

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

31st DECEMBER 2010 AND 2009

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

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 2010 and 2009, 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 2010 and 2009 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\$6,600,075 thousand and NT\$6,034,499 thousand as of 31st December 2010 and 2009, respectively, and their related investment income amounted to NT\$827,572 thousand and NT\$708,142 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 2010 and 2009, 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.

PricewaterhouseCoopers, Taiwan

1st March 2011
Taipei, Taiwan

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)

	2010		2009			2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
ASSETS					LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Assets					Current Liabilities				
Cash and cash equivalents (Note 4(1))	\$ 42,641,046	51	\$ 48,791,042	48	Payable for securities settlement service (Note 5)	\$ 82,660	-	\$ 78,085	-
Available-for-sale financial assets (Note 4(2))	5,075,990	6	22,924,293	22	Accrued expenses	777,231	1	773,696	1
Held-to-maturity financial assets (Note 4(3))	1,274,060	2	2,658,907	3	Income tax payable (Note 4(12))	206,672	-	298,745	-
Accounts receivable-net (Notes 4(5) and 5)	454,111	1	421,650	-	Securities lending and borrowing collateral payable (Note 4(14))	40,722,402	49	62,022,599	61
Interest receivable	148,105	-	146,572	-	Other current liabilities	516,588	1	616,737	-
Other receivables-net	147,398	-	85,268	-	Performance bond payable (Note 4(6))	-	-	-	-
Other current assets (Note 4(12))	5,946	-	12,743	-	Total Current Liabilities	42,305,553	51	63,789,862	62
Performance bond (Note 4(6))	-	-	-	-	Other Liabilities				
Total Current Assets	49,746,656	60	75,040,475	73	Default damages reserve (Note 4(7))	8,036,253	10	7,865,216	8
Funds and Long-term Investments					Deposits received	45,800	-	49,460	-
Held-to-maturity financial assets-noncurrent (Note 4(3))	16,341,349	20	11,296,642	11	Reserve for land value increment tax	44,599	-	44,599	-
Financial assets carried at cost-noncurrent (Note 4(4))	821,652	1	821,652	1	Total Other Liabilities	8,126,652	10	7,959,275	8
Default damages fund (Note 4(7)(8))	7,995,246	9	7,839,909	7	Securities Settlement Credit (Note 4(8))	-	-	-	-
Long-term equity investments accounted for under the equity method (Note 4(9))	6,600,075	8	6,034,499	6	Total Liabilities	50,432,205	61	71,749,137	70
Total Funds and Long-term Investments	31,758,322	38	25,992,702	25	Stockholders' Equity				
Property, Plant and Equipment (Note 4(10))					Capital stock (Note 4(15))				
Original Cost					Common stock	5,837,281	7	5,694,908	6
Land	129,496	-	129,496	-	Capital reserve (Note 4(16))	37,682	-	37,682	-
Buildings	180,233	-	180,233	-	Retained earnings				
Computer equipment	1,459,305	2	1,259,017	1	Legal reserve (Note 4(17))	3,933,324	5	3,733,696	4
Other equipment	498,258	1	437,086	1	Special reserve (Note 4(17))	19,849,613	24	18,911,362	18
Revaluation - land	37,084	-	37,084	-	Unappropriated earnings (Note 4(18))	2,660,919	3	2,016,210	2
	2,304,376	3	2,042,916	2	Other adjustments to Stockholders' Equity				
Less: Accumulated depreciation	(1,601,393)	(2)	(1,395,800)	(1)	Unrealized gain or loss on financial instruments (Note 4(2))	49,966	-	127,346	-
Prepayments on equipment	101,612	-	137,293	-	Total Stockholders' Equity	32,368,785	39	30,512,204	30
Total Property, Plant and Equipment	804,595	1	784,409	1	Commitments and Contingent Liabilities (Note 6)				
Other Assets					Significant subsequent events (Note 6)				
Rental assets	85,657	-	86,111	-					
Operations guarantee deposits (Note 4(11))	300,000	1	290,000	1					
Refundable deposits and miscellaneous assets (Note 4(12))	105,760	-	76,644	-					
Total Other Assets	491,417	1	452,755	1					
Securities Settlement Debit (Note 4(8))	-	-	-	-					
TOTAL ASSETS	\$ 82,800,990	100	\$ 102,270,341	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 82,800,990	100	\$ 102,270,341	100

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated 1st March 2011.

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)

	2010		2009	
	Amount	%	Amount	%
Operating revenues				
Trading fees (Notes 4(19) and 5)	\$ 3,309,108	65	\$ 3,444,763	71
Market data fees	412,894	8	368,322	7
Listing fees	745,346	15	519,189	11
Computer and other equipment fees	82,658	2	82,005	2
Data processing fees (Note 5)	195,208	4	182,354	4
Others (Note 5)	<u>321,257</u>	<u>6</u>	<u>241,555</u>	<u>5</u>
Total Operating Revenues	<u>5,066,471</u>	<u>100</u>	<u>4,838,188</u>	<u>100</u>
Operating expenses				
Personnel (Notes 4(13)(22))	(1,209,085)	(24)	(1,207,845)	(25)
General and administrative (Notes 4(20)(22) and 5)	(2,386,584)	(47)	(2,404,609)	(49)
Total Operating Expenses	<u>(3,595,669)</u>	<u>(71)</u>	<u>(3,612,454)</u>	<u>(74)</u>
Operating income	<u>1,470,802</u>	<u>29</u>	<u>1,225,734</u>	<u>26</u>
Non-operating income				
Interest	668,554	13	560,671	12
Equity in net income of investee companies (Note 4(9))	827,572	16	708,142	15
Gain on disposal of investments	150,932	3	25,466	-
Other income	<u>24,191</u>	<u>1</u>	<u>27,499</u>	<u>-</u>
Total Non-operating Income	<u>1,671,249</u>	<u>33</u>	<u>1,321,778</u>	<u>27</u>
Non-operating expenses				
Interest	(69,114)	(1)	(23,614)	-
Impairment loss (Note 4(3))	-	-	(34,623)	(1)
Other expenses	<u>(84,621)</u>	<u>(2)</u>	<u>(85,409)</u>	<u>(2)</u>
Total Non-operating Expenses	<u>(153,735)</u>	<u>(3)</u>	<u>(143,646)</u>	<u>(3)</u>
Income before income tax	2,988,316	59	2,403,866	50
Income tax expense (Note 4(12))	<u>(351,491)</u>	<u>(7)</u>	<u>(407,586)</u>	<u>(9)</u>
Net income	<u>\$ 2,636,825</u>	<u>52</u>	<u>\$ 1,996,280</u>	<u>41</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>\$ 5.12</u>	<u>\$ 4.52</u>	<u>\$ 4.12</u>	<u>\$ 3.42</u>

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

See report of independent accountants dated 1st March 2011.

