E. 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.

13) Retirement and termination plans

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 a 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	( 18,416)	( 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.

#### 14) Securities lending and borrowing collateral payable

The Company has provided securities lending and borrowing services since June 2003. The borrower is required to deposit collaterals based on certain percentages (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 of \$62,022,599 and \$842,417 (Note a), bank draft of \$573,553 and \$233,530 (Note b), and securities of \$13,882,050 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 Taiwan Depository & Clearing Corporation. Upon the rendering of service, the securities are turned over to the Company as collaterals.

#### 15) 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 capital 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.

16) 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.

17) 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.

18) Unappropriated earnings

A. The annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve and special reserve upon the Competent Authority's approval. The remaining balance can be distributed as follows:

a) Between 1% and 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. As approved by the stockholders during their meeting, cash dividends declared per share for 2009 and 2008 was \$1.25 dollars for both years, and the stock dividend per share for 2009 and 2008 was \$0.25 dollars for both years.

C. 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.

- D. 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.

19) 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 is approved by the Board of Directors of the Company and the Competent Authority in No.0950156625 bulletin (14th December 2006), the rate has been reduced by 12% during the time that the Company stopped to make cash contributions to the DDF.

20) 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.

21) 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 (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	\$ 2,403,866	\$ 1,996,280	569,491	\$ 4.22	\$ 3.51

  

For the year ended 31st December 2008					
	Amount		Outstanding shares at the end of the year (in thousands)	Earnings per common share (in dollars)	
	Before income tax	After income tax		Before income tax	After income tax
Net income	\$ 2,258,916	\$ 2,001,073	569,491	\$ 3.97	\$ 3.51

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 \$4.07 dollars and \$3.60 dollars to \$3.97 dollars and \$3.51 dollars, respectively.

22) Personnel expenses and depreciation

The Company's personnel expenses and depreciation are as follows:

	<u>For the year ended 31st December 2009</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ -	\$ 1,028,976	\$1,028,976
Insurance	-	51,131	51,131
Pension	-	166,566	166,566
Others	-	12,303	12,303
Depreciation	-	257,442	257,442
Amortization	-	44,057	44,057

	<u>For the year ended 31st December 2008</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ -	\$ 1,015,564	\$1,015,564
Insurance	-	44,461	44,461
Pension	-	158,029	158,029
Others	-	11,478	11,478
Depreciation	-	300,219	300,219
Amortization	-	48,154	48,154

**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 Depository & Clearing Corporation (TDCC)	A subsidiary of the Company
Taiwan-Ca Inc. (TWCA)	A subsidiary of the company
Taiwan Futures Exchange (TFE)	The Company is a director of TFE
Gre Tai Securities Market (OTC)	Chairman of the Company is a director 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

<u>Names of Related Parties</u>	<u>Relationship with the Company</u>
Fubon Securities Finance Co., Ltd. (FB)	An institutional director of the Company
Yuanta Securities Co., Ltd. (YCPS)	An institutional director of the Company
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

2) Significant transactions and balances with related parties

A. Trading fees

	<u>For the years ended 31st December</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of trading fees</u>	<u>Amount</u>	<u>% of trading fees</u>
YCPS	\$ 401,687	12	\$ 339,403	11
FB	211,462	6	160,726	5
JS	153,936	4	118,790	4
Others	100,518	3	74,114	3
	<u>\$ 867,603</u>	<u>25</u>	<u>\$ 693,033</u>	<u>23</u>

Terms are at arms length.

B. Data processing fees

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

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.

C. License fees (recorded as operating revenue- others)

	<u>For the years ended 31st December</u>			
	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>% of license fees</u>	<u>Amount</u>	<u>% of license fees</u>
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.

D. Securities settlement service fees (part of operating expenses)

	For the years ended 31st December			
	2009		2008	
	Amount	% of securities settlement service fees	Amount	% of securities settlement service fees
TDCC	\$ 775,006	100	\$ 686,584	100

Under the "Engagement Agreement" signed between the Company and TDCC in October 2003, the service fee is charged at 0.000014625 per dollar of the monthly trading amounts. However, the Company and TDCC reached an agreement that TDCC will adjust the securities settlement service fees by the same percentage of any adjustment made by the Company to the trading fees, effective November 2006.

