

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

31st DECEMBER 2011 AND 2010

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



資誠

## Report of Independent Accountants

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

We have audited the accompanying non-consolidated balance sheets of Taiwan Stock Exchange Corporation as of 31st December 2011 and 2010, and the related non-consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits. We did not audit the 2011 and 2010 financial statements of Taiwan Depository and Clearing Corporation, Taiwan-Ca. Inc. and Taiwan Ratings Corporation, investees accounted for under the equity method. These long-term equity investments amounted to NT\$7,215,265 thousand and NT\$6,600,075 thousand as of 31st December 2011 and 2010, respectively, and their related investment income amounted to NT\$813,854 thousand and NT\$827,572 thousand for the years then ended. These financial statements were audited by other auditors, whose reports thereon were furnished to us and our opinion, insofar as it relates to the amounts included in the financial statements relative to these long-term investments, is based solely on the reports of other auditors.

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

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資誠

In our opinion, based on our audits and the reports of other auditors, the non-consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Taiwan Stock Exchange Corporation as of 31st December 2011 and 2010, and the results of its operations and its 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.

A large, stylized cursive signature of "PricewaterhouseCoopers" in black ink.

27th March 2012  
Taipei, Taiwan

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

**TAIWAN STOCK EXCHANGE CORPORATION**  
**NON-CONSOLIDATED BALANCE SHEETS**  
**31st DECEMBER**  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	2011		2010			2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>Current Assets</b>					<b>Current Liabilities</b>				
Cash and cash equivalents (Note 4(1))	\$ 27,331,794	42	\$ 42,641,046	51	Payable for securities settlement service (Note 5)	\$ 36,518	-	\$ 82,660	-
Available-for-sale financial assets (Note 4(2))	1,917,096	3	5,075,990	6	Accrued expenses	828,720	1	777,231	1
Held-to-maturity financial assets (Note 4(3))	2,050,242	3	1,274,060	2	Income tax payable (Note 4(11))	133,058	-	206,672	-
Accounts receivable-net (Notes 4(5) and 5)	234,925	-	454,111	1	Securities lending and borrowing collateral payable (Note 4(13))	21,816,597	34	40,722,402	49
Interest receivable	146,789	-	148,105	-	Other current liabilities	518,840	1	516,588	1
Other receivables-net	-	-	147,398	-	Total Current Liabilities	23,333,733	36	42,305,553	51
Other current assets (Note 4(11))	5,831	-	5,946	-	<b>Other Liabilities</b>				
Total Current Assets	31,686,677	48	49,746,656	60	Default damages reserve (Note 4(6))	8,192,994	12	8,036,253	10
<b>Funds and Long-term Investments</b>					Deposits received	43,915	-	45,800	-
Held-to-maturity financial assets-noncurrent (Note 4(3))	15,563,415	24	16,341,349	20	Reserve for land value increment tax	44,599	-	44,599	-
Financial assets carried at cost-noncurrent (Note 4(4))	821,652	1	821,652	1	Total Other Liabilities	8,281,508	12	8,126,652	10
Default damages fund (Note 4(6)(7))	8,171,010	13	7,995,246	9	Securities Settlement Credit (Note 4(7))	-	-	-	-
Long-term equity investments accounted for under the equity method (Note 4(8))	7,215,265	11	6,600,075	8	Total Liabilities	31,615,241	48	50,432,205	61
Total Funds and Long-Term Investments	31,771,342	49	31,758,322	38	<b>Stockholders' Equity</b>				
<b>Property, Plant and Equipment (Note 4(9))</b>					Capital stock (Note 4(14))				
Original Cost					Common stock	5,983,213	9	5,837,281	7
Land	129,496	-	129,496	-	Capital reserve (Note 4(15))	37,682	-	37,682	-
Buildings	180,233	-	180,233	-	Retained earnings				
Computer equipment	449,942	1	1,459,305	2	Legal reserve (Note 4(16))	4,197,006	6	3,933,324	5
Other equipment	285,686	1	498,258	1	Special reserve (Note 4(16))	21,220,762	33	19,849,613	24
Appreciation - land	37,084	-	37,084	-	Unappropriated earnings (Note 4(17))	2,472,842	4	2,660,919	3
	1,082,441	2	2,304,376	3	Other adjustments to Stockholders' Equity				
Less: Accumulated depreciation	( 515,015)	( 1)	( 1,601,393)	( 2)	Unrealized gain or loss on financial instruments (Note 4(2))	( 201,780)	-	49,966	-
Construction in progress and prepayments on equipment	811,063	1	101,612	-	Total Stockholders' Equity	33,709,725	52	32,368,785	39
Total Property, Plant and Equipment	1,378,489	2	804,595	1	Commitments (Note 6)				
<b>Other Assets</b>					Significant Subsequent Event (Note 7)				
Rental assets	85,203	-	85,657	-					
Operations guarantee deposits (Note 4(10))	300,000	1	300,000	1					
Refundable deposits and miscellaneous assets (Note 4(11))	103,255	-	105,760	-					
Total Other Assets	488,458	1	491,417	1					
Securities Settlement Debit (Note 4(7))	-	-	-	-					
<b>TOTAL ASSETS</b>	<b>\$ 65,324,966</b>	<b>100</b>	<b>\$ 82,800,990</b>	<b>100</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 65,324,966</b>	<b>100</b>	<b>\$ 82,800,990</b>	<b>100</b>