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)

	Retained Earnings				Unrealized Gain or		Total
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Loss on Financial Instruments	
<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>
<u>2010</u>							
Balance at 1st January 2010	\$ 5,694,908	\$ 37,682	\$ 3,733,696	\$ 18,911,362	\$ 2,016,210	\$ 127,346	\$ 30,521,204
Appropriations of 2009 earnings:							
Legal reserve	-	-	199,628	-	(199,628)	-	-
Special reserve	-	-	-	938,251	(938,251)	-	-
Cash dividends	-	-	-	-	(711,864)	-	(711,864)
Stock dividends	142,373	-	-	-	(142,373)	-	-
Net income for 2010	-	-	-	-	2,636,825	-	2,636,825
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	(77,380)	(77,380)
Balance at 31st December 2010	<u>\$ 5,837,281</u>	<u>\$ 37,682</u>	<u>\$ 3,933,324</u>	<u>\$ 19,849,613</u>	<u>\$ 2,660,919</u>	<u>\$ 49,966</u>	<u>\$ 32,368,785</u>

Note: Employees' bonuses of \$96,616 and \$93,866 were deducted from the statement of income of 2009 and 2008, respectively..

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated 1st March 2011

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

	<u>2010</u>	<u>2009</u>
<u>Cash flows from operating activities</u>		
Net income	\$ 2,636,825	\$ 1,996,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on disposal of investments	(150,932)	(25,466)
Impairment loss	-	34,623
Bad debts	1,000	1,785
Equity in net income of investee companies-net of cash dividends received	(591,563)	(473,232)
Depreciation	231,161	257,442
Loss on obsolescence and disposal of property, plant and equipment	392	2,395
Amortization	56,792	44,057
Provision for default damages	171,037	34,207
Changes in assets and liabilities:		
Increase in accounts receivable	(33,461)	(198,645)
(Increase) decrease in interest receivable	(1,533)	95
Increase in other accounts receivable	(36,143)	(606)
Decrease (increase) in other current assets	6,742	(7,850)
Decrease in deferred income tax assets	300	417
Increase in payable for securities settlement services	4,575	41,379
Increase in accrued expenses	3,535	41,492
(Decrease) increase in income tax payable	(92,073)	213,833
(Decrease) increase in securities lending and borrowing collateral payable	(21,300,197)	61,180,182
(Decrease) increase in other current liabilities	(92,949)	247,711
Net cash (used in) provided by operating activities	<u>(19,186,492)</u>	<u>63,390,099</u>
<u>Cash flows from investing activities</u>		
Decrease (increase) in available-for-sale financial assets-net	17,964,360	(18,621,481)
Increase in held-to-maturity financial assets - net	(3,702,365)	(250,398)
Increase in default damages fund	(155,337)	(133,054)
Acquisition of property, plant and equipment	(313,206)	(205,946)
Increase in operations guarantee deposits	(10,000)	(10,000)
(Increase) decrease in refundable deposits-net	(1,757)	20,055
Increase in intangible assets- computer software	(29,675)	(22,052)
Net cash provided by (used in) investing activities	<u>13,752,020</u>	<u>(19,222,876)</u>
<u>Cash flows from financing activities</u>		
(Decrease) increase in deposits received-net	(3,660)	12,191
Cash dividends paid	(711,864)	(694,501)
Net cash used in financing activities	<u>(715,524)</u>	<u>(682,310)</u>
Net increase (decrease) in cash and cash equivalents	(6,149,996)	43,484,913
Cash and cash equivalents at beginning of year	48,791,042	5,306,129
Cash and cash equivalents at end of year	<u>\$ 42,641,046</u>	<u>\$ 48,791,042</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for:		
Interest	<u>\$ 65,084</u>	<u>\$ 14,664</u>
Income tax	<u>\$ 439,447</u>	<u>\$ 192,539</u>

The accompanying notes are an integral part of these financial statements.
See report of independent accountants dated 1st March 2011.

TAIWAN STOCK EXCHANGE CORPORATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
31st DECEMBER 2010 AND 2009
(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 2010, the Company had 591 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 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. Interest revenue on short-term notes and bills whose issue date is on or before December 31, 2009 is taxed separately, and the taxation is included in current year's income tax expense; interest revenue on short-term notes and bills whose issue date is on or after January 1, 2010 and on beneficiary certificates for 2010 is subject to profit-seeking enterprise income tax.
- 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 and directors' and supervisors' remuneration

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

None.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	<u>31st December</u>	
	<u>2010</u>	<u>2009</u>
Cash		
Checking and savings deposits	\$ 17,536,630	\$ 5,281,575
Time deposits	20,935,720	10,403,506
Negotiable certificates of deposits	800,000	-
Cash equivalents		
Commercial papers	3,058,696	33,105,961
Government bonds under repurchase agreement	310,000	-
	<u>\$ 42,641,046</u>	<u>\$ 48,791,042</u>
Annual interest rates of time deposits	<u>0.19%~1.135%</u>	<u>0.11%~1.135%</u>
Annual interest rates of negotiable certificates of deposits	<u>0.85%~1.00%</u>	<u>-</u>
Annual interest rates of commercial papers	<u>0.43%~0.45%</u>	<u>0.19%~0.25%</u>
Annual interest rates of government bonds under repurchase agreement	<u>0.43%</u>	<u>-</u>

Time deposits as of 31st December 2010 and 2009 are all due within one year.

