TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS

31st DECEMBER 2011 AND 2010

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

Report of Independent Accountants

To the Board of Directors and Stockholders of

Taiwan Stock Exchange Corporation

We have audited the accompanying consolidated balance sheets of Taiwan Stock Exchange Corporation and subsidiaries as of 31st December 2011 and 2010, and the related consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of consolidated subsidiaries, which statements reflect total assets of NT$17,133,883 thousand and NT$15,808,159 thousand, constituting 23 and 17 percent of the consolidated assets as of 31st December 2011 and 2010, respectively, and total revenues of NT$2,975,604 thousand and NT$2,988,535 thousand, constituting 38 and 37 percent, respectively, of consolidated revenues for the years then ended. We also did not audit the financial statements of the investees accounted for under the equity method. These long-term equity investments amounted to NT$55,048 thousand and NT$53,512 thousand as of 31st December 2011 and 2010, respectively, and their related investment income amounted to NT$16,818 thousand and NT$16,972 thousand for the years then ended. These financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion, insofar as it relates to the amounts included in the financial statements relative to the consolidated subsidiaries and these long-term investments, is based solely on the reports of the other auditors.

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

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In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Taiwan Stock Exchange Corporation and subsidiaries as of 31st December 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" and generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers

27th March 2012
Taipei, Taiwan

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

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

	2011		2010	
	Amount	%	Amount	%
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4(1))	$ 33,146,651	44	$ 46,658,823	51
Financial assets at fair value through profit or loss (Note 4(2))	1,526,631	2	1,540,401	2
Available-for-sale financial assets (Note 4(3))	1,917,096	3	5,075,990	5
Held-to-maturity financial assets (Note 4(4))	3,046,888	4	2,971,632	3
Accounts receivable-net (Notes 4(6) and 5)	435,741	1	719,517	1
Interest receivable	146,789	-	148,105	-
Other receivables-net	-	-	172,098	-
Other financial assets-current (Notes 4(15) and 6)	133,465	-	229,991	-
Other current assets (Note 4(12))	71,011	-	58,113	-
Total Current Assets	40,424,272	54	57,574,670	62
Funds and Long-term Investments				
Held-to-maturity financial assets – noncurrent (Note 4(4))	20,772,463	28	21,255,529	23
Financial assets carried at cost – noncurrent (Note 4(5))	951,652	1	951,652	1
Default damages fund (Notes 4(7) and (8))	10,016,170	13	9,712,070	11
Long-term equity investments accounted for under the equity method (Note 4(9))	55,048	-	53,152	-
Total Funds and Long-term Investments	31,795,333	42	31,972,763	35
Property, Plant and Equipment (Note 4(10))				
Original Cost				
Land	429,941	1	429,941	-
Buildings	693,473	1	693,473	1
Computer equipment	1,880,757	2	2,821,306	3
Other equipment	438,297	1	704,227	1
Revaluation – land	37,084	-	37,084	-
	3,479,552	5	4,686,031	5
Less: Accumulated depreciation	(2,099,716)	(3)	(3,166,279)	(3)
Construction in Progress and prepayments on equipment	811,063	1	101,612	-
Total Property, Plant and Equipment	2,190,899	3	1,621,364	2
Intangible Asset				
Goodwill	169,083	-	169,083	-
Other Assets				
Rental assets	85,203	-	85,657	-
Operations guarantee deposits (Note 4(11))	300,000	1	300,000	1
Deferred charges	97,522	-	110,718	-
Refundable deposits and miscellaneous assets	170,093	-	167,643	-
Total Other Assets	652,818	1	664,018	1
Securities Settlement Debit (Note 4(8))	-	-	-	-
TOTAL ASSETS	$ 75,232,405	100	$ 92,001,898	100

	2011		2010	
	Amount	%	Amount	%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accrued expenses	$ 1,356,219	2	$ 1,276,700	1
Income tax payable (Note 4(12))	292,238	-	385,486	1
Securities lending and borrowing collateral payable (Note 4(14))	21,816,597	29	40,722,402	44
Receipts under custody (Note 4(15))	57,691	-	141,973	-
Other current liabilities	699,312	1	687,799	1
Total Current Liabilities	24,222,057	32	43,214,360	47
Other Liabilities				
Default damages reserve (Note 4(7))	10,062,162	14	9,787,164	11
Deposits received	43,915	-	45,800	-
Reserve for land value increment tax	44,599	-	44,599	-
Deferred income tax liabilities – noncurrent (Note 4(12))	37,998	-	39,114	-
Total Other Liabilities	10,188,674	14	9,916,677	11
Securities Settlement Credit (Note 4(8))	-	-	-	-
Total Liabilities	34,410,731	46	53,131,037	58
Stockholders' Equity				
Capital stock (Note 4(16)				
Common stock	5,983,213	8	5,837,281	6
Capital reserve (Note 4(17))	37,682	-	37,682	-
Retained earnings				
Legal reserve (Note 4(18))	4,197,006	6	3,933,324	4
Special reserve (Note 4(18))	21,220,762	28	19,849,613	22
Unappropriated earnings (Note 4(19))	2,472,842	3	2,660,919	3
Other adjustments to Stockholders' Equity				
Unrealized gain or loss on financial instruments (Note 4(3))	(201,780)	-	49,966	-
Minority Interest	7,111,949	9	6,502,076	7
Total Stockholders' Equity	40,821,674	54	38,870,861	42
Commitments (Note 7)				
Significant Subsequent Event (Note 8)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 75,232,405	100	$ 92,001,898	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 27th March 2012.

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

	2011		2010	
	Amount	%	Amount	%
Operating revenues				
Trading fees (Notes 4(20) and 5)	$ 3,069,329	39	$ 3,309,108	41
Securities recording service fees (Note 5)	857,749	11	977,800	12
Custodial service fees	695,064	9	715,835	9
Market data fees	417,841	5	412,894	5
Listing fees	858,505	11	745,346	9
Securities settlement service fees	480,659	6	451,183	6
Computer and other equipment fees	82,252	1	82,658	1
Data processing fees (Note 5)	142,193	2	195,208	3
Future settlement fees (Note 5)	335,685	4	259,925	3
Others (Note 5)	979,764	12	904,969	11
Total Operating Revenues	7,919,041	100	8,055,006	100
Operating costs-others (Note 4(23))	(81,347)	(1)	(71,392)	(1)
Operating Gross Profit	7,837,694	99	7,983,614	99
Operating expenses				
Personnel (Note 4(23))	(2,185,491)	(28)	(2,176,537)	(27)
General and administrative (Notes 4(21) and 5)	(2,635,758)	(33)	(2,588,126)	(32)
Total Operating Expenses	(4,821,249)	(61)	(4,764,663)	(59)
Operating income	3,016,445	38	3,218,951	40
Non-operating income				
Interest income	940,360	12	863,241	11
Equity in net income of investee company (Note 4(9))	16,818	-	16,972	-
Gain on disposal of investments	-	-	150,932	2
Other income	65,708	1	39,650	-
Total Non-operating Income	1,022,886	13	1,070,795	13
Non-operating expenses				
Interest expense	(13,093)	-	(69,114)	(1)
Loss on disposal of investments	(19,007)	-	-	-
Other expenses	(72,376)	(1)	(83,480)	(1)
Total Non-operating Expenses	(104,476)	(1)	(152,594)	(2)
Income before income tax	3,934,855	50	4,137,152	51
Income tax expense (Note 4(12))	(666,992)	(9)	(688,497)	(8)
Consolidated net income	$ 3,267,863	41	$ 3,448,655	43
Attributable to:				
Equity holders of the Company	$ 2,468,278	31	$ 2,636,825	33
Minority interest	799,585	10	811,830	10
Total consolidated net income	$ 3,267,863	41	$ 3,448,655	43
	Pre tax	After tax	Pre tax	After tax
Basic earnings per share (in dollars) (Note 4(22))				
Equity holders of the Company	$ 5.24	$ 4.13	$ 5.56	$ 4.41
Minority interest	1.34	1.34	1.36	1.36
Total consolidated net income	$ 6.58	$ 5.47	$ 6.92	$ 5.77

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 27th March 2012.

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

			Retained Earnings					
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Unrealized Gain or Loss on Financial Instruments	Minority Interest	Total
2010								
Balance at 1st January 2010	$ 5,694,908	$ 37,682	$ 3,733,696	$ 18,911,362	$ 2,016,210	$ 127,346	$ 5,916,464	$ 36,437,668
Appropriations of 2009 earnings: (Note)								
Legal reserve	-	-	199,628	-	(199,628)	-	-	-
Special reserve	-	-	-	938,251	(938,251)	-	-	-
Cash dividends	-	-	-	-	(711,864)	-	-	(711,864)
Stock dividends	142,373	-	-	-	(142,373)	-	-	-
Decrease in minority interest	-	-	-	-	-	-	(226,218)	(226,218)
Consolidated net income for 2010	-	-	-	-	2,636,825	-	811,830	3,448,655
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	(77,380)	-	(77,380)
Balance at 31st December 2010	$ 5,837,281	$ 37,682	$ 3,933,324	$ 19,849,613	$ 2,660,919	$ 49,966	$ 6,502,076	$ 38,870,861
2011								
Balance at 1st January 2011	$ 5,837,281	$ 37,682	$ 3,933,324	$ 19,849,613	$ 2,660,919	$ 49,966	$ 6,502,076	$ 38,870,861
Appropriations of 2010 earnings: (Note)								
Legal reserve	-	-	263,682	-	(263,682)	-	-	-
Special reserve	-	-	-	1,371,149	(1,371,149)	-	-	-
Cash dividends	-	-	-	-	(875,592)	-	-	(875,592)
Stock dividends	145,932	-	-	-	(142,932)	-	-	-
Decrease in minority interest	-	-	-	-	-	-	(189,712)	(189,712)
Consolidated net income for 2011	-	-	-	-	2,468,278	-	799,585	3,267,863
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	(251,746)	-	(251,746)
Balance at 31st December 2011	$ 5,983,213	$ 37,682	$ 4,197,006	$ 21,220,762	$ 2,472,842	$ 201,780	$ 7,111,949	$ 40,821,674

Note: Employees' bonuses of $102,609 and $96,616 were deducted from the statement of income of 2010 and 2009, respectively.