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

TAIWAN STOCK EXCHANGE CORPORATION  
NON-CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED 31st DECEMBER

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

	2011		2010	
	Amount	%	Amount	%
Operating revenues				
Trading fees (Notes 4(18) and 5)	\$ 3,069,329	62	\$ 3,309,108	65
Market data fees	417,841	8	412,894	8
Listing fees	858,505	17	745,346	15
Computer and other equipment fees	82,252	2	82,658	2
Data processing fees (Note 5)	142,193	3	195,208	4
Others (Note 5)	<u>373,317</u>	<u>8</u>	<u>321,257</u>	<u>6</u>
Total Operating Revenues	<u>4,943,437</u>	<u>100</u>	<u>5,066,471</u>	<u>100</u>
Operating expenses				
Personnel (Notes 4(12)(21))	( 1,223,911)	( 25)	( 1,209,085)	( 24)
General and administrative (Notes 4(19)(21) and 5)	( 2,388,686)	( 48)	( 2,386,584)	( 47)
Total Operating Expenses	<u>( 3,612,597)</u>	<u>( 73)</u>	<u>( 3,595,669)</u>	<u>( 71)</u>
Operating income	<u>1,330,840</u>	<u>27</u>	<u>1,470,802</u>	<u>29</u>
Non-operating income				
Interest income	741,037	15	668,554	13
Equity in net income of investee companies (Note 4(8))	813,854	16	827,572	16
Gain on disposal of investments	-	-	150,932	3
Other income	<u>36,449</u>	<u>1</u>	<u>24,191</u>	<u>1</u>
Total Non-operating Income	<u>1,591,340</u>	<u>32</u>	<u>1,671,249</u>	<u>33</u>
Non-operating expenses				
Interest expense	( 13,093)	-	( 69,114)	( 1)
Loss on disposal of investments	( 19,007)	( 1)	-	-
Other expenses	( 65,918)	( 1)	( 84,621)	( 2)
Total Non-operating Expenses	<u>( 98,018)</u>	<u>( 2)</u>	<u>( 153,735)</u>	<u>( 3)</u>
Income before income tax	2,824,162	57	2,988,316	59
Income tax expense (Note 4(11))	( 355,884)	( 7)	( 351,491)	( 7)
Net income	<u>\$ 2,468,278</u>	<u>50</u>	<u>\$ 2,636,825</u>	<u>52</u>
	<u>Pre tax</u>	<u>After tax</u>	<u>Pre tax</u>	<u>After tax</u>
Basic earnings per share (Note 4(20))	<u>\$ 4.72</u>	<u>\$ 4.13</u>	<u>\$ 4.99</u>	<u>\$ 4.41</u>

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

See report of independent accountants dated 27th March 2012.