2) Available-for-sale financial assets

	<u>31st December</u>	
	<u>2010</u>	<u>2009</u>
Current items:		
Beneficiary certificates	\$ 5,026,024	\$ 22,796,947
Valuation adjustment	49,966	127,346
	<u>\$ 5,075,990</u>	<u>\$ 22,924,293</u>

3) Held-to-maturity financial assets

	31st December	
	2010	2009
Current items:		
Financial bonds	\$ 782,144	\$ 913,509
Corporate bonds	325,384	1,332,641
Beneficiary securities	119,510	447,380
Government bonds	47,022	-
	<u>1,274,060</u>	<u>2,693,530</u>
Accumulated impairment	-	(34,623)
	<u>\$ 1,274,060</u>	<u>\$ 2,658,907</u>
Non-current items:		
Financial bonds	\$ 9,458,259	\$ 7,344,876
Corporate bonds	6,213,531	2,898,464
Beneficiary securities	470,675	806,646
Government bonds	-	47,894
Commercial papers under repurchase agreement	198,884	198,762
	<u>\$ 16,341,349</u>	<u>\$ 11,296,642</u>

Due to the default on part of the asset pools, after assessment the Company recognized impairment loss of \$34,623 and \$37,808 on one beneficiary security for the year ended December 31, 2009 and for the six months ended June 30, 2010. As of December 31, 2010, this beneficiary security had been disposed.

4) Financial assets carried at cost

	31st December	
	2010	2009
Unlisted stocks	\$ 938,528	\$ 938,528
Accumulated impairment	(116,876)	(116,876)
	<u>\$ 821,652</u>	<u>\$ 821,652</u>

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.

5) Accounts receivable - net

	31st December	
	2010	2009
Accounts receivable	\$ 457,039	\$ 425,909
Less: Allowance for doubtful accounts	(2,928)	(4,259)
	<u>\$ 454,111</u>	<u>\$ 421,650</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 Competent Authority No. 0970068974 bulletin. As of 31st December 2010 and 2009, the Company has received performance bonds totaling \$0 and \$5,000, respectively, and bank draft totaling \$0 and \$5,000, 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 Competent Authority No. 0950002968 bulletin (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. However, in accordance with the Competent Authority No. 0980026755 bulletin (2001), the Company has stopped budgeting for public welfare activities and contributed 5% of trading fees to the default damages fund within 15 days after the end of every quarter since January 1, 2010.

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 2010 and 2009, 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>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 4,839,909	\$ 4,706,855
Contributions		
Based on the amounts of trading fees	152,798	131,429
3% of securities lending and borrowing service fees	<u>2,539</u>	<u>1,625</u>
	4,995,246	4,839,909
Settlement fund (SF)	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 7,995,246</u>	<u>\$ 7,839,909</u>

B) Default damages reserve

	<u>For the years ended 31st December</u>	
	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 7,865,216	\$ 7,831,009
Contributions		
Based on the amounts of trading fees	168,449	33,139
3% of securities lending and borrowing service fees	<u>2,588</u>	<u>1,068</u>
Balance, end of year	<u>\$ 8,036,253</u>	<u>\$ 7,865,216</u>

E. As of 31st December 2010, 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 2010 and 2009, the balances of the SSF were \$5,130,031 and \$4,986,546, 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 2010, the Company had entered into a loan agreement with financial institutions in the amount of \$11,800,000 and US\$10,000,000 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 2010, 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 2010	31st December	
		2010	2009
Taiwan Depository & Clearing Corporation (TDCC)	50.43%	\$ 6,508,447	\$ 5,924,600
Taiwan-Ca. Inc. (TWCA)	30.25%	64,198	57,336
Taiwan Ratings Co. (TRC)	19.99%	27,430	52,563
		<u>\$ 6,600,075</u>	<u>\$ 6,034,499</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>2010</u>	<u>2009</u>
TDCC	\$ 809,385	\$ 691,614
TWCA	9,486	7,808
TRC	8,701	8,720
	<u>\$ 827,572</u>	<u>\$ 708,142</u>

C. The investment income or loss in 2010 and 2009 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 2010</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	-	(77,976)	102,257
Computer equipment	1,459,305	-	(1,218,934)	240,371
Other equipment	498,258	-	(304,483)	193,775
Prepayments for equipments	101,612	-	-	101,612
	<u>\$ 2,368,904</u>	<u>\$ 37,084</u>	<u>(\$ 1,601,393)</u>	<u>\$ 804,595</u>

<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>

11) Operations guarantee deposits

Guarantee deposits consist of financial bonds with face value of \$300,000 and \$290,000 as of 31st December 2010 and 2009, respectively, that are deposited with the Central Bank of China.

12) Income tax

Income tax expense and income tax payable are reconciled as follows:

	<u>For the years ended 31st December</u>	
	<u>2010</u>	<u>2009</u>
Income tax expense	\$ 351,491	\$ 407,586
Effect of deferred income tax-net	(300)	(417)
(Under) over provision of prior year's income tax	(7,378)	606
Prepaid income tax	(182,909)	(142,652)
Income tax on separately taxed interest income	(7)	(10,760)
Income tax payable	<u>\$ 160,897</u>	<u>\$ 254,363</u>

A. As of 31st December 2010 and 2009, the deferred income tax assets were as follows:

	<u>31st December</u>	
	<u>2010</u>	<u>2009</u>
Deferred income tax assets	<u>\$ 65,763</u>	<u>\$ 70,854</u>
Valuation allowance	<u>\$ 64,396</u>	<u>\$ 69,187</u>

B. As of 31st December 2010 and 2009, details of deferred income tax assets were as follows:

<u>Item</u>	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Current:				
Employees' welfare	\$ 2,196	\$ 373	\$ 2,142	\$ 428
Noncurrent:				
Employees' welfare	3,362	571	3,280	656
Contributions to retirement fund	378,799	64,396	345,937	69,187
Others	2,484	423	2,916	583
		65,390		70,426
Less: valuation allowance		(64,396)		(69,187)
		994		1,239
Total		<u>\$ 1,367</u>		<u>\$ 1,667</u>

C. The 10% additional income tax expense on the undistributed earnings for the years ended 31st December 2009 and 2008 is \$416 and \$705, respectively.

D. As of 31st December 2010, the income tax returns of the Company through year 2008, except years 2006 and 2007, have been assessed and approved by the Tax Authorities.

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 2006, 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 2010.

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>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,260,885	\$ 2,082,828
Contributions	140,041	149,865
Interest income	38,351	46,608
Payments of benefits	(118,189)	(18,416)
Balance, end of year	<u>\$ 2,321,088</u>	<u>\$ 2,260,885</u>

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 2010 and 2009, the Company has received collaterals consisting of cash of \$40,722,402 and \$62,022,599 (Note a), bank draft of \$384,677 and \$573,553 (Note b), and securities of \$32,772,447 and \$13,882,050, 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 2010 and 2009. 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. However, effective from April 1, 2010, the securities are turned over to the Company as collateral before the rendering of service, as long as the Company has ensured that the borrowers' designated securities are correct.