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 27th March 2012.

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

	2011	2010
Cash flows from operating activities		
Consolidated net income	$ 3,267,863	$ 3,448,655
Adjustments to reconcile consolidated net income to net cash used in operating activities:		
Loss (gain) on disposal of investments	19,007	(150,932)
Amortization of bond premium	22,513	31,473
Gain on valuation of financial assets	(6)	(277)
Bad debts	-	1,000
Provision for default damages	274,998	300,719
Equity in net income of investee companies-net of cash dividends received	(1,536)	(1,666)
Depreciation (rental assets included)	336,085	340,903
Loss on obsolescence and disposal of property, plant and equipment	626	878
Amortization	81,487	133,537
Changes in assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or loss	13,775	(864,822)
Decrease (increase) in accounts receivable-net	283,776	(1,616)
Decrease (increase) in interest receivables	1,316	(1,533)
Increase in other receivables	(7)	(36,143)
Decrease (increase) in other financial assets-current	96,526	(71,287)
(Increase) decrease in deferred income tax assets	(1,065)	12,036
(Increase) decrease in other current assets	(12,949)	3,146
Increase in accrued expenses	79,519	42,711
Decrease in income tax payable	(93,248)	(215,547)
Decrease in securities lending and borrowing collateral payable	(18,905,805)	(21,300,197)
(Decrease) increase in receipts under custody	(84,282)	75,934
Increase (decrease) in other current liabilities	12,316	(114,350)
Net cash used in operating activities	(14,609,091)	(18,367,378)

(Continued)

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

	2011	2010
Cash flows from investing activities		
Decrease in available-for-sale financial assets-net	$ 3,009,560	$ 17,964,360
Decrease (increase) in held-to-maturity financial assets-net	385,297	(3,111,541)
Increase in default damages fund	(304,100)	(286,114)
Proceeds from capital reduction of long-term investments accounted for under the equity method	50,687	-
Acquisition of property, plant and equipment	(931,403)	(366,250)
Proceeds from disposal of property, plant and equipment	7	136
Increase in operations guarantee deposits	-	(10,000)
Increase in deferred charges	(43,490)	(43,415)
Increase in refundable deposits-net	(2,450)	(1,406)
Net cash provided by investing activities	2,164,108	14,145,770
Cash flows from financing activities		
Decrease in deposits received-net	(1,885)	(3,660)
Cash dividends paid	(875,592)	(711,864)
Cash dividends paid-minority interest	(189,712)	(226,218)
Net cash used in financing activities	(1,067,189)	(941,742)
Net decrease in cash and cash equivalents	(13,512,172)	(5,163,350)
Cash and cash equivalents at beginning of year	46,658,823	51,822,173
Cash and cash equivalents at end of year	$ 33,146,651	$ 46,658,823
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 23,543	$ 65,084
Income tax	$ 762,008	$ 888,446

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 27th March 2012.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31st DECEMBER 2011 AND 2010
(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 2011, the Company had 588 employees.

On 11th October 2011, 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 consolidated financial statements of the Company and its subsidiaries (collectively referred herein as the Group) were prepared in accordance with the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" and generally accepted accounting principles in the Republic of China. A summary of the significant accounting policies of the Group are as follows:

1) Principles in preparing consolidated financial statements

A. Effective January 1, 2008, the Company prepares the consolidated financial statements on a yearly basis. Those which are owned by the Company for at least 50% voting rights by itself or with other investors, or wherein the Company has significant control are included in the consolidated financial statements.

B. All material transactions between the Company and the consolidated subsidiaries are eliminated in the consolidated financial statements.

C. Taiwan Depository & Clearing Corporation (TDCC) and Taiwan-Ca Inc. (TWCA) were consolidated subsidiaries in 2011. The consolidated subsidiaries are as follows:

(A) TDCC

a. TDCC was established in October 1989. It provides the following services: (a) custody of securities certificates; (b) maintenance of records of securities settled or pledged; (c) electronic processing of records for securities; (d) service in connection with book-entry distribution of securities; (e) book-entry registration of non-certificated securities; (f) depository and clearing of short-term bills; and (g) other services approved by the Competent Authority. As of 31st December 2011, TDCC had 497 employees.

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

c. The Company's ownership percentage as of 31st December 2011 and 2010 is both 50.43%.

(B) TWCA

a. Taiwan-Ca Inc. (TWCA) was 30.25% owned by the Company as of 31st December 2011 and 2010. Although the Company does not directly or indirectly hold more than 50% of TWCA's voting shares, the Company and TDCC together hold 5 of the 9 Board of Directors' seats after the Company increased its investment in TWCA in 2006. As the Company exercises significant control over TWCA, TWCA was accounted for as a subsidiary of the Company since 2006.

b. TWCA was incorporated on 17th December 1999 and is mainly engaged in internet certification, retail and wholesale of information software and related services. As of 31st December 2011, TWCA had 55 employees.

D. Non-consolidated subsidiaries: None.

E. Adjustment and approach for difference of accounting period of subsidiaries: None.

F. Specific risk of operation of overseas subordinate companies: None.

G. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company: None.

H. Contents of subsidiaries' securities issued by the parent company: None.

I. Information on convertible bonds and common stock issued by subsidiaries: None.

2) Classification of current and non-current

A. Assets that meet one of the following conditions are regarded as current; otherwise they are classified as non-current:

(A) Assets arising from operating activities that are expected to be realized or consumed, or are intended to be sold within the normal operating cycle;

(B) Assets held mainly for trading purposes;

(C) Assets that are expected to be realized within twelve months from the balance sheet date;

(D) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following conditions are regarded as current; otherwise they are classified as non-current.

(A) Liabilities arising from operating activities that are expected to be paid off within the normal operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities that are to be paid off within twelve months from the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date.

3) Cash equivalents

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

4) Financial instruments at fair value through profit or loss

A. Financial instruments at fair value through profit or loss consist of any financial assets and liabilities held for trading and that are designated on initial recognition as those to be measured at fair value changes in profit or loss. The instruments are initially recognized at fair value, with transaction costs expensed as incurred. After initial recognition, the instruments are remeasured at fair value, with the changes in fair value recognized as current profit or loss. Cash dividends received are accounted for as current revenue. A regular purchase or sale of financial assets is recognized and de-recognized using settlement date accounting.

B. Fair values are determined as follows: beneficiary certificates (open-end funds) - net asset values as of the balance sheet date.

5) Available-for-sale financial assets

A. Available-for-sale financial assets are recognized and derecognized using settlement date accounting. They are recognized initially at their fair value plus transaction costs.

B. The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices at the balance sheet date. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.

C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity should be removed and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

6) Held-to-maturity financial assets

A. Held-to-maturity financial assets are recognized and derecognized using settlement date accounting. They are recognized initially at their fair value plus transaction costs.

B. The financial assets are measured at amortized cost.

C. If there is any objective evidence that financial assets are impaired, the impairment loss is recognized in profit or loss. If, subsequently, the fair value of the asset subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss.

7) Financial assets carried at cost

A. The financial assets are recognized and derecognized using settlement date accounting. They are recognized initially at their fair value plus transaction costs.

B. If there is any objective evidence that the financial asset is impaired, the impairment loss shall be recognized in profit or loss. Such impairment loss cannot be reversed.

8) Notes, accounts and other receivables

A. Notes and accounts receivable are claims resulting from the sale of goods or services. Receivables arising from transactions other than the sale of goods or services are classified as other receivables. Notes, accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

B. The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If such evidence exists, a provision for impairment of financial asset is recognized. The amount of impairment loss is determined based on the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When 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 impairment loss shall be reversed to the extent of the loss previously recognized in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognized. Subsequent recoveries of amounts previously written off are recognized in profit or loss.

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

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

10) Property, plant and equipment

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

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

Depreciation of TDCC is provided using the fixed-percentage-on-declining balance method except for buildings, which are depreciated on a straight-line method over 55 years. The estimated useful lives are 55 years for buildings and 3 to 15 years for other property and equipment. Depreciation of TWCA's property, plant and equipment is provided under the straight-line method with the estimated useful lives for major assets ranging from 3 to 5 years. Salvage value of fixed assets still in use are depreciated based on the new estimated remaining useful lives of the assets.

C. Upon revaluation of properties, any increment is added to the cost of properties. Reserve for land value incremental tax, if any, is recognized, and the resulting net increment is credited to capital surplus.

D. Significant renewals or betterments are capitalized. Maintenance and repairs are charged to expense as incurred. When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is included in current results of operations.

11) Goodwill

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

12) Deferred charges

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

13) Retirement plan

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

14) Default damages reserve

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

15) Impairment of non-financial assets

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

16) Revenue, cost and expense

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

B. TWCA's revenue is mainly derived from systems setup and installation and electronic certification services. Revenue derived from systems setup and installation services is recognized based on the timing of completion. Revenue from electronic certification services is recognized mainly for the services provided during the effective period of certification in which TWCA is obliged to provide the related services. The associated cost incurred is included in operating costs.

17) Income tax

A. According to R.O.C. SFAS No. 22 "Accounting for income taxes", provision for income tax includes deferred income tax on items reported in different periods for tax and financial reporting purposes. Deferred income tax consequences attributable to deductible temporary differences, taxable temporary differences and investment tax credits are recognized as deferred income tax assets or liabilities. The deferred income tax assets and liabilities are classified as current and non-current according to the nature of the underlying assets and liabilities and the timing of their expected realization. A valuation allowance is provided for deferred income tax assets to the extent that it is more likely than not that the tax benefit will not be realized. Over or under provision of prior year's income tax liability is included in the current year's income tax expense.

B. According to R.O.C. SFAS No. 12 "Accounting for Income Tax Credit", income tax credits are recognized during the period the tax credits arise. However, if the amount is significant and there is a high uncertainty on the amount of tax credit, the expense or benefit of the Company is recognized when it is approved by the Tax Authority.

C. The additional 10% corporate income tax on undistributed earnings derived on or after 1st January 1998 is included in the income tax expense in the following year when shareholders approved the resolution to retain the earnings.