E. Rental and administrative expense (part of operating expenses)

	For the years ended 31st December			
	2009		2008	
	Amount	% of rental and administrative expenses	Amount	% of rental and administrative expenses
TFCC	\$ 138,340	76	\$ 136,574	73

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

	For the years ended 31st December			
	2009		2008	
	Amount	% of advertisement and public welfare expenses	Amount	% of advertisement and public welfare expenses
SFI	\$ 63,281	3	\$ 19,380	1

G. Accounts receivable

	31st December			
	2009		2008	
	Amount	% of accounts receivable	Amount	% of accounts receivable
YCPS	\$ 41,988	10	\$ 21,999	10
OTC	26,400	6	5,982	3
FB	24,446	6	10,841	4
JS	17,572	4	8,760	4
TFE	10,859	3	12,769	6
Others	11,902	3	5,651	2
	<u>\$ 133,167</u>	<u>32</u>	<u>\$ 66,002</u>	<u>29</u>

H. Payable for securities settlement services

	31st December			
	2009		2008	
	Amount	% of payable for securities settlement services	Amount	% of payable for securities settlement services
TDCC	<u>\$ 78,085</u>	<u>100</u>	<u>\$ 36,706</u>	<u>100</u>

I. Expense of investors' protection (part of operating expenses)

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

## **6. COMMITMENTS AND CONTINGENT LIABILITIES**

As of 31st December 2009, the Company leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements are as follows:

<u>Year</u>	<u>Amount</u>
2010	\$ 152,003
2011	144,013
2012	133,106
2013	125,750
2014	125,750
2015~2019 (The present value of \$596,069) (Note)	628,749
2020 (The present value of \$107,107) (Note)	115,271
	<u>\$ 1,424,642</u>

Note: 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%).

## **7. OTHERS**

### 1) The fair values of the financial instruments

	<u>31st December 2009</u>		
	<u>Book value</u>	<u>Fair value</u>	
		<u>Quotation in an active market</u>	<u>Estimated using a valuation technique</u>
<b>Non-derivative financial instruments</b>			
<b>Assets</b>			
Financial assets with book value equal to fair value	\$ 49,444,532	\$ -	\$ 49,444,532
Available-for-sale financial assets	22,924,293	22,924,293	-
Financial assets carried at cost	821,652	-	-
Held-to-maturity financial assets	13,955,549	1,958,532	12,006,737
<b>Liabilities</b>			
Financial liabilities with book value equal to fair value	63,173,125	-	63,173,125

	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	\$ 5,762,248	\$ -	\$ 5,762,248
Available-for-sale financial assets	3,764,475	3,764,475	-
Financial assets carried at cost	821,652	-	-
Held-to-maturity financial assets	13,739,774	468,441	13,307,793
Liabilities			
Financial liabilities with book value equal to fair value	1,696,239	-	1,696,239

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 available-for-sale instruments, the market value is regarded as the fair value.
  - C. 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 Company 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 changes in interest rates amounted to \$14,519,599 and \$5,324,185, respectively, and the financial liabilities with cash flow risk due to the changes in interest rates 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, and total interest expense 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 Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

B. Risk management is carried out by a central financial department (Financial Department) in accordance with the policies approved by the Board of Directors. The Company's Financial Department identifies and evaluates a variety of financial instruments, the procedure of the transaction, and transaction parties. Moreover, the Company regularly proposes recommendation reports and reviews the business performance. The internal auditor is in charge of conducting the audit of the business function.

5) Information of material financial risk

A. Market risk

The Company invests in the available-for-sale financial assets, which are traded in active markets and influenced by fluctuations in the market price. However, no material market risk is expected to arise.

B. Credit risk

The Company's policy requires that all transactions be conducted with the 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. As for transaction objects, the default on financial assets investment objects held by the Company might cause the Company's losses. However, the Company controls such risk by setting transaction ceiling and assessing their credit condition strictly. Thus, the Company expects no significant credit risk would arise.

C. Liquidity risk

a) The Company 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 Company holds financial assets carried at cost which are not traded in active markets, these assets represent a small percentage of the Company's assets and the Company has adequate working capital. Therefore, no significant liquidity risk is expected to arise.