15) Capital stock

- A. 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.
- B. In accordance with the resolution adopted at the stockholders' meeting on 18th June 2010, the Company issued common stock by capitalizing the unappropriated retained earnings and legal reserve totaling 14,237 thousand shares. The registration of this capital increase was approved by the Competent Authority.
- C. As of 31st December 2010, the Company's authorized capital issued and outstanding common stock consisted of 583,728 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 2010 and 2009 was \$1.25 dollars for both years, and the stock dividend per share for 2010 and 2009 was \$0.25 dollars for both years.
- C. The amount of employees' bonus for 2010 was estimated at \$113,776 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 2010 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 2011. Employees' bonus and directors' and supervisors' remuneration of 2009 as resolved by the stockholders were different from those amounts recognized in the 2009 financial statements. The difference of \$19,113 had been adjusted in the statement of income of 2010.

- D. The actual creditable tax ratio of distributed earnings in 2009 was 27.05%. As of 31st December 2010, the imputation tax credit account balance was \$195,888, and the estimated creditable tax ratio was 13.41%. As of 31st December 2010, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were \$156 and \$2,660,763, 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 2010					
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	\$ 2,988,316	\$ 2,636,825	583,728	\$ 5.12	\$ 4.52

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	583,728	\$ 4.12	\$ 3.42

The number of shares outstanding for the year ended 31st December 2009 was retroactively adjusted in accordance with the ratio of capital increase. The basic earnings per share before and after income tax in 2009 were reduced from \$4.22 dollars and \$3.51 dollars to \$4.12 dollars and \$3.42 dollars, respectively.

22) Personnel expenses, depreciation and amortization

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

	<u>For the year ended 31st December 2010</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Personnel expenses			
Salaries	\$ -	\$ 1,029,308	\$1,029,308
Insurance	-	54,528	54,528
Pension	-	167,197	167,197
Others	-	12,580	12,580
Depreciation	-	231,161	231,161
Amortization	-	56,792	56,792

	<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

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)	Vice President of the Company is a director of SFIPC
Securities and Futures Institute (SFI)	President of the Company is a director of SFI
Accounting Research and Development Foundation (ARDF)	Chairman of the Company is a director of ARDF

<u>Names of related parties</u>	<u>Relationship with the Company</u>
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
Bank of Taiwan Co., Ltd.	An institutional director of the Company
First Commercial Bank Co., Ltd.	An institutional supervisor of the Company (Note)
Jih Sun Financial Holding Co., Ltd. (JS)	An institutional supervisor of the Company (Note)

Note : Resigned on 30th June 2010

2) Significant transactions and balances with related parties

A. Trading fees

	<u>For the years ended 31st December</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of trading fees</u>	<u>Amount</u>	<u>% of trading fees</u>
YCPS	\$ 361,981	11	\$ 401,687	12
FB	204,496	6	211,462	6
JS	63,415	2	153,936	4
Others	74,256	2	100,518	3
	<u>\$ 704,148</u>	<u>21</u>	<u>\$ 867,603</u>	<u>25</u>

Terms are at arms length.

B. Data processing fees

	<u>For the years ended 31st December</u>			
	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>% of data processing fees</u>	<u>Amount</u>	<u>% of data processing fees</u>
OTC	<u>\$ 190,393</u>	<u>98</u>	<u>\$ 176,854</u>	<u>97</u>

According to the agreement signed by the Company and 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)

	For the years ended 31st December			
	2010		2009	
	Amount	% of license fees	Amount	% of license fees
TFE	\$ 162,804	90	\$ 144,271	86

According to the agreement signed by the Company and 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			
	2010		2009	
	Amount	% of securities settlement service fees	Amount	% of securities settlement service fees
TDCC	\$ 743,189	100	\$ 775,006	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			
	2010		2009	
	Amount	% of rental and administrative expenses	Amount	% of rental and administrative expenses
TFCC	\$ 155,836	77	\$ 138,340	76

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

	For the years ended 31st December			
	2010		2009	
	Amount	% of advertisement and public welfare expenses	Amount	% of advertisement and public welfare expenses
SFI	\$ 15,296	1	\$ 63,281	3

G Expense of investors' protection (part of operating expenses)

	For the years ended 31st December			
	2010		2009	
	Amount	% of expense of investors' protection	Amount	% of expense of investors' protection
SFIPC	\$ 165,455	100	\$ 172,238	100

H. Accounts receivable

	31st December			
	2010		2009	
	Amount	% of accounts receivable	Amount	% of accounts receivable
YCPS	\$ 43,409	10	\$ 41,988	10
FB	24,894	5	24,446	6
OTC	17,741	4	26,400	6
TFE	13,325	3	10,859	3
JS	-	-	17,572	4
Others	5,523	1	11,902	3
	\$ 104,892	23	\$ 133,167	32

I. Payable for securities settlement services

	31st December			
	2010		2009	
	Amount	% of payable for securities settlement services	Amount	% of payable for securities settlement services
TDCC	\$ 82,660	100	\$ 78,085	100

J. In order to promote the financial statements filing system, the Company paid totally \$23,000 to ARDF in 2010 as the operating funds of its XBRL committee.

6. COMMITMENTS AND CONTINGENT LIABILITIES

1) As of 31st December 2010, the Company leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements were as follows:

Year	Amount
2011	\$ 179,262
2012	168,349
2013	157,097
2014	155,806
2015	155,806
2016~2020 (The present value of \$712,773) (Note)	766,049
	\$ 1,582,369

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 (0.91%).

2) For purpose of building a new computer center, the Company signed a contract with Chunghwa Telecom Co., Ltd. in December, 2010 to purchase its land in the amount of \$647,717. Under the contract, the Company had paid \$64,772 and \$259,087 in December, 2010 and February, 2011, respectively.