18) Employees' bonuses

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

19) Use of estimates

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

20) Settlement date accounting

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

3. EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2011, the Group adopted the amendments of R.O.C. SFAS No. 34, "Financial Instruments: Recognition and Measurement". A provision for impairment (bad debts) of notes, accounts and other receivables is recognized when there is objective evidence that the receivables are impaired. This change in accounting principle had no significant effect on the consolidated net income and earnings per share for the year ended December 31, 2011.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	31st December 2011	31st December 2010
Cash		
Checking and savings deposits	$ 2,891,662	$ 17,565,855
Time deposits	27,669,900	24,924,272
Negotiable certificates of deposits	800,000	800,000
Cash equivalents		
Commercial paper	1,785,089	3,058,696
Government bonds under resell agreement	-	310,000
	$ 33,146,651	$ 46,658,823
Annual interest rates of time deposits	0.37%~ 1.91%	0.18%~1.135%
Annual interest rates of negotiable certificates of deposits	1.05%~1.17%	0.85%~1.00%
Annual interest rates of commercial paper	0.78%~0.87%	0.43%~0.45%
Annual interest rates of government bonds under resell agreement	-	0.43%

Time deposits as of 31st December 2011 and 2010 were due within one year.

2) Financial instruments at fair value through profit or loss

	31st December 2011	31st December 2010
Financial assets held for trading		
Beneficiary certificates	$ 1,526,631	$ 1,540,401

3) Available-for-sale financial assets

	31st December 2011	31st December 2010
Current items:		
Benificiary certificates	$ 2,118,876	$ 5,026,024
Valuation adjustment	(201,780)	49,966
	$ 1,917,096	$ 5,075,990

4) Held-to-maturity financial assets

	31st December 2011		31st December 2010	
Current items:				
Financial bonds	$	699,862	$	1,433,386
Corporate bonds		1,998,395		1,118,550
Government bonds		100,183		300,186
Beneficiary securities		248,448		119,510
	$	3,046,888	$	2,971,632
Non-current items:				
Financial bonds	$	12,622,568	$	11,061,444
Corporate bonds		6,294,772		7,610,738
Government bonds		1,750,709		1,865,346
Beneficiary securities		-		519,117
Assets securitization- short-term notes and bills		104,414		198,884
	$	20,772,463	$	21,255,529

5) Financial assets carried at cost

	31st December 2011		31st December 2010	
Unlisted stocks	$	1,068,528	$	1,068,528
Accumulated impairment	(	116,876)	(	116,876)
	$	951,652	$	951,652

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

6) Accounts receivable - net

	31st December 2011		31st December 2010	
Accounts receivable	$	437,728	$	724,206
Less: allowance for doubtful accounts	(	1,987)	(	4,689)
	$	435,741	$	719,517

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 the 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), an equivalent amount of default damages reserve has been recontributed starting from 1986.

Additionally, in accordance with No. 46 of "Taiwan Stock Exchange Corporation Securities Lending and Borrowing Regulations" and the Competent Authority No. 0920129756 bulletin (2003), the Company contributes 3% of Securities Lending and Borrowing (SLB) service fees as default damages fund and default damages reserve.

B. As the accumulated amount of the DDF has exceeded the total amount of the Company's capital, the Company has stopped making contributions to the DDF and default damages reserve since November 2006. However, in accordance with the Competent Authority No.0980026755 bulletin (June 2009), the Company has contributed 5% of trading fees to the DDF within 15 days after the end of every quarter since 1st January 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 2011 and 2010, the balance of the SF was $3,000,000 for both years.

D. TDCC recognized monthly reserve for default damages equal to 5% of the revenues derived from settlement of securities, recording of securities transactions and custody of securities and contributes cash to the DDF, equal to the above reserve for default damages, within 15 days after the end of each quarter until the accumulated fund balance equals TDCC's paid-in capital.

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

(A) Default damages fund (DDF)

	For the years ended 31st December	
	2011	2010
Balance, beginning of year	$ 6,712,070	$ 6,425,956
Contributions		
Based on the amounts of trading fees	172,616	152,798
5% of securities settlement, securities recording and custodial service fees	128,336	130,777
3% of securities lending and borrowing service fees	3,148	2,539
	7,016,170	6,712,070
Settlement fund (SF)	3,000,000	3,000,000
Balance, end of year	$ 10,016,170	$ 9,712,070

(B) Default damages reserve

	For the years ended 31st December	
	2011	2010
Balance, beginning of year	$ 9,787,164	$ 9,486,445
Contributions		
Based on the amount of trading fees	153,467	168,449
5% of securities settlement, securities recording and custodial service fees	118,257	129,682
3% of securities lending and borrowing service fees	3,274	2,588
Balance, end of year	$ 10,062,162	$ 9,787,164

F. As of 31st December 2011 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 2011 and 2010, the balances of the SSF were $5,123,838 and $5,150,031, respectively, and the balances of the SF were $3,000,000 for both years. The funds are invested in time deposits pursuant to the regulations. In addition, as of 31st December 2011, the Company had entered into a loan agreement with financial institutions in the amount of $12,800,000 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 2011, 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.

E. In line with the adjustments to the calculation of SSF specified in Article 10, Item 1 of Regulations Governing Securities Firms and the Competent Authority No. 1010002007 bulletin (3rd February 2012), the net SSF returnable from the Company to securities firms amounted to $1,680,263. Such funds had been returned on 15th February 2012.

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

A. Details of long-term equity investments

Investee company	Overall ownership percentage as of 31st December 2011	31st December 2011	31st December 2010
Equity method:			
Taiwan Ratings Co., Ltd. (TRC)	39.00%	$ 55,048	$ 53,512

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

Investee company	For the years ended 31st December 2011	2010
TRC	$ 16,818	$ 16,972

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

10) Property, plant and equipment

	31st December 2011			
Item	Original Cost	Revaluation	Accumulated Depreciation	Net Book Value
Land	$ 429,941	$ 37,084	$ -	$ 467,025
Buildings	693,473	-	(248,099)	445,374
Computer equipment	1,880,757	-	(1,608,594)	272,163
Other equipment	438,297	-	(243,023)	195,274
Construction in progress and prepayments for equipments (Note)	811,063	-	-	811,063
	$ 4,253,531	$ 37,084	($ 2,099,716)	$ 2,190,899

Note: The Company purchased land from Chunghwa Telecom Co., Ltd. in the amount of $648,176, which is to be used as the location to build a computer center.

Item	31st December 2010 Original Cost	Revaluation	Accumulated Depreciation	Net Book Value
Land	$ 429,941	$ 37,084	$ -	$ 467,025
Buildings	693,473	-	(234,816)	458,657
Computer equipment	2,821,306	-	(2,440,711)	380,595
Other equipment	704,227	-	(490,752)	213,475
Construction in progress and prepayments for equipments	101,612	-	-	101,612
	$ 4,750,559	$ 37,084	($ 3,166,279)	$ 1,621,364

11) Operations guarantee deposits

Guarantee deposits consist of financial bonds with face value of $300,000 for both years as of 31st December 2011 and 2010, which are deposited with the Central Bank of China.

12) Income tax

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

	For the years ended 31st December 2011	2010
Income tax expense	$ 666,992	$ 688,497
Effect of deferred income tax-net	1,065	(12,036)
Under provision of prior year's income tax	(8,557)	(5,840)
Prepaid income tax	(403,725)	(357,102)
Income tax on separately taxed interest income	-	(7)
Income tax payable	$ 255,775	$ 313,512

A. As of 31st December 2011 and 2010, the deferred income tax assets (liabilities) were as follows:

	31st December 2011	2010
Total deferred income tax assets	$ 99,311	$ 100,222
Valuation allowance	$ 97,988	$ 98,696
Total deferred income tax liabilities	$ 38,889	$ 40,157

B. As of 31st December 2011 and 2010, details of deferred income tax assets (liabilities) were as follows:

Item	2011 Amount	2011 Tax Effect	2010 Amount	2010 Tax Effect
Current:				
Employees' welfare	$ 2,539	$ 432	$ 2,772	$ 471
Others	6,914	1,175	265	45
		1,607		516
Less: valuation allowance		(1,175)		(33)
		432		483
Noncurrent:				
Contributions to retirement fund	510,937	86,859	477,111	81,109
Equity in investees' net losses	37,725	6,413	80,298	13,651
Goodwill	(228,759)	(38,889)	(236,218)	(40,157)
Others	26,072	4,432	29,093	4,946
		58,815		59,549
Less: valuation allowance		(96,813)		(98,663)
		(37,998)		(39,114)
Total		($ 37,566)		($ 38,631)

C. As of December 31, 2011, losses of TWCA available to be carried forward were as follow:

Year in which losses incurred	Unused loss carry forwards	Final year losses can be carried forward
2005(Approved)	$ 37,725	2015

D. The 10% additional income tax expense of the Company and TDCC on the undistributed earnings for the year ended 31st December 2009 is $9,186. There was no undistributed earnings for 2010.

E. Except for 2007, the Company's income tax returns through 2008 have been assessed and approved by the Tax Authority. As additional tax payable of $7,092 was assessed for the year 2006 by the Tax Authority, the Company has filed an appeal for reassessment with the Tax Authority to contest the Tax Authority's decision. Except for 2008, TDCC's income tax returns though 2009 have been assessed and approved by the Tax Authority. TWCA's income tax returns through 2009 have been assessed and approved by the Tax Authority.

F. The income tax returns of TDCC of 2006 and 2007 had been assessed and approved by the Tax Authority. However, the Tax Authority rejected its recognition of expenses on goodwill amortization of $25,362 and $33,817 for 2006 and 2007, respectively, claiming its goodwill valuation was unreasonable. TDCC disagreed with the assessment of the Tax Authority, and will file an administrative litigation for the case. The tax effect of the above goodwill amortization was \$6,340 and \$8,454, which had been recognized as deferred tax liabilities of TDCC for 2006 and 2007, respectively. Further, TDCC will file an administrative litigation, because the adjustments of interest revenue from the amortization of premiums/discounts on long-term investment in bonds for 2006 and 2007 amounting to \$30,197 and \$17,608, respectively, were rejected by the Tax Authority, which caused an additional \$7,549 and \$4,402 tax payable, respectively. However, TDCC has accrued the above additional taxes payable in the 2009 financial statements.