D. Cash flow interest rate risk

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

## 8. ADDITIONAL DISCLOSURES

In accordance with the “Criteria Governing Preparation of Financial Reports by Company – Type Stock Exchanges”, the Company’s related information of significant transactions are as follows:

### A. Related information of significant transactions

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

#### (1) Available-for-sale financial assets-current

<u>Name of the securities</u>	<u>Due Date</u>	<u>Units/Shares (in thousand)</u>	<u>Rate</u>	<u>Book value</u>	<u>Market value or net worth per share (in dollars)</u>	<u>Total amount</u>	<u>Amount of Securities pledged</u>
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			

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

<u>Name of the Securities</u>	<u>Due Date</u>	<u>Face value</u>	<u>Rate</u>	<u>Book value</u>	<u>Amount of Securities Pledged</u>
<b>Financial bonds</b>					
E.Sun Bank 2004 1st-6th Financial Bond	2010.06.17	\$ 200,000	2.300%	\$ 200,450	None
E.Sun Bank 2004 1st-6th Financial Bond	2010.06.17	250,000	2.800%	250,000	"
Bank of Communications 20th-1st 5-year Financial Bond	2010.07.05	61,400	2.770%	61,086	"
Chinatrust 92-2 Financial Bond	2010.10.13	400,000	1.960% Note 1	401,973	"
				<u>913,509</u>	
<b>Corporate bonds</b>					
Chinatrust Financial Holding Company Ltd Bond	2010.04.07	100,000	2.250% Note 2	99,237	"
Taipower 2000 2rd Corporate Bond	2010.04.20	200,000	2.500%	201,935	"
Taipower 2000 2rd Corporate Bond	2010.04.20	350,000	2.520%	353,367	"
Taipower 2000 3rd Corporate Bond	2010.06.08	17,000	2.260%	17,362	"
Taipower 2000 3rd Unsecured Corporate Bond	2010.06.08	68,000	3.580%	69,630	"
Formosa Petrochemical Co. 2005-1 (B712ET)	2010.07.28	150,000	2.250%	149,424	"
Chinatrust Financial Holding Co. Corporate Bond BA8381	2010.10.21	250,000	2.120%	245,977	"
PO of Chinatrust Financial Holding Co. Subordinated Bond 39P1	2010.10.22	200,000	2.800%	195,709	"
				<u>1,332,641</u>	
Note 1 : Based on Taiwan Bank two-years time deposit plus 0.8%.					
Note 2 : 1st year rate is 3%, 2nd-7th year rate equals to 4.0003% minus 6-month LIBOR.					
<b>Beneficiary securities</b>					
Shin Kong Life Chung Shan Building CMBS	2010.01.10	75,968	2.700%	75,968	"
E Sun Bank CBO-A	2010.10.19	50,003	1.820%	50,006	"
E Sun Bank CBO-A	2010.10.19	1,429	1.980%	1,421	"
Industrial Bank of Taiwan 1st CBO	2010.12.01	95,566	2.176%	95,566	"
HonTai Century Building CMBS	2010.12.25	224,419	2.800%	224,419	"
				<u>447,380</u>	
				2,693,530	
Accumulated Impairment				( 34,623)	
Total held-to-maturity financial assets-current				<u>\$ 2,658,907</u>	

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

Name of the securities	Due date	Face value	Rate	Book value	Amount of
<b>Financial bonds</b>					
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% Note 1	100,000	"
Taishin Bank 2005 4th Subordinate Classes Financial Bond	2017.06.06	140,000	2.70% Note 2	140,000	"
Taishin Bank 2005 4th Subordinate Classes Financial Bond	2017.06.06	100,000	1.76% Note 3	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% Note 4	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% Note 5	200,000	"
Hua Nan Bank 2007 3rd Subordinate Classes Financial Bond	2014.09.20	200,000	0.85% Note 6	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% Note 7	300,000	"
Bank SinoPac 97-3 Subordinate Classes Financial Bond	2014.09.09	100,000	1.44% Note 8	100,000	"
Standard Chartered 2009-1 Subordinate Classes Financial Bond	2019.10.28	100,000	2.90% Note 9	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 Agribank 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	"
				<u>7,344,876</u>	

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 90-day commercial paper interest rate plus 0.95%.