7. OTHERS

1) The fair values of the financial instruments

	31st December 2010		
	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	\$ 43,390,660	\$ -	\$ 43,390,660
Available-for-sale financial assets	5,075,990	5,075,990	-
Financial assets carried at cost	821,652	-	-
Held-to-maturity financial assets	17,615,409	9,794,740	8,003,805
Liabilities			
Financial liabilities with book value equal to fair value	41,582,293	-	41,582,293

	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	\$ 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
Liabilities			
Financial liabilities with book value equal to fair value	62,874,380	-	63,874,380

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 2010 and 2009, the financial assets with cash flow risk due to the changes in interest rates amounted to \$36,184,289 and \$14,519,599, respectively, and the financial liabilities with cash flow risk due to the changes in interest rates amounted to \$40,722,402 and \$62,022,599, respectively.
 - 3) For the years ended 31st December 2010 and 2009, total interest income for financial assets and financial liabilities that are not at fair value through profit or loss amounted to \$668,554 and \$560,671, respectively. Total interest expense for financial assets and financial liabilities that are not at fair value through profit or loss amounted to \$69,114 and \$23,614, respectively. For available-for-sale financial assets, the amount of unrealized gain recognized directly in equity as of 31st, December 2010 and 2009 were \$49,966, and \$127,346, respectively.

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

(1) Exchange rate risk

The Company has operations involving several non-functional currencies that are influenced by exchange rate fluctuations. The Company's foreign-denominated assets and liabilities having significant exchange rate fluctuations are as follow:

	<u>31st December 2010</u>			<u>31st December 2009</u>		
	<u>Foreign</u>		<u>NT</u>	<u>Foreign</u>		<u>NT</u>
	<u>currency</u>	<u>rate</u>	<u>amount</u>	<u>currency</u>	<u>rate</u>	<u>amount</u>
<u>Financial assets</u>						
<u>Currency</u>						
USD	\$467,666	29.13	\$13,623,111	\$858	31.99	\$27,447
<u>Financial liabilities</u>						
<u>Currency</u>						
USD	\$465,867	29.13	\$13,570,706	-	-	-

(2) Price 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 to incur losses. However, the Company controls such risk by setting transaction ceilings 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 2010:

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

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
Beneficiary Certificates							
Grand Cathay Balance Fund	-	3,201	-	\$ 81,919	\$ 25.5900	\$ 81,919	None
Grand Cathay Balance 2 Fund	-	3,158	-	82,245	26.0400	82,245	"
Grand Cathay Securities Bond Fund	-	7,500	-	100,000	13.3783	100,338	"
UPAMC James Bond Fund	-	2,796	-	50,000	17.8800	50,000	"
PCA Balanced	-	2,615	-	51,076	19.5300	51,076	"
IBT 1699 Bond Fund	-	46,555	-	600,000	12.9426	602,536	"
Yuanta Duo Fu Equity Fund	-	1,034	-	45,930	44.4100	45,930	"
Yuanta Mainstream Equity Fund	-	3,999	-	82,013	20.5100	82,013	"
Yuanta Wan Tai Bond Fund	-	34,562	-	500,000	14.5150	501,669	"
Cathay Taiwan Quantitative Fund	-	3,784	-	39,394	10.4100	39,394	"
Capital OTC Fund	-	1,024	-	50,000	48.8500	50,000	"
FK Templeton Glo. Smaller Companies Fund	-	1,929	-	50,000	25.9200	50,000	"
JF (Taiwan) Micro Fund	-	2,220	-	45,407	20.4500	45,407	"
JF (Taiwan) Balanced Fund	-	3,090	-	65,190	21.1000	65,190	"
JP Morgan Taiwan Global Focus Fund	-	17,282	-	145,000	8.3900	145,000	"
Diversified Quantitative Balance Fund	-	25,041	-	300,000	12.0158	300,881	"
Fubon Taiwan Strategy 1 ETF Private Equity Fund	-	39,461	-	400,000	11.1800	441,171	"
Polaris PMAX ETF Private Equity Fund	-	25,000	-	250,000	9.8000	245,000	"
NITC Taiwan Bond Fund	-	9,630	-	140,000	14.6462	141,045	"
Shinkong Chi-Shin Fund	-	6,753	-	100,000	14.8599	100,345	"
JF (Taiwan) Bond Fund	-	38,042	-	600,000	15.8204	601,839	"
PCA Well Pool Fund	-	38,519	-	500,000	13.0255	501,726	"
Mega Diamond Bond Fund	-	33,409	-	397,850	11.9829	400,339	"
Prudential Financial Small&Medium Capital Fund	-	1,397	-	50,000	35.8000	50,000	"
Prudential Financial Bond Fund	-	13,216	-	200,000	15.1801	200,625	"
PineBridge Taiwan Bond Fund	-	7,954	-	100,000	13.2089	100,302	"
				5,026,024		\$ 5,075,990	
Valuation adjustment.				49,966			
				<u>\$ 5,075,990</u>			

(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>
Financial bonds					
95 Fu Hwa Bank 1	2011.08.24	\$ 200,000	2.550%	\$ 200,000	None
Industrial Bank of Taiwan 95 1st subordinate Classs Financial	2011.01.23	150,000	2.500%	150,000	"
Bank of Communications 20th-1st 5-year Financial Bond	2011.03.07	32,200	2.770%	32,144	"
Mega International 97-6 Subordinate Classes Financial Bond	2011.06.26	300,000	0.710% Note 1	300,000	"
Bank SinoPac 94 1st Subordinate Classes Financial Bond	2011.06.13	100,000	0.989% Note 2	100,000	"
				<u>782,144</u>	
Corporate bonds					
Formosa Petrochemical Co. 94-1 (B712ET)	2011.04.28	150,000	2.070%	99,924	"
Taipower 89 2rd Corporate Bond	2011.05.25	25,000	2.260%	25,428	"
Taipower 95 3rd Unsecured Corporate Bond	2011.11.15	200,000	2.060%	200,032	"
				<u>325,384</u>	
Note 1 : Based on 90-day commercial paper interest rate plus 0.2%.					
Note 2 : Based on 180-day commercial paper interest rate plus 0.35%.					
Beneficiary securities					
94 E Sun Bank 1C CBO-A	2011.01.19	50,000	2.350%	49,990	None
Chailease 96 Securitization Trust Certificate	2011.11.24	69,521	3.005%	69,520	"
				<u>119,510</u>	
Government bonds					
90 Jia 1 Bond	2011.01.09	47,000	3.002%	47,022	None
Total held-to-maturity financial assets-current				<u>\$ 1,274,060</u>	