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

	Retained Earnings				Unrealized Gain or Loss on Financial		Total
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Instruments	
<u>2010</u>							
Balance at 1st January 2010	\$ 5,694,908	\$ 37,682	\$ 3,733,696	\$ 18,911,362	\$ 2,016,210	\$ 127,346	\$ 30,521,204
Appropriations of 2009 earnings:							
Legal reserve	-	-	199,628	-	( 199,628)	-	-
Special reserve	-	-	-	938,251	( 938,251)	-	-
Cash dividends	-	-	-	-	( 711,864)	-	( 711,864)
Stock dividends	142,373	-	-	-	( 142,373)	-	-
Net income for 2010	-	-	-	-	2,636,825	-	2,636,825
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	( 77,380)	( 77,380)
Balance at 31st December 2010	<u>\$ 5,837,281</u>	<u>\$ 37,682</u>	<u>\$ 3,933,324</u>	<u>\$ 19,849,613</u>	<u>\$ 2,660,919</u>	<u>\$ 49,966</u>	<u>\$ 32,368,785</u>
<u>2011</u>							
Balance at 1st January 2011	\$ 5,837,281	\$ 37,682	\$ 3,933,324	\$ 19,849,613	\$ 2,660,919	\$ 49,966	\$ 32,368,785
Appropriations of 2010 earnings:							
Legal reserve	-	-	263,682	-	( 263,682)	-	-
Special reserve	-	-	-	1,371,149	( 1,371,149)	-	-
Cash dividends	-	-	-	-	( 875,592)	-	( 875,592)
Stock dividends	145,932	-	-	-	( 145,932)	-	-
Net income for 2011	-	-	-	-	2,468,278	-	2,468,278
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	( 251,746)	( 251,746)
Balance at 31st December 2011	<u>\$ 5,983,213</u>	<u>\$ 37,682</u>	<u>\$ 4,197,006</u>	<u>\$ 21,220,762</u>	<u>\$ 2,472,842</u>	<u>\$ 201,780</u>	<u>\$ 33,709,725</u>

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

	2011	2010
<b><u>Cash flows from operating activities</u></b>		
Net income	\$ 2,468,278	\$ 2,636,825
Adjustments to reconcile net income to net cash used in operating activities:		
Loss (gain) on disposal of investments	19,007	( 150,932)
Bad debts	-	1,000
Reversal of allowance for bad debts	( 2,324)	-
Equity in net income of investee companies-net of cash dividends received	( 615,190)	( 591,563)
Depreciation (rental assets included)	235,318	231,161
Loss on obsolescence of property, plant and equipment	191	392
Amortization	56,460	56,792
Provision for default damages	156,741	171,037
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	221,510	( 33,461)
Decrease (increase) in interest receivable	1,316	( 1,533)
Increase in other receivables	( 7)	( 36,143)
Decrease in other current assets	124	6,742
Decrease in deferred income tax assets	93	300
(Decrease) increase in payable for securities settlement services	( 46,142)	4,575
Increase in accrued expenses	51,489	3,535
Decrease in income tax payable	( 73,614)	( 92,073)
Decrease in securities lending and borrowing collateral payable	( 18,905,805)	( 21,300,197)
Increase (decrease) in other current liabilities	2,252	( 92,949)
Net cash used in operating activities	( 16,430,303)	( 19,186,492)
<b><u>Cash flows from investing activities</u></b>		
Decrease in available-for-sale financial assets-net	3,009,560	17,964,360
Decrease (increase) in held-to-maturity financial assets - net	1,752	( 3,702,365)
Increase in default damages fund	( 175,764)	( 155,337)
Proceeds from capital reduction of long-term investments accounted for under the equity method	25,987	-
Acquisition of property, plant and equipment	( 833,750)	( 313,206)
Increase in operations guarantee deposits	-	( 10,000)
Increase in refundable deposits-net	( 471)	( 1,757)
Increase in deferred expenses	( 28,786)	( 29,675)
Net cash provided by investing activities	1,998,528	13,752,020
<b><u>Cash flows from financing activities</u></b>		
Decrease in deposits received-net	( 1,885)	( 3,660)
Cash dividends paid	( 875,592)	( 711,864)
Net cash used in financing activities	( 877,477)	( 715,524)
Net decrease in cash and cash equivalents	( 15,309,252)	( 6,149,996)
Cash and cash equivalents at beginning of year	42,641,046	48,791,042
Cash and cash equivalents at end of year	\$ 27,331,794	\$ 42,641,046
<b><u>Supplemental disclosures of cash flow information</u></b>		
Cash paid during the year for:		
Interest	\$ 23,543	\$ 65,084
Income tax	\$ 429,734	\$ 439,447

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



**TAIWAN STOCK EXCHANGE CORPORATION**  
**NOTES TO NON-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 financial statements 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 Company is as follows:

1) Classification of assets and liabilities

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

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

(B) Assets held mainly for trading purposes;

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

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

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

(A) Liabilities accrued for operating purposes and expected to be paid in the normal course of the business operating cycle;

(B) Liabilities arising mainly from trading activities;

(C) Liabilities expected to be paid within twelve months after the balance sheet date;

(D) Liabilities for which the repayment date cannot be extended



unconditionally to more than twelve months after the balance sheet date.

2) Cash equivalents

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

3) Available-for-sale financial assets

- A. Available-for-sale financial assets are recognized and derecognized using settlement date accounting. They are recognized initially at their fair value plus transaction costs.
- B. The financial assets are remeasured and stated at fair value, and the gain or loss is recognized in equity. The fair value of listed stocks, OTC