Note 9 : 1st to 5th year rate is 2.90%; 6th-10th year rate is 3.40%.

<u>Name of the securities</u>	<u>Due date</u>	<u>Face value</u>	<u>Rate</u>	<u>Book value</u>	<u>Amount of Securities pledged</u>
<b>Corporate bonds</b>					
E.SUN Financial Holding Co., Ltd. 2005 1st Subordinate Classes Corporate Bond	2012.12.15	\$ 300,000	1.40% Note 1	\$ 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 2	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	"
				<u>2,898,464</u>	
Note 1 : Based on the one-year time deposit floating rate of Directorate General of Postal Remittances and Savings Bank plus 0.4%.					
Note 2 : Based on 90-day commercial paper interest rate plus 0.6%.					
<b>Beneficiary securities</b>					
94 E. Sun Bond 1C (CBO)	2011.01.19	50,000	2.35%	49,790	None
Shin Kong Life Tun Nan Building CMBS	2012.06.22	141,154	2.40%	141,154	"
Polaris Securities CBO 95-1	2013.02.18	100,000	2.30%	100,007	"
Cathay Dun Nan Commercial Building REAT	2012.06.25	176,544	2.46%	176,544	"
Chailease 2007 Securitization Trust Certificate	2011.11.24	250,000	3.01%	250,000	"
Shin Kong Life Insurance REAT No.3	2012.02.08	89,151	2.21%	89,151	"
				<u>806,646</u>	
<b>Government bonds</b>					
2001 Jia 1 Bond	2011.01.09	47,000	3.00%	47,894	None
<b>Commercial papers under repurchase agreement</b>					
Taishin Bank ABCP	2013.02.13	-	2.25%	198,762	"
Total held-to-maturity financial assets-noncurrent				<u>\$ 11,296,642</u>	

(4) Financial assets carried at cost-noncurrent

<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>
Taiwan International Futures Exchange Corporation	Stock	12,523	\$ 100,000	None
Taipei Financial Center Corporation	"	83,853	838,528	"
			938,528	
Accumulated Impairment			( 116,876)	
Total financial assets carried at cost-noncurrent			\$ 821,652	

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

<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>
Taiwan Depository & Clearing Co.	Stock	The Company's subsidiary	150,359	\$ 5,924,600	50.43%	\$ 5,924,600	None
Taiwan-Ca. Inc.	"	"	4,373	57,336	30.25%	54,374	"
Taiwan Ratings Co.	"	The investee company accounted for under the equity method	3,998	52,563	19.99%	52,563	"
				<u>\$ 6,034,499</u>			

(6) Operations guarantee deposits

<u>Name of the securities</u>	<u>Due Date</u>	<u>Face Value</u>	<u>Rate</u>		<u>Book value</u>
Taishin Bank 2005 4th subordinate Classes Financial Bond	2017.06.06	\$ 90,000	2.7%	Note 1	\$ 90,000
Taishin Bank 2005 4th subordinate Classes Financial Bond	2017.06.06	200,000	1.76%	Note 2	200,000
					<u>\$ 290,000</u>

Note 1 : The annual interest rate of first 7 years and from the 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%.

(7) Refundable deposits

<u>Name of the securities</u>	<u>Due Date</u>	<u>Face Value</u>	<u>Rate</u>	<u>Book value</u>
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

Name of the securities	General ledger account	Counter party	Balance as at 1st January 2009		Addition		Disposals			Gain (loss) from disposal	Number of shares (in thousands)	Market Value	Note
			Number of shares (in thousand)	Amount	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Sales price	Book value				
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	

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)	Sales price	Book value	Gain (loss) from disposal	Number of shares (in thousands)	Amount	Note
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	

Note 1: Due to valuation 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			
Taiwan Stock Exchange Corporation	Taiwan Depository & Clearing Co.	11F., No.363, Fusing N.Rd., Taipei City	\$ 550,000	\$ 550,000	Custodian service for marketable securities	150,359	50.43%	\$5,924,600	\$1,371,734	\$ 691,614	The Company's subsidiary
"	Taiwan-Ca Inc.	10F., No. 85, Yanping S. Rd, Taipei City	102,898	102,898	Internet certification	4,373	30.25%	57,336	25,810	7,808	"
"	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