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

Name of the securities	Due date	Face value	Rate	Book value	Amount of Securities pledged
Financial bonds					
Bank of Communications 94 19th- 21st Subordinate Classes Financial Bond	2012.05.23	\$ 200,000	2.07%	\$ 199,870	None
Yuanta Bank 95 year second issue of first cis-position finance debt	2012.12.22	150,000	2.36%	150,384	"
Yuanta Bank 95 year second issue of first cis-position finance debt	2012.12.22	100,000	2.50%	99,999	"
China Development Industrial Bank 96-1 Financial Bond (G11262)	2012.02.05	300,000	2.50%	298,775	"
First Bank stripped Subordinate Classes Financial Bond	2015.06.23	300,000	2.95%	301,785	"
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	"
Chinatrust 97-3 Subordinate Classes Financial Bond	2015.04.25	200,000	3.10%	200,000	"
Yuanta Unsecured Subordinated Bank Debentures 99-1	2017.06.10	300,000	2.30%	300,000	"
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	"
Taishin Bank 94 4th Subordinate Classes Financial Bond	2017.06.06	130,000	2.70%	130,000	"
Taishin Bank 94 4th Subordinate Classes Financial Bond	2017.06.06	100,000	1.76%	100,000	"
Bank SinoPac 97-1 Subordinate Classes Financial Bond	2013.09.17	200,000	3.05%	200,000	"
Bank SinoPac 97-3 Subordinate Classes Financial Bond	2014.09.09	100,000	1.45%	100,000	"
Bank SinoPac 98-1 Subordinate Classes Financial Bond	2016.04.29	200,000	2.80%	200,000	"
E.Sun 2005 1st-3rd Subordinate Classes Financial Bond	2012.10.19	150,000	2.73%	150,000	"
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	"
E.Sun Bank 99-1 Subordinate Classes Financial Bond	2017.05.28	400,000	2.20%	400,000	"
Mega International 97-9 Subordinate Classes Financial Bond	2015.12.23	300,000	3.00%	300,000	"
Taiwan Agribank 98-1 Subordinate Classes Financial Bond(G13102)	2014.11.08	200,000	2.30%	200,000	"
Tcb-Bank 95 1st Subordinate Class A Financial Bond	2013.04.24	237,000	1.29%	237,000	"
Tcb-Bank 96 Class A Financial Bond	2014.09.28	200,000	0.84%	200,000	"
Tcb-Bank 98 2nd Subordinate Financial Bond	2015.03.28	400,000	2.10%	400,000	"
Standard Chartered 98-1 Subordinate Classes Financial Bond	2019.10.28	100,000	2.90%	100,000	"
Hua Nan Bank 96 3rd Subordinate Classes Financial Bond	2014.09.20	200,000	0.84%	200,000	"
China Development Industrial Bank 94-2 Bank Debenture	2013.05.17	200,000	2.03%	199,860	"
China Development Industrial Bank 94-2 Bank Debenture	2013.05.17	500,000	3.09%	488,244	"
Shin Kong 95-1 Subordinate Classes Financial Bond-B	2016.11.13	200,000	2.50%	202,342	"
First Bank stripped 99-2 Subordinate Classes Financial Bond	2017.09.28	200,000	1.50%	200,000	"
Land Bank 99-2 Subordinate Classes Financial Bond	2017.12.15	500,000	1.53%	500,000	"
Bank SinoPac 97-3 Subordinate Classes Financial Bond	2017.12.09	500,000	1.80%	500,000	"
Mega International 99-1Subordinate Classes Financial Bond	2017.12.24	500,000	1.53%	500,000	"
Hua Nan Bank 99-1 Subordinate Classes Financial Bond	2020.11.23	500,000	1.65%	500,000	"
				<u>9,458,259</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 floating rate of the bank plus 0.65%.

Note 3 : Based on 90-day commercial paper interest rate plus 0.95%.

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

Note 7 : Based on 90-day commercial paper interest rate plus 0.35%.

Name of the securities	Due date	Face value	Rate	Book value	Amount of Securities pledged
Corporate bonds					
China Development Financial Holding Co., Ltd.98-1 Unsecured A	2015.03.01	\$ 200,000	1.80%	\$ 200,000	None
Mega International 99 Unsecured 1	2013.02.04	200,000	1.45%	200,000	"
CPC Corporation, Taiwan 97-1 Unsecured C	2018.12.16	100,000	1.40%	108,794	"
CPC Corporation, Taiwan 97-1 Unsecured A	2013.12.12	400,000	1.39%	411,515	"
CPC Corporation, Taiwan 98-1 Secured A	2014.12.02	300,000	31.37%	298,071	"
CPC Corporation, Taiwan 99-1 Secured B	2017.11.01	100,000	1.29%	100,000	"
Formasa Chemical & Fibre Coporation 97-2 Unsecured	2013.12.08	300,000	1.31%	309,663	"
Taiwan Power 95-3 secured B	2013.11.15	400,000	1.40%	408,888	"
Taiwan Power 97-8 secured A	2013.12.30	80,000	1.15%	82,336	"
Taiwan Power 98-2 secured B	2014.08.31	300,000	1.33%	300,938	"
Taiwan Power 98-2 secured A	2012.08.28	600,000	1.17%	598,048	"
Taiwan Power 98-3 secured B	2014.10.21	300,000	1.34%	299,995	"
Taiwan Power 98-3 secured A	2012.10.21	300,000	1.20%	298,145	"
Taiwan Power 99-4 secured B	2017.08.20	300,000	1.40%	304,521	"
E.SUN Financial Holding Co., Ltd. 94 1st Subordinate Classes Corporate Bond	2012.12.15	300,000	1.46%	300,000	"
E.SUN Financial Holding Co., Ltd. 96 1st Unsecured Corporate Bond	2014.12.13	200,000	1.12%	200,000	"
Mega International 97-2 Unsecured Corporate Bond	2015.12.26	300,000	3.26%	300,000	"
Mega International 97-2 Unsecured Corporate Bond	2015.12.26	300,000	1.45%	325,995	"
Cathay Financial Holdings 97 Unsecured Subordinate Classes Corporate Bond	2015.12.24	300,000	3.10%	300,000	"
Cathay Financial Holdings 98-1 Unsecured Subordinate Classes Corporate Bond	2016.10.08	300,000	2.65%	300,000	"
Fubon bank 98-2 Unsecured corporate Bond A	2015.01.28	100,000	1.55%	100,583	"
Huanan Bank Subordinate Classes Corporate Bond(95-1)	2013.06.29	150,000	2.20%	152,292	"
Shin Kong Bank 97-2 Unsecured Subordinate Classes Corporate Bond A	2015.09.29	300,000	2.60%	313,747	"
				<u>6,213,531</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%.					
Beneficiary securities					
Cathay Dun Nan Commercial Building REAT	2012.06.25	166,839	2.46%	166,839	None
Shin Kong Life Insurance REAT No.3	2012.02.08	84,811	2.21%	84,811	"
Shin Kong Life Tun Nan Building CMBS	2012.06.22	128,160	2.40%	128,160	"
Polaris Securities CBO 95-1	2013.02.18	90,681	2.30%	90,865	"
				<u>470,675</u>	
Commercial papers under repurchase agreement					
Taishin Bank ABCP	2013.02.13	-	2.25%	198,884	None
Total held-to-maturity financial assets-noncurrent				<u>\$ 16,341,349</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	13,362	\$ 100,000	None
Taipei Financial Center Corporation	"	83,853	838,528	"
			938,528	
Accumulated Impairment			(116,876)	
Total financial assets carried at cost-noncurrent			<u>\$ 821,652</u>	