13) Retirement and severance plans

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

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

	For the years ended 31st December	
	2011	2010
Balance, beginning of year	\$ 2,321,088	\$ 2,260,885
Contributions	138,541	140,041
Interest income	24,370	30,199
Valuation adjustment	(21,525)	8,152
Payments of benefits	(296,140)	(118,189)
Balance, end of year	\$ 2,166,334	\$ 2,321,088

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

TDCC's pension expenses for 2011 and 2010 were \$121,873 and \$123,995, respectively. As of 31st December 2011 and 2010, the balances of the funds amounted to \$1,573,371 and \$1,448,571, respectively.

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

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

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

TWCA has an employee long-service bonus plan. Under the plan, TWCA provides monthly a certain percentage of the employees' monthly salaries and wages as reserve for severance pay.

14) Securities lending and borrowing collateral payable

The Company has provided securities lending and borrowing service since June 2003. The borrower is required to deposit collaterals based on a certain percentage (the stipulated collateral ratio) of borrowed securities daily market prices to the Company. In addition, individual collateral maintenance ratio of each transaction will be calculated on a daily basis, and further collateral will be required if the maintenance ratio is below the collateral ratio. As of 31st December 2011 and 2010, the Company has received collaterals consisting of cash amounting to $21,816,597 and $40,722,402 (Note A), bank draft of $1,315,751 and $384,677 (Note B), and securities of $19,057,718 and $32,772,447, 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 2011 and 2010. After the completion of application for securities lending and borrowing service, the borrowers' securities are under the custodianship of TDCC. Upon the rendering of service, the securities are turned over to the Company as collateral. However, effective from 1st April 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) Receipts under custody

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

16) Capital stock

A. 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 totaling 14,237 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 14th June 2011, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 14,593 thousand shares. The registration of this capital increase was approved by the Competent Authority.

C. As of 31st December 2011, the Company's authorized, issued and outstanding common stock consisted of 598,321 thousand shares at $10 dollars par value per share.

D. Under an amendment to Article 128 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.

17) Capital reserve

Pursuant to the R.O.C. Company Law issued on 4th January 2012, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit.

18) Legal reserve / Special reserve

A. According to the R.O.C. Company Law issued on 4th January 2012, 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. Legal reserve shall be exclusively used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership and shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's 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.

19) Unappropriated earnings

A. The annual net income of the Company and TDCC should be used initially to cover any accumulated deficit. 10% of the annual net income should be set aside as legal reserve. Specific percentage of the annual net income, as determined by the Competent Authority, should be set aside as special reserve. The remaining balance can be distributed as follows:

a) Between 1% to 12% for employees' bonus following the resolution by the Board of Directors.

b) The remaining amount can be distributed by a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting.

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

a) 90% as stockholders' bonus

b) 10% as employees' bonus

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

C. As approved by the stockholders during their meeting, cash dividends declared per share for 2011 and 2010 were $1.5 and $1.25 dollars for both years, and the stock dividend per share for 2011 and 2010 were $0.25 dollars for both years.

D. The amount of employees' bonus for 2011 was estimated at $117,189 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 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 of 2010 as resolved by the stockholders was lower than that amount recognized in the 2010 financial statements. The difference of $11,167 had been adjusted in the statement of income of 2011.

E. The actual creditable tax ratio of distributed earnings in 2010 was 15.34%. As of 31st December 2011, the imputation tax credit account balance was $275,205 and the estimated creditable tax ratio was 16.24%. As of 31st December 2011, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were $156 and $2,472,686 respectively.

F. TDCC's actual creditable tax ratio of distributed earnings for the 1st cash dividends and for the 2nd stock dividends in 2010 were 22.60% and 22.62%, respectively. As of 31st December 2011, the imputation tax credit account balance of TDCC was $253,014, and the estimated creditable tax ratio was 20.49%. As of 31st December 2011, TDCC's undistributed earnings derived before and after the adoption of the imputation tax system were $0 and $1,799,603, respectively.

20) 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. Effective 1st December 2011, as approved by the Board of Directors of the Company and the Competent Authority in No.1000058644 bulletin (29th November 2011), the rate (0.000065 per dollar) has been reduced by 20%.

21) 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.

22) Earnings per common share

	For the year ended 31st December 2011				
	Amount		Outstanding shares at the end of the year (in thousands)	Earnings per common share	
	Before income tax	After income tax		Before income tax	After income tax
Continuing operating income	$ 3,135,270	$ 2,468,278	598,321	$ 5.24	$ 4.13
Minority interest income	799,585	799,585		1.34	1.34
Total consolidated net income	$ 3,934,855	$ 3,267,863		$ 6.58	$ 5.47

	For the year ended 31st December 2010				
	Amount		Retroactively adjusted shares at the end of the year (in thousands)	Earnings per common share	
	Before income tax	After income tax		Before income tax	After income tax
Continuing operating income	$ 3,325,322	$ 2,636,825	598,321	$ 5.56	$ 4.41
Minority interest income	811,830	811,830		1.36	1.36
Total consolidated net income	$ 4,137,152	$ 3,448,655		$ 6.92	$ 5.77

The number of shares outstanding for the year ended 31st December 2010 was retroactively adjusted in accordance with the ratio of capital increase. The earnings per common share before and after income tax in 2010 were reduced from $5.70 and $4.52 to $5.56 and $4.41, respectively.

23) Personnel expenses, depreciation and amortization

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

	For the year ended 31st December 2011		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 42,009	$ 1,868,801	$ 1,910,810
Insurance	-	114,328	114,328
Pension	-	290,235	290,235
Others	629	21,314	21,943
Depreciation	9,713	326,372	336,085
Amortization	5,513	75,974	81,487

	For the year ended 31st December 2010		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 40,592	$ 1,859,156	$ 1,899,748
Insurance	-	101,987	101,987
Pension	-	294,255	294,255
Others	585	19,319	19,904
Depreciation	7,703	333,200	340,903
Amortization	4,108	129,429	133,537

5. RELATED PARTY TRANSACTIONS

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

Names of Related Parties	Relationship with the Company
Taiwan Ratings Co.	The investee company accounted for under the equity method
Taiwan Futures Exchange (TFE)	The Company and TDCC are directors of TFE
Gre Tai Securities Market (OTC)	President of the Company and TDCC are directors of OTC
Securities and Futures Investors Protection Center (SFIPC)	Senior Executive Vice President of the Company is a director of SFIPC
Securities and Futures Institue (SFI)	President of the Company is a director of SFI
Accounting Research and Development Foundation (ARDF)	President of the Company is a director of ARDF
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 and TDCC (Note A)
Yuanta Securities Co., Ltd. (YCPS)	An institutional director of the Company and TDCC (Note C)
Bank of Taiwan Co., Ltd.	An institutional director of the Company
First Commercial Bank Co., Ltd.	An institutional supervisor of the Company (Note B)
Jih Sun Securities Co., Ltd. (JS)	An institutional supervisor of the Company (Note B) and an institutional director of TDCC (Note C)
Yuanta Securities Finance Co., Ltd	An institutional director of TDCC
KGI Securities Co., Ltd.(KGI)	An institutional director of TDCC (Note A)
SinoPac Securities Co., Ltd. (SPS)	An institutional supervisor of TDCC
Financial Information Service Co., Ltd. (FISC)	An institutional supervisor and an institutional director of TWCA
HiTRUST Inc.	TWCA is an investee of HiTRUST Inc. accounted for under the equity method

Note A: Became a director of TDCC on 25th August 2010
Note B: Resigned on 30th June 2010
Note C: Resigned on 24th August 2010

2) Significant transactions and balances with related parties

A. Trading fees

	For the years ended 31st December			
	2011		2010	
	Amount	% of trading fees	Amount	% of trading fees
YCPS	$ 333,075	11	$ 361,981	11
FB	188,147	6	204,496	6
JS (Note)	-	-	63,415	2
Others	43,229	1	74,256	2
	$ 564,451	18	$ 704,148	21

Note: Effective 1st July 2010, since it became a non-related party, only relevant information for the six-month period ended 30th June 2010 was disclosed.

Terms are at arms-length.

B. Securities recording service fees

	For the years ended 31st December			
	2011		2010	
	Amount	% of Securities recording service fees	Amount	% of Securities recording service fees
KGI	$ 70,092	8	$ 36,462	4
FB	54,266	7	29,488	3
SPS	42,973	5	48,915	5
YCPS	-	-	61,517	6
JS	-	-	22,976	2
	$ 167,331	20	$ 199,358	20

Terms are at arms-length.

C. Data processing fees

	For the years ended 31st December			
	2011		2010	
	Amount	% of data processing fees	Amount	% of data processing fees
OTC	$ 136,751	96	$ 190,393	98

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.

D. Future settlement fees

	For the years ended 31st December			
	2011		2010	
	Amount	% of future settlement fees	Amount	% of future settlement fees
TFE	$ 335,685	100	$ 259,925	100

Terms are at arms-length.

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

	For the years ended 31st December			
	2011		2010	
	Amount	% of license fees	Amount	% of license fees
TFE	$ 191,926	87	$ 162,804	90

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.

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

	For the years ended 31st December			
	2011		2010	
	Amount	% of securities settlement service fees	Amount	% of securities settlement service fees
OTC	$ 122,859	100	$ 168,202	100

Terms are at arms-length.

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

	For the years ended 31st December			
	2011		2010	
	Amount	% of rental and administrative expense	Amount	% of rental and administrative expense
TFCC	$ 156,673	75	$ 155,836	77

H. Expense of investors' protection

	For the years ended 31st December			
	2011		2010	
	Amount	% of Expense of investors' protection	Amount	% of Expense of investors' protection
SFIPC	$ 153,466	100	$ 165,455	100

I. Accounts receivable

	31st December			
	2011		2010	
	Amount	% of accounts receivable	Amount	% of accounts receivable
TFE	$ 35,118	8	$ 35,154	5
YCPS	19,511	4	43,409	6
FB	15,045	4	34,101	5
OTC	10,304	3	33,700	5
KGI	5,780	1	10,987	2
Others	6,474	1	13,654	2
	$ 92,232	21	$ 171,005	25

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

6.PLEDGED ASSETS

As of December 31, 2011 and 2010, the carrying amounts of TWCA's pledged assets were as follows:

		31st December	
Assets	Purpose	2011	2010
Time deposit	Provisional seizure guarantees	$ 1,965	$ 1,475

7. COMMITMENTS

1) As of 31st December 2011, the Company leased certain offices. The total future minimum lease payments under these operating lease agreements were as follows:

Year	Amount
2012	$ 191,438
2013	180,185
2014	172,155
2015	162,719
2016	161,967
2017～2020 (The present value of $587,127) (Note)	637,081
	$ 1,505,545

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 (1.1%).