Note : 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) 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	\$ 6,508,447	50.43%	\$ 6,508,447	None
Taiwan-Ca. Inc.	"	"	4,810	64,198	30.25%	61,235	"
Taiwan Ratings Co.	"	The investee company accounted for under the equity method	1,399	27,430	19.99%	27,430	"
				<u>\$ 6,600,075</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 94 4th subordinate Classes Financial Bond	2017.06.06	\$ 100,000	2.70%	Note 1	\$ 100,000
Taishin Bank 94 4th subordinate Classes Financial Bond	2017.06.06	200,000	1.76%	Note 2	<u>200,000</u>
					<u>\$ 300,000</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>
90 Jia 1 Bond	2011.01.09	3,000	3.002%	<u>\$ 3,001</u>

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 2010

Name of the securities	General ledger account	Counter party	Balance as at 1st January 2010		Addition		Disposals			Balance as at 31st December 2010			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)	Amount	
Yuanta Duo Fu Equity Fund	Available-for-sale financial assets-current	-	1,170	\$ 30,000	2,205	\$ 91,861	2,341	\$ 97,913	\$ 75,931	\$ 21,982	1,034	\$ 45,930	
Yuanta Mainstream Equity Fund	-	-	4,870	60,000	8,869	164,026	9,740	160,519	142,013	18,506	3,999	82,013	
Yuanta Wan Tai Bond Fund	-	-	152,773	2,210,000	-	-	118,210	1,713,813	1,710,000	3,813	34,562	501,669	Note 1
Jih Sun Bond Fund	-	-	-	-	14,183	200,000	14,183	200,221	200,000	221	-	-	
IBT Ta Chong Bond Fund	-	-	36,902	500,000	-	-	36,902	500,904	500,000	904	-	-	
IBT Bond Fund	-	-	18,880	188,800	-	-	18,880	229,018	188,800	40,218	-	-	
Grand Cathay Twin-core Global Integration Bond Fund	-	-	10,000	100,000	10,000	85,200	20,000	173,100	185,200	(12,100)	-	-	
SinoPac Balance 2 Fund	-	-	3,660	50,000	6,819	164,489	7,320	177,557	132,245	45,312	3,158	82,245	
Grand Cathay Bond Fund	-	-	45,043	600,000	16,101	215,000	53,644	716,601	715,000	1,601	7,500	100,338	Note 1
SinoPac Balance Fund	-	-	3,831	50,000	7,033	163,837	7,663	179,968	131,919	48,049	3,201	81,919	
Mega Diamond Bond Fund	-	-	164,257	1,958,147	12,572	150,000	143,420	1,714,310	1,710,298	4,012	33,409	400,339	Note 1
JNG Bond Fund	-	-	62,248	970,000	-	-	62,248	972,185	970,000	2,185	-	-	
PCA Well Pool Fund	-	-	192,622	2,500,000	-	-	154,103	2,003,354	2,000,000	3,354	38,519	501,726	Note 1
PCA Balanced	-	-	8,919	150,000	11,534	204,305	17,838	315,585	303,229	12,356	2,615	51,076	
Prudential Financial Small&Medium Capital Fund	-	-	-	-	2,931	100,000	1,535	54,941	50,000	4,941	1,397	50,000	
Prudential Financial Bond Fund	-	-	19,825	300,000	-	-	6,608	100,065	100,000	65	13,216	200,625	Note 1
PineBridge Taiwan Bond Fund	-	-	45,573	600,000	-	-	37,979	500,930	500,000	930	7,594	100,302	"
Cathay United Bank Lucky Trust Global ETF Collective Investment Trust Account	-	-	9,999	100,000	10,378	89,277	20,377	182,592	189,277	(6,685)	-	-	
Cathay Taiwan Quantitative Fund	-	-	4,329	30,000	8,113	78,788	8,658	84,459	69,394	15,065	3,784	39,394	
Cathay Bond Fund	-	-	-	-	167,288	2,000,000	167,288	2,002,233	2,000,000	2,233	-	-	
NITC Taiwan Bond Fund	-	-	50,742	740,000	-	-	41,112	601,089	600,000	1,089	9,630	141,045	Note 1
NITC Bond Fund	-	-	4,990	850,000	5,867	1,000,000	10,857	1,853,720	1,850,000	3,720	-	-	
UPAMC Quality Growth	-	-	-	-	5,950	100,000	3,154	56,389	50,000	6,389	2,796	50,000	
Fubon Taiwan Strategy 1 ETF Private Equity Fund	-	-	30,000	300,000	9,461	100,000	-	-	-	-	39,461	441,171	Note 1
Fubon Chi-Hsiang Fund	-	-	166,645	2,500,000	-	-	166,645	2,504,156	2,500,000	4,156	-	-	
FK Templeton Glo. Smaller Companies Fund	-	-	-	-	4,046	100,000	2,117	54,879	50,000	4,879	1,929	50,000	
Fuh-Hwa Bond Fund	-	-	187,585	2,590,000	-	-	187,585	2,596,552	2,590,000	6,552	-	-	
Fuh-Hwa Heirloom No. 2 Balance Fund	-	-	8,577	100,000	8,577	119,111	17,154	241,373	219,111	22,262	-	-	
Shinkong Chi-Shin Fund	-	-	40,528	600,000	-	-	33,775	501,061	500,000	1,061	6,753	100,345	Note 1
UBS Asian Real Estate Securities Fund	-	-	10,000	100,000	-	-	10,000	58,600	100,000	(41,400)	-	-	
Capital Income Fund	-	-	13,013	200,000	-	-	13,013	200,746	200,000	746	-	-	
Capital OTC Fund	-	-	-	-	2,124	100,000	1,100	53,746	50,000	3,746	1,024	50,000	

Note 1: Due to valuation adjustment, the ending balance is not equal to the amount of the beginning balance plus (minus) addition amount (disposal amount) during the period.