2) As of 31st December 2011, future payments required for the contracts in relation to the acquisitions of computer equipment and information system amounted to $304,267.

3) As of 31st December 2011, TDCC was under renewable operating lease contracts with other companies. The total future minimum lease payments under these operating lease agreements were as follows:

Year	Amount
2012	$ 72,547
2013	67,006
	$ 139,553

4) As of 31st December 2011, TWCA was under renewable operating lease contracts with other companies. The total future minimum lease payments under these operating lease agreements were as follows:

Year	Amount
2012	$ 8,125
2013	1,644
2014	348
2015	348
2016	174
	$ 10,639

5) As of 31st December 2011, TDCC has custody of stocks, beneficiary certificates, warrants and convertible bonds with aggregate par value of about $11,119,541,138, domestic bonds with aggregate par value of about $2,152,820,557, international bonds with aggregate par value of about $9,637,064, short-term transactions instruments with aggregate par value of about US$390,000 and short-term bills with aggregate par value of about $823,004,599.

8. SIGNIGICANT SUBSEQUENT EVENT

Regarding the matters about return and additional payment of Securities Settlement Fund for 2012, please refer to Note 4(8).

9. OTHERS

1) The fair values of the financial instruments

	31st December 2011		
		Fair value	
	Book 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	$ 33,862,646	$ -	$ 33,862,646
Financial assets at fair value through profit or loss	1,526,631	1,526,631	-
Available-for-sale financial assets	1,917,096	1,917,096	-
Held-to-maturity financial assets	23,819,351	15,377,997	8,788,596
Financial assets carried at cost	951,652	-	-
Liabilities			
Financial liabilities with book value equal to fair value	23,230,507	-	23,230,507

	31st December 2010		
		Fair value	
	Book 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	$ 47,928,534	$ -	$ 47,928,534
Financial assets at fair value through profit or loss	1,540,401	1,540,401	-
Available-for-sale financial assets	5,075,990	5,075,990	-
Held-to-maturity financial assets	24,227,161	16,229,537	8,356,449
Financial assets carried at cost	951,652	-	-
Liabilities			
Financial liabilities with book value equal to fair value	42,141,075	-	42,141,075

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 receivable and the current liability accounts, excluding income tax payable and other current liabilities.

B. For financial assets at fair value through profit or loss, fair value is best determined at quoted market prices. If quoted market prices are not available, fair values are based on estimates using indirect data and appropriate valuation methodologies. The valuation techniques incorporate estimates and assumptions that are consistent with prevailing market conditions.

C. For available-for-sale instruments, the market value is regarded as the fair value.

D. For held-to-maturity instruments, the quoted price is regarded as the fair value, if it is readily and regularly available from an active market. If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique.

2) As of 31st December 2011 and 2010, the financial assets with cash flow risk due to the change of interest amounted to $8,044,885 and $36,184,289, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to $21,816,597 and $40,722,402, respectively.

3) For the years ended 31st December 2011 and 2010, total interest income for financial assets and financial liabilities that are not at fair value through profit or loss amounted to $741,037 and $668,554, respectively. Total interest expense for financial assets and financial liabilities that are not at fair value through profit or loss amounted to $13,093 and $69,114, respectively. For available-for-sale financial assets, the amount of unrealized loss recognized directly in equity in 2011 was $201,780, and unrealized gain recognized directly in equity in 2010 was $49,966.

4) Procedure of financial risk control

A. The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

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

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

5) Information of material financial risk

A. Market risk

(1) Exchange rate risk

The Group has operations involving several non-functional currencies that are influenced by exchange rate fluctuations. The Group's foreign-denominated assets and liabilities that are significantly affected by exchange rate fluctuations are as follows (expressed in thousands of dollars):

	31st December 2011			31st December 2010		
	Foreign currency	Rate	NT amount	Foreign currency	Rate	NT amount
Financial assets						
Currency						
USD	$684,743	30.28	$20,734,018	$467,666	29.13	$13,623,111
Financial liabilities						
Currency						
USD	$675,603	30.28	$20,457,259	$465,867	29.13	$13,570,706

(2) Price risk

(a) The Group invests in 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) The fair value of the bond funds TDCC invested in will fluctuate with the changes in the funds' net asset values. Bonds and securities, which have fixed interest rates, amounted to $5,805,694 and $6,211,752 as of 31st December 2011 and 2010, respectively. Their fair values will fluctuate with the changes in market interest rates. However, TDCC classified the bonds as held-to-maturity financial assets, which gain interest throughout their maturity period and will not generate gains or losses from fair value fluctuations. The future cash flow on floating-interest-rate instruments, with fair values that will fluctuate with the changes in market interest rates but with no market risk, both amounted to $400,000 as of 31st December 2011 and 2010.

B. Credit risk

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

b) TDCC is exposed to credit risk from counterparties' default on contracts. The related maximum potential loss is the carrying value of the assets as of the balance sheet date.

C. Liquidity risk

a) The Group invests in financial securities, which are traded in active markets and can be readily converted into certain amount of cash that approximate their fair values. The liquidity risk exposure is low.

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

c) The bonds and bond funds TDCC invested in have an active market and, except for held-to-maturity financial assets, are expected to be easily sold at prices approximating their fair value. The liquidity risk is low.

D. Cash flow interest rate risk

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

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

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

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

SHEET 1

BALANCE SHEET
31st DECEMBER 2011 and 2010
(In Thousands of New Taiwan Dollars)

ASSETS	31st December 2011 Amount	%	31st December 2010 Amount	%
CURRENT ASSETS				
Cash	$ 2,520	-	$ 2,780	-
Notes and accounts receivable	55,479	8	50,060	7
Other current assets	13,808	2	10,633	2
Total current assets	71,807	10	63,473	9
PROPERTIES				
Cost				
Computers	152,756	21	154,064	23
Miscellaneous equipment	6,425	1	6,297	1
Leasehold improvements	542	-	543	-
Total cost	159,723	22	160,904	24
Less - accumulated depreciation				
Computers	146,827	20	142,772	21
Miscellaneous equipment	5,178	1	4,714	1
Leasehold improvements	480	-	444	-
Total accumulated depreciation	152,485	21	147,930	22
Net properties	7,238	1	12,974	2
OTHER ASSETS				
Refundable deposits	93,958	13	93,462	14
Deferred charges	486	-	3,873	-
Others	552,494	76	508,884	75
Total other assets	646,938	89	606,219	89
TOTAL ASSETS	$ 725,983	100	$ 682,666	100

LIABILITIES AND STOCKHOLDERS' EQUITY	31st December 2011 Amount	%	31st December 2010 Amount	%
CURRENT LIABILITIES				
Accrued expenses	$ 57,545	8	$ 51,183	7
Income tax payable	5,298	1	5,262	3
Other current liabilities	18,080	2	20,660	1
Total liabilities	80,923	11	77,105	11
STOCKHOLDERS' EQUITY				
Appropriated working capital	500,000	69	500,000	73
Retained earnings	145,060	20	105,561	16
Total stockholders' equity	645,060	89	605,561	89
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 725,983	100	$ 682,666	100

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

STATEMENT OF INCOME
FOR THE YEARS ENDED 31st DECEMBER 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011 Amount	2011 %	2010 Amount	2010 %
OPERATING REVENUES				
Bills clearing and settlement	$ 361,641	96	$ 348,117	95
Others	15,922	4	17,593	5
Total operating revenues	377,563	100	365,710	100
OPERATING EXPENSES				
Personnel	(121,126)	(32)	(106,091)	(29)
General and administrative	(87,678)	(23)	(140,608)	(38)
Total operating expenses	(208,804)	(55)	(246,699)	(67)
OPERATING REVENUES AND GAINS	168,759	45	119,011	33
NON-OPERATING REVENUES				
Interest income	6,057	1	8,167	2
Other income	10	-	4	-
Total non-operating revenues	6,067	1	8,171	2
NON-OPERATING EXPENSES				
Other expenses	(55)	-	-	-
INCOME BEFORE INCOME TAX	174,771	46	127,182	35
INCOME TAX EXPENSE	(29,711)	(8)	(21,621)	(6)
NET INCOME	$ 145,060	38	$ 105,561	29

10. ADDITIONAL DISCLOSURES

A. Related information of significant transactions

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

a) Lending to others: None.

b) Endorsements and guarantees for others: None.

c) Marketable Securities at 31st December 2011:

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

Investor	Name of the securities	Units/Shares (in thousand)	Rate	Book value	Market value or net worth per share (in dollars)	Total amount	Amount of securities pledged
	Financial assets held for trading						
TDCC	Hua Nan QiLin Bond Fund	34,553	-	$ 400,071	$ 11.0000	$ 400,071	None
"	Mega Diamond Bond Fund	33,155	-	400,023	12.0651	400,023	"
"	NITC Bond Fund	2,325	-	399,997	11.5785	399,997	"
"	Yuanta Wan Tai Bond Fund	17,113	-	249,947	14.6061	249,947	"
"	Fubon Chi-Hsiang Fund	2,809	-	42,538	15.1437	42,538	"
TWCA	UPAMC James Bond Fund	436	-	7,000	16.1184	7,027	"
"	Fuh-Hwa Bond Fund	1,937	-	27,000	13.9521	27,028	"
			-	1,526,576		$ 1,526,631	
	Valuation adjustment			55			
	Total			$ 1,526,631			

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

Investor	Name of the securities	Due Date	Units/Shares (in thousand)	Rate	Book value	Market value or net worth per share (in dollars)	Total amount	Amount of securities pledged
	Beneficiary Certificates							
TSEC	SinoPac Balance Fund	-	3,201	-	$ 82,623	$ 22.6200	$ 72,411	None
"	SinoPac Balance 2 Fund	-	3,158	-	84,929	23.3300	73,685	"
"	PCA Balanced	-	2,615	-	50,841	16.3100	42,655	"
"	JF (Taiwan) Balanced Fund	-	3,090	-	66,642	20.3800	62,966	"
"	JF (Taiwan) Micro Fund	-	2,220	-	45,207	15.6200	34,682	"
"	UPAMC quality Growth Fund	-	15,504	-	305,592	16.8500	261,248	"
"	Franklin Templeton Sino Am First Fund	-	1,929	-	48,322	20.7400	40,008	"
"	Fubon Aggressive Growth Fund	-	3,342	-	60,000	13.7800	46,049	"
"	Polaris TAIEX Index Fund	-	5,485	-	76,000	12.9200	70,848	"
"	Polaris PMAX ETF Private Equity Fund	-	25,000	-	233,250	8.1700	204,250	"
"	Fubon Taiwan Strategy I ETF Private Equity Fund	-	48,454	-	537,620	10.2700	497,618	"
"	Fubon Strategy II	-	5,000	-	50,000	10.0600	50,300	"
"	ING Global Luxury Brands Fund	-	4,752	-	80,000	15.0800	71,654	"
"	Fuh Hwa Global Thematic Fund	-	4,038	-	50,000	10.3600	41,834	"
"	SinoPac Luxury and Lifestyle Fund	-	4,563	-	50,000	9.8600	44,987	"
"	Mega Diamond Fund	-	25,023	-	297,850	12.0700	301,901	"
					2,118,876		$ 1,917,096	
	Valuation adjustment				(201,780)			
	Total				$ 1,917,096			

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

Investor	Name of the Securities	Due Date	Face value	Rate	Book value	Amount of securities pledged
	Financial bonds					
TSEC	China Development Industrial Bank 96-1 Financial Bond	2012.02.05	$ 300,000	2.50%	$ 299,890	None
〃	Bank of Communications 94 19th- 21st Subordinate Classes Financial Bond- D	2012.05.23	200,000	2.07%	199,963	〃
〃	E.Sun 94 1st-3rd Subordinate Classes Financial Bond	2012.10.19	150,000	2.73%	150,000	〃
TDCC	95 First Bank 2A	2012.01.27	50,000	2.45%	50,009	〃
〃					699,862	
	Corporate bonds					
TSEC	Taiwan Power 98-2 secured A	2012.08.28	600,000	0.97%	599,224	None
〃	Taiwan Power 98-3 secured A	2012.10.21	300,000	0.85%	299,171	〃
〃	E.SUN Financial Holding Co., Ltd. 94 1st Subordinate Classes Corporate Bond	2012.12.15	300,000	1.74% (Note A)	300,000	〃
TDCC	Taipower 94 3C02 Corporate Bond	2012.12.02	200,000	2.19%	200,000	〃
〃	Taipower 98 2A Corporate Bond	2012.08.28	300,000	0.97%	300,000	〃
〃	Taipower 98 3A Corporate Bond	2012.10.21	300,000	0.85%	300,000	〃
					1,998,395	
	Government bonds					
TDCC	86 Jiao Jian Jia 10 Bond	2012.01.21	100,000	6.90%	100,183	None
	Beneficiary securities					
TSEC	Shin Kong Life Insurance REAT No.3	2012.02.08	80,472	2.21%	80,472	None
〃	Shin Kong Life Tun Nan Building CMBS	2012.06.22	121,522	2.40%	121,522	〃
TDCC	Shin Kong Life Tun Nan building CMB Securtities A	2012.06.22	38,448	2.40%	36,454	〃
〃	Shin Kong Life Tun Nan building CMB Securtities B	2012.06.22	10,000	2.68%	10,000	〃
					248,448	
	Total held-to-maturity financial assets-current				$ 3,046,888	

Note A：Based on the one-year time deposit floating rate of Directorate General of Postal Remittances and Savings Bank plus 0.4%.

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

Investor	Name of the securities	Due date	Face value	Rate		Book value	Amount of securities pledged
	Financial bonds						
TSEC	China Development Industrial Bank 94-2 Bank Debenture	2013.05.17	$ 700,000	2.00%		$ 693,105	None
〃	Taipei Fubon Subordinated Bank Debentures 96-1	2013.06.28	200,000	2.90%		200,000	〃
〃	Bank SinoPac 97-1 Subordinate Classes Financial Bond	2013.09.17	200,000	3.05%		200,000	〃
〃	HSBC Bank (Taiwan) Limited 1st Financial Debenture - E Issue in 2011	2014.03.10	300,000	1.23%		300,000	〃
〃	E.Sun Bank 98-2 Subordinate Classes Financial Bond	2014.09.05	300,000	2.15%		300,000	〃
〃	Taiwan Agribank 98-1 Subordinate Classes Financial Bond	2014.11.08	200,000	2.30%		200,000	〃
〃	Tcb-Bank 2009 2nd Subordinate Financial Bond	2015.03.28	400,000	2.10%		400,000	〃
〃	Chinatrust 97-3 Subordinate Classes Financial Bond	2015.04.25	200,000	3.10%		200,000	〃
〃	First Bank stripped Subordinate Classes Financial Bond	2015.06.23	300,000	3.10%		301,386	〃
〃	E.Sun Bank 97-1 Subordinate Classes Financial Bond	2015.10.24	300,000	3.15%		300,000	〃
〃	Mega International 97-9 Subordinate Classes Financial Bond	2015.12.23	300,000	3.00%		300,000	〃
〃	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	〃
〃	E.Sun Bank 98-3 Subordinate Classes Financial Bond	2016.04.03	300,000	2.50%		300,000	〃
〃	Bank SinoPac 98-1 Subordinate Classes Financial Bond	2016.04.29	200,000	2.80%		200,000	〃
〃	Standard Chartered Bank Taiwan Limited 1st Financial Debenture-D Issue in 2011	2016.05.19	200,000	1.45%		200,000	〃
〃	Shin Kong 95-1 Subordinate Classes Financial Bond-B	2016.11.13	200,000	2.72%		201,944	〃
〃	Taipei Fubon Subordinated Bank Debentures 98-2	2016.12.22	300,000	2.20%		300,000	〃
〃	E.Sun Bank 99-1 Subordinate Classes Financial Bond	2017.05.28	400,000	2.20%		400,000	〃
〃	Taishin Bank 2005 4th Subordinate Classes Financial Bond	2017.06.06	130,000	2.70%	Note A	130,000	〃
〃	Taishin Bank 2005 4th Subordinate Classes Financial Bond	2017.06.06	100,000	1.68%	Note B	100,000	〃
〃	Bank SinoPac 97-3 Subordinate Classes Financial Bond	2014.09.09	100,000	1.81%	Note C	100,000	〃
〃	Tcb-Bank 2006 1st Subordinate Class A Financial Bond	2013.04.24	237,000	1.59%	Note D	237,000	〃
〃	Tcb-Bank 2007 2nd Subordinate Class A Financial Bond	2014.09.28	200,000	1.20%	Note E	200,000	〃
〃	Yuanta Unsecured Subordinated Bank Debentures 99-1	2017.06.10	300,000	2.30%		300,000	〃
〃	First Bank stripped 99-2 Subordinate Classes Financial Bond	2017.09.28	200,000	1.50%		200,000	〃
〃	Bank SinoPac 99-1 Subordinate Classes Financial Bond	2017.12.09.	500,000	1.80%		500,000	〃
〃	Land Bank 99-2 Subordinate Classes Financial Bond	2017.12.15	500,000	1.53%		500,000	〃
〃	Mega International 99-1 Subordinate Classes Financial Bond	2017.12.24	500,000	1.53%		500,000	〃
〃	SinoPac Bank 100-1 Subordinate Financial Debentures-A	2018.03.11	200,000	1.92%		200,000	〃
〃	E.Sun Bank 100-1 Subordinate Classes Financial Bond	2018.05.24	100,000	1.73%		100,000	〃
〃	Yuanta Subordinated Bank Debentures 100-1	2018.06.27	200,000	1.75%		200,000	〃
〃	Tcb-Bank 100-2 Subordinate Financial Debentures-B	2018.07.28	100,000	1.70%		100,000	〃
〃	Taipei Fubon Subordinated Bank Bond 100-2	2018.08.05	200,000	1.70%		200,000	〃
〃	SinoPac Bank 100-2 Subordinate Financial Debentures-A	2018.08.18	150,000	1.95%		150,000	〃
〃	Yuanta Subordinated Bank Debentures 100-2	2018.08.22	150,000	1.85%		150,000	〃
〃	E.Sun Bank 100-2 Subordinate Classes Financial Bond	2018.10.28	100,000	1.80%		100,000	〃
〃	SinoPac Bank 100-3 Subordinate Financial Debentures-A	2018.11.04	200,000	1.85%		200,000	〃
〃	Standard Chartered 2009-1 Subordinate Classes Financial Bond	2019.10.28	100,000	2.90%	Note F	100,000	〃
〃	Hua Nan Bank 2007 3rd Subordinate Classes Financial Bond	2014.09.20	200,000	1.21%	Note G	200,000	〃
〃	Hua Nan Bank 99-1 Subordinate Classes Financial Bond	2020.11.23	500,000	1.65%		500,000	〃
TDCC	Taiwan Cooperative Bank 95 1A	2013.04.24	300,000	Note H		300,000	〃
〃	95 E Sun 1B	2013.08.24	350,000	2.60%		351,918	〃
〃	95 Land Bank of Taiwan 2	2014.06.26	100,000	Note I		100,000	〃
〃	96 Taipei Fubon Bank 1	2013.06.28	100,000	2.90%		100,000	〃

(continued)