Name of the securities	General ledger account	Counter Party	Balance as at 1st January 2010		Addition		Disposals			Gain (loss) from disposal	Balance as at 31st December 2010		Note
			Number of shares (in thousands)	Amount	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Sales price	Book value		Number of shares (in thousands)	Amount	
Allianz Global Investors Global Diversified Quantitative Fund	Available-for-sale financial assets-current	-	10,000	\$ 100,000	10,000	\$ 84,500	20,000	173,800	\$ 184,500	(\$ 10,700)	-	\$ -	
JF (Taiwan) Bond Fund	-	-	57,112	900,000	-	-	19,070	301,701	300,000	1,701	38,042	601,839	Note 1
JF (Taiwan) Micro Fund	-	-	2,625	30,000	4,845	90,814	5,249	99,082	75,407	23,675	2,220	45,407	
JF (Taiwan) Balanced Fund	-	-	3,357	50,000	6,446	130,380	6,714	136,020	115,190	20,830	3,090	65,190	
JP(Taiwan)Global Focus Fund	-	-	20,000	200,000	37,160	290,000	39,877	339,271	345,000	(5,729)	17,282	145,000	
UNION Bond	-	-	-	-	7,927	100,000	7,927	100,042	100,000	42	-	-	
Polaris PMAX EFT Private Fund	-	-	30,000	300,000	-	-	5,000	42,750	50,000	(7,250)	25,000	245,000	Note 1
Polaris Global REITs Fund	-	-	7,424	100,000	-	-	7,424	53,155	100,000	(46,845)	-	-	
Polaris De-Li Fund	-	-	77,000	1,200,000	-	-	77,000	1,202,671	1,200,000	2,671	-	-	
Polaris De-Bao Fund	-	-	55,770	640,000	-	-	55,770	641,000	640,000	1,000	-	-	
Yuanta unsecured Subordinate Classes Financial Bond	Held-to-maturity financial asset-noncurrent	-	-	-	300,000	300,000	-	-	-	-	300,000	300,000	
E.Sun Bank 99-1 Subordinate Classes Financial Bond	-	-	-	-	400,000	400,000	-	-	-	-	400,000	40,000	
China Development Financial Holding Co., Ltd.98-1 Unsecured A	-	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
Mega International 99 Unsecured I	-	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
CPC Corporation, Taiwan 97-1 Unsecured A	-	-	-	-	400,000	415,054	-	-	-	-	400,000	411,515	Note 2
CPC Corporation, Taiwan 98-1 Secured A	-	-	-	-	300,000	297,708	-	-	-	-	300,000	298,071	"
Formosa Chemicals & Fibre Corporation 97-2 Unsecured	-	-	-	-	300,000	311,824	-	-	-	-	300,000	309,663	"
Taiwan Power 95-3 unsecured B	-	-	-	-	400,000	411,878	-	-	-	-	400,000	408,888	"
Taiwan Power 98-2 secured B	-	-	-	-	300,000	301,131	-	-	-	-	300,000	300,938	"
Taiwan Power 98-3 secured B	-	-	-	-	300,000	299,993	-	-	-	-	300,000	299,995	"
Fubon Bank 98-2 unsecured A	-	-	-	-	100,000	100,692	-	-	-	-	100,000	100,583	"
Shin Kong Bank 97-2 unsecured Subordinate Classes Financial Bond A	-	-	-	-	300,000	315,698	-	-	-	-	300,000	313,747	"
First Bank stripped 99-2 Subordinate Classes Financial Bond	-	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
Hua Nan Bank 99-1 Subordinate Classes Financial Bond	-	-	-	-	500,000	500,000	-	-	-	-	500,000	500,000	
Bank SinoPac 98-1 Subordinate Classes (G11085)	-	-	-	-	500,000	500,000	-	-	-	-	500,000	500,000	
Land Bank 99-2 Subordinate Classes Financial Bond	-	-	-	-	500,000	500,000	-	-	-	-	500,000	500,000	
Mega International 99-1Subordinate Classes Financial Bond	-	-	-	-	500,000	500,000	-	-	-	-	500,000	500,000	
Taiwan Power 97-8 secured (B903TB)	-	-	-	-	80,000	82,669	-	-	-	-	80,000	82,336	Note 2
CPC Corporation, Taiwan 97-1unsecured 1C	-	-	-	-	100,000	109,199	-	-	-	-	100,000	108,794	Note 2
Taiwan Power 99-4 secured B(B903US)	-	-	-	-	300,000	604,693	-	-	-	-	300,000	304,521	Note 2
CPC Corporation, Taiwan 99-1secured B(B71862)	-	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	
Mega International 97-2 unsecured Subordinate Classes (B95354)	-	-	-	-	300,000	326,437	-	-	-	-	300,000	325,995	Note 2

Note 1: Due to adjustment of valuation at the end of period, the ending balance is not equal to the amount of the beginning balance plus (minus) addition amount (disposal amount) during the period.

Note 2: Due to amortization of discount or premium at the end of period, the ending balance is not equal to the amount of the beginning balance plus (minus) addition amount (disposal amount) during the period.

- e) Acquisition of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended 31st December 2010: 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 2010: 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 2010: None
- h) Derivative financial instruments undertaken during the year ended 31st December 2010: None

B. Related information of investee companies for the year ended 31st December 2010

Investor	Investee	Address	Initial investment amount		Major operating activities	No. of shares (in thousand)	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			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%	\$ 6,508,447	\$ 1,605,010	\$ 809,385	The Company's subsidiary
"	Taiwan-Ca Inc.	10F., No. 85, Yanping S. Rd, Taipei City	102,898	102,898	Internet certification	4,810	30.25%	64,198	31,356	9,486	"
"	Taiwan Ratings Co.	49F., No.7, Sec. 5, Sinyi Rd., Taipei City	15,045	41,032	Credit rating services	3,998	19.99%	27,430	43,529	8,701	The investee company accounted for under the equity method