Investor	Name of the securities	Due date	Face value	Rate		Book value	Amount of securities pledged
			(continued)				
TDCC	97 Taipei Fubon Bank 1	2014.01.31	$ 100,000	3.05%		$ 100,000	None
"	97 Taichi 1B	2013.09.13	100,000	3.10%		100,000	"
"	97 Taipei Fubon Bank 3	2015.05.30	200,000	3.09%		200,000	"
"	97 Cathay United Bank 1A	2015.09.19	100,000	2.95%		100,000	"
"	97 First Bank 2	2015.10.21	200,000	3.02%		200,000	"
"	98 Chang Hwa Bank	2016.09.15	200,000	2.30%		207,215	"
"	100 Taipei Fubon Bank 3	2018.12.01	200,000	1.65%		200,000	"
"	100 Land Bank of Taiwan 2	2018.12.29	200,000	1.60%		200,000	"
						12,622,568	"
	Corporate bonds						
TSEC	Mega International 99 Unsecured 1	2013.02.04	200,000	1.45%		200,000	None
"	Huanan Bank Subordinate Classes Corporate Bond(95-1)	2013.06.29	150,000	2.85%		151,375	"
"	Taiwan Power 95-3 Secured B	2013.11.15	400,000	2.20%		405,799	"
"	Formosa Chemical & Fibre Corporation 2008-2 Unsecured	2013.12.08	300,000	2.62%		303,376	"
"	CPC Corporation , Taiwan97-1 Unsecured A	2013.12.12	400,000	2.40%		407,613	"
"	Taiwan Power 97-8 secured A	2013.12.30	80,000	2.15%		81,557	"
"	Taiwan Power 98-2 secured B	2014.08.31	300,000	1.43%		300,682	"
"	Taiwan Power 98-3 secured B	2014.10.21	300,000	1.34%		299,996	"
"	CPC Corporation, Taiwan 98-1 Secured A	2014.12.02	300,000	1.20%		298,562	"
"	E.SUN Financial Holding Co., Ltd. 96 1st Unsecured Corporate Bond	2014.12.13	200,000	1.46%	Note J	200,000	"
"	Fubon bank 98-2 Unsecured corporate Bond A	2015.01.28	100,000	1.70%		100,440	"
"	China Development Financial Holding Co., Ltd.98-1 Unsecured A	2015.03.01	200,000	1.80%		200,000	"
"	Shin Kong Bank 97-2 Unsecured Subordinate Classes Corparate Bond A	2015.09.29	300,000	3.65%		310,851	"
"	Cathay Financial Holdings 97 Unsecured Subordinate Classes Corporate Bond	2015.12.24	300,000	3.10%		300,000	"
"	Mega International 97-2 Unsecured Corporate Bond	2015.12.26	600,000	3.26%		620,784	"
"	Cathay Financial Holdings 98-1 Unsecured Subordinate Classes Corporate Bond	2016.10.08	300,000	2.65%		300,000	"
"	Taiwan Power 99-4 secured B	2017.08.20	300,000	1.64%		303,841	"
"	CPC Corporation, Taiwan 99-1 Secured B	2017.11.01	100,000	1.29%		100,000	"
"	CPC Corporation, Taiwan 97-1 Unsecured C	2018.12.16	100,000	2.65%		107,690	"
TDCC	Taipower 95 3B Corporate Bond	2013.11.15	200,000	2.20%		200,106	"
"	CPC Corporation, Taiwan 95 1st class B bond	2013.11.28	200,000	2.16%		198,279	"
"	CPC Corpotation, Taiwan 97 1st class A bond	2018.12.12	200,000	2.40%		200,000	"
"	Taipower 99 2A Corporate Bond	2015.06.01	100,000	1.38%		100,396	"
"	Taipower 99 4A Corporate Bond	2015.08.20	200,000	1.37%		200,425	"
"	CPC Corpotation, Taiwan 100 1st class A bond	2016.09.19	200,000	1.40%		200,000	"
"	Taipower 100 5A Corporate Bond	2016.11.17	200,000	1.30%		200,000	"
						6,294,772	

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

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

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

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

Note E：Based on 90-day commercial paper interest rate plus 3.40%.

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

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

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

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

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

Investor	Name of the securities	Due date	Face value	Rate	Book value	Amount of securities pledged
	Government bonds					
TDCC	93 Jia 4 Bond	2014.03.04	50,000	2.38%	$ 49,375	None
〃	90 Jia 7 Bond	2016.10.19	100,000	3.50%	102,573	〃
〃	93 Taipei Construction Bond	2014.03.16	200,000	2.85%	200,000	〃
〃	92 Jia 10 Bond	2013.12.05	50,000	2.88%	50,185	〃
〃	89 Jia 7 Bond	2020.01.18	100,000	6.25%	121,608	〃
〃	92 Jia 7 Bond	2013.09.19	50,000	2.75%	49,985	〃
〃	92 Jia 4 Bond	2013.03.07	150,000	1.88%	148,597	〃
〃	88 Yi 1 Bond	2019.04.23	100,000	5.88%	116,715	〃
〃	89 Jia 4 Bond	2014.10.15	200,000	6.13%	214,994	〃
〃	90 Jia 3 Bond	2016.03.06	100,000	4.63%	105,964	〃
〃	90 Jia 6 Bond	2016.08.07	150,000	3.75%	154,558	〃
〃	92 Jia 3 Bond	2023.02.18	250,000	2.50%	235,501	〃
〃	92 Jia 1 Bond	2013.01.16	200,000	2.38%	200,654	〃
					1,750,709	
	Assets securitization- short-term notes and bills					
TSEC	Hua Nan Bank ABCP	2013.02.13	-	2.25%	104,414	None
	Total held-to-maturity financial assets-noncurrent				$ 20,722,463	

(5)Financial assets carried at cost-noncurrent

Investor	Name of the securities	Nature of securities	Units/Shares (in thousand)	Book value	Amount of securities pledged
TSEC	Taiwan International Futures Exchange Corporation	Stock	13,590	$ 100,000	None
〃	Taipei Financial Center Corporation	〃	83,853	838,528	〃
TDCC	Taiwan International Futures Exchange Corporation	〃	17,666	130,000	〃
				1,068,528	
	Accumulated Impairment			(116,876)	
	Total held-to-maturity financial assets-noncurrent			$ 951,652	

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.

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

Investor	Name of the securities	Nature of securities	Relationship with the Company	Units/Shares (in thousand)	Book value	Shares held by the Company	Market value or net value of the stock rights	Amount of securities pledged
TSEC	Taiwan Ratings Co.	Stock	The investee company accounted for under the equity method	1,399	$ 28,222	19.99%	$ 28,222	None
TDCC	〃	〃	〃	1,330	26,822	19.00%	26,822	〃
TWCA	〃	〃	〃	1	4	0.01%	-	〃
					$ 55,048			

(7)Operations guarantee deposits

Name of the securities	Due date	Face value	Rate		Book value
Taishin Bank 94 4th subordinate Classes Financial Bond	2017.06.06	$ 100,000	2.70%	Note A	$ 100,000
Taishin Bank 94 4th subordinate Classes Financial Bond	2017.06.06	200,000	1.68%	Note B	200,000
					$ 300,000

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

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

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 2011:

Investor	Name of the securities	Counter party	Balance as at 1st January 2010: Number of shares (in thousands)	Balance as at 1st January 2010: Amount	Addition: Number of shares (in thousands)	Addition: Amount	Disposals: Number of shares (in thousand)	Disposals: Sales price	Disposals: Book value	Disposals: Gain (loss) from disposal	Balance as at 31st December 2011: Number of shares (in thousands)	Balance as at 31st December 2011: Market value	Note
	Available-for-sale financial assets-current	-											
TSEC	Taishin 1699 Money Market Fund	-	46,555	$ 600,000	54,080	$ 700,000	100,635	$ 1,302,699	$ 1,300,000	$ 2,699	-	$ -	
〃	Yuanta Wan Tai Bond Fund	-	34,562	500,000	-	-	34,562	501,690	500,000	1,690	-	-	
〃	Allianz Global Investors Taiwan Money Market	-	25,041	300,000	-	-	25,041	300,889	300,000	899	-	-	
〃	Fubon Aggressive Growth Fund	-	-	-	6,684	106,049	3,342	46,049	60,000	(13,951)	3,342	46,049	
〃	Prudential Financial Bond Fund	-	13,217	200,000	-	-	13,217	200,632	200,000	632	-	-	
〃	Grand Cathay Bond Fund	-	7,500	100,000	22,423	300,000	29,923	400,427	400,000	427	-	-	
〃	PineBridge Taiwan Bond Fund	-	7,594	100,000	-	-	7,594	100,305	100,000	305	-	-	
〃	PCA Well Pool Fund	-	38,519	500,000	-	-	38,519	501,799	500,000	1,799	-	-	
〃	NITC Taiwan Bond Fund	-	9,630	140,000	34,136	500,000	43,766	641,163	640,000	1,163	-	-	
〃	Shinkong Chi-Shin Fund	-	6,753	100,000	-	-	6,753	100,348	100,000	348	-	-	
〃	JF (Taiwan) Bound Fund	-	38,042	600,000	-	-	38,042	601,942	600,000	1,942	-	-	
〃	UPAMC Quality Growth	-	2,796	50,000	31,009	566,841	18,300	316,841	355,593	(38,752)	15,505	261,248	
〃	Fubon Taiwan Strategy 1 ETF Private Equity Fund	-	39,461	400,000	96,908	1,035,238	87,915	935,238	937,620	(2,382)	48,454	497,618	
〃	JP(Taiwan)Global Focus Fund	-	17,282	145,000	-	-	17,282	120,286	145,000	(24,714)	-	-	
〃	Mega Diamond Money Market Fund	-	33,409	397,850	-	-	8,386	100,535	100,000	535	25,023	301,901	Note A
〃	Jih Sun Bond Fund	-	-	-	35,287	500,000	35,287	500,120	500,000	120	-	-	
〃	SinoPac Balance Fund	-	3,201	81,919	6,402	155,034	6,402	155,034	164,542	(9,508)	3,201	72,411	
〃	SinoPac Balance 2 Fund	-	3,158	82,245	6,316	158,614	6,316	158,614	167,174	(8,560)	3,158	73,685	
〃	PCA Balanced	-	2,615	51,076	5,230	93,496	5,230	93,496	101,917	(8,421)	2,615	42,655	
〃	JF (Taiwan) Balanced Fund	-	3,090	65,190	6,180	129,608	6,180	129,608	131,832	(2,224)	3,090	62,966	
〃	Polaris TAIEX Index Fund	-	-	-	10,970	146,848	5,485	70,848	76,000	(5,152)	5,485	70,848	
〃	Polaris PMAX EFT Privite Fund	-	25,000	250,000	50,000	437,500	50,000	437,500	483,250	(45,750)	25,000	204,250	
〃	ING Global Luxury Brands Fund	-	-	-	9,504	151,654	4,752	71,654	80,000	(8,346)	4,752	71,654	
	Held-to-maturity financial asset-noncurrent												
TSEC	HSBC Bank (Taiwan) Limited 1st Financial Debenture - E	-	-	$ -	300,000	$ 300,000	-	-	-	-	300,000	$ 300,000	
〃	SinoPac Bank 100-1 Subordinate Financial Debentures-A	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	Standard Chartered Bank Taiwan Limited 1st Financial Debenture-D Issue in 2011	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	E.Sun Bank 100-1Subordinate Classes Financial Bond	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	
〃	Yuanta Subordinated Bank Debentures 100-1	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	Tcb-Bank 100-2 Subordinate Financial Debentures-B	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	
〃	Taipei Fubon Subordinated Bank Bond 100-2	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	SinoPac Bank 100-2Subordinate Financial Debentures-A	-	-	-	150,000	150,000	-	-	-	-	150,000	150,000	
〃	Yuanta Subordinated Bank Debentures 100-2	-	-	-	150,000	150,000	-	-	-	-	150,000	150,000	
〃	E.Sun Bank 100-2 Subordinate Classes Financial Bond	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	
〃	SinoPac Bank 100-3ubordinate Financial Debentures-A	-	-	-	200,000	199,999	-	-	-	-	200,000	199,999	

Note A: 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 2011:

Property acquired by	Property acquired	Date of transaction	Transaction amount (in thousands)	Status of payment	Counterparty	Relationship with the Company	Basis or reference used in setting the price	Reason for acquisition of properties and status of the properties	Other commitments
TSEC	Land	March 2011	$648,176 (Note A)	100% (Note B)	Chunghwa Telecom Co., Ltd.	None	Appraisement report	Location for building a computer center	None

Note A: Including charges and stamp tax of $459.

Note B: The title to the land had been transferred to TSEC. Development of the computer center is under planning.

f) Disposal of real estate properties exceeding $100 million or 20% of the Company's paid-in capital during the year ended 31st December 2011: 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 2011: None

h) Derivative financial instruments undertaken during the year ended 31st December 2011: None

B. Related information of investee companies for the year ended 31st December 2011

				Initial investment amount		Holding Status					
Investor	Investee	Address	Major operating activities	At the end of this period	At the end of last period	No. of shares (in thousand)	Ownership (%)	Book value	Net income (loss) of the investee	Investment income (loss) recognized by the Company	Note
TSEC	Taiwan Ratings Co.	49F., No.7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	$ 15,045	$ 15,045	1,399	19.99%	$ 28,222	$ 43,122	$ 8,624	-
TDCC	〃	〃	〃	13,300	13,300	1,330	19.00%	26,822	43,122	8,194	-
TWCA	〃	〃	〃	4	10	1	0.01%	4	43,122	-	-

11. DSICLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective 1st January 2013, the Company should prepare financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), and relevant interpretations and interpretative bulletins that are ratified by the Financial Supervisory Commission.

The Company discloses the following information prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated 2nd February 2010:

A. Major contents and status of execution of the Company's plan for IFRSs adoption:

The Company should start to prepare IFRSs financial statements from 1st January 2013 in accordance with the "Roadmaps for the adoption of IFRSs by ROC enterprises" stipulated by the Financial Supervisory Commission on 14th May 2009. To smoothly complete the transition to IFRSs, the Company set up a plan for IFRSs adoption, which had been approved by the Board of Directors in November, 2009. The major contents and status of execution of this plan are outlined below:

Content of Planning	Current Status
Pre-work (July 2009 - March 2010):	
1. Preliminary identification of the differences in accounting standards and their effects	Completed
2. Draw up a preliminary plan relative to the Company's transition to IFRSs and its timetable, and report to the Board of Directors	Completed
3. Collect relevant data and assess their possible effects	Completed
Phase 1- Analyzing and planning (October 2009 - December 2011):	
1. Analyze the differences between the Company's current accounting policies and IFRSs	Completed
2. Confirm any changes in associates accounted for under the equity method	Completed
3. Communicate with the independent accountants of the Company on the recognition principles under the IFRSs	Completed
4. Unify accounting policies of the Company, associates and subsidiaries	Completed
5. Evaluate resources and budget required for the transition to IFRSs	Completed

Content of Planning	Current Status
Phase 2- Designing and implementing (October 2009 - March 2012):	
1. Identify the degree of effect and plan out the solutions	Completed
2. Fixed assets transition work	Completed
3. Determine IFRSs accounting policies	Completed
4. Confirm the first-time adoption of IFRSs accounting policies and select exemptions available	Completed
5. Adjust financial reporting process and relevant information system	Completed
6. Establish the Company's own IFRSs financial report template	Completed
7. Conduct new information system simulation tests and identify any adjustments required	In active progress
8. Summarize IFRSs information required and make proper disclosures in the financial statements	In active progress
Phase 3- Adoption (January 2012- June 2013)	
1. Prepare the beginning balance sheets in accordance with IFRS 1 (on the date of transition to IFRSs)	In active progress
2. Prepare first IFRSs financial statements	In active progress
3. Examine the IFRSs financial statements preparation process and make improvements	In active progress
4. Amending accounting policies	In active progress
Phase 4- Adjustment and improvement (January 2012- June 2013) Continue analysis of IFRSs adoption process and improvements	

B. Material differences that may arise between current accounting policies used in the preparation of financial statements and IFRSs and "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" that will be used in the preparation of financial statements in the future:

The Company uses the IFRSs already ratified by the Financial Supervisory Commission and the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" that will be applied in 2013 as the basis for evaluation of material differences in accounting policies as mentioned above. However, the Company's current evaluation results may be different from the actual differences that may arise when new issuances of or amendments to IFRSs, IASs or relevant interpretations/bulletins are subsequently ratified by the Financial Supervisory Commission or amendments to the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" in the future.

Material differences identified by the Company that may arise between current accounting policies used in the preparation of financial statements and IFRSs and "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" that will be used in the preparation of financial statements in the future are set forth below:

1. Time deposits held in the period of three months to one year

   The Group's current "Cash" account includes time deposits held in the period of three months to one year. In the future, cash will include cash on hand and demand deposits, but exclude time deposits. In accordance with IAS 7, "Statement of Cash Flows", the purpose of holding a cash equivalent is to meet short-term cash commitments, and not for investments or other reasons. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition.

2. Financial assets: equity instruments

   In accordance with the amended "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges", dated 7th July 2011, unlisted stocks and emerging stocks held by the Company should be measured at cost and recognized in "Financial assets carried at cost". However, in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", investments in equity instruments without an active market but with reliable fair value measurement (i.e. the variability of the estimation interval of reasonable fair values of such equity instruments is insignificant, or the probability for these estimates can be made reliably) should be measured at fair value.

3. Investment property

   In accordance with current accounting standards in the R.O.C., the Company's property that is leased to others is presented in 'Other assets' account. In accordance with IAS 40, "Investment Property", property that meets the definition of investment property is classified and accounted for as 'Investment property'.

4. Pensions

Pursuant to the interpretation of Ministry of Economic Affairs, ROC SFAS No.18,

"Accounting for Pensions" does not apply to the Company and its subsidiaries as they are not public companies and are not required to calculate pension cost in accordance with ROC SFAS No.18. However, IFRSs do not specify that non-public companies are exempted from the application of IAS 19, "Employee Benefits". Therefore, if unrecognized transitional net benefit obligation is greater than the liability as at the same day that should be recognized in accordance with the previous accounting policies, the increased liability should be recognized as a component of defined benefit liability in accordance with IAS 19, "Employee Benefits".

5. Employee benefits

The current accounting standards in the R.O.C. do not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognizes such costs as expenses upon actual payment. However, IAS 19, "Employee Benefits", requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

6. Income taxes

In accordance with current accounting standards in the R.O.C., when evidence shows that part or whole of the deferred tax asset with 50% probability or above will not be realized, an entity should reduce the amount of deferred tax asset by adjusting the valuation allowance account. In accordance with IAS 12, "Income Taxes", a deferred tax asset should be recognized if, and only if, it is considered highly probable that it will be realized.

7. Settlement consideration

Pursuant to "Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges", settlement consideration receivable or payable by securities firms should be presented in the financial statements in net amount after offsetting underlying receivables against payables. However, in accordance with IAS 32, "Financial Instruments: Presentation", settlement consideration receivable or payable by securities firms does not meet the criterion of offsetting financial assets against financial liabilities, so they should be presented separately in the financial statements in gross amount.

8. Process of Default damages fund

The Company contributes DDF in accordance with Securities and Exchange Act and relevant laws and regulations and recognizes default damages reserve under liabilities. However, paragraph 10 of IAS 37, "Provisions, Contingent Liabilities and Contingent assets", specifies that liability presents an obligation to an entity as a result of past events, and settlement of the obligation is expected to result in an outflow of resources with economic benefits from an entity. Liability reserves provided currently under laws and regulations do not meet the definition above. However, whether default damages reserve should be reclassified to other accounts is still to be decided by the Competent Authority.

9. Revaluation/ Revaluation Reserve- Land

The current accounting standards in the R.O.C. regulate that unrealized gain on land revaluation increment should be recognized under "capital reserve" and reserve for land revaluation increment tax should be presented separately in the financial statements. However, in accordance with IFRSs, unrealized gain on land revaluation increment should be reclassified to "retained earnings"; reserve for land revaluation increment tax should be reclassified to "deferred income tax liabilities".

Some of the above differences may not have a material effect on the Company in transition to IFRSs due to the exemption rules in IFRS 1, "First-time Adoption of International Financial Reporting Standards", adopted by the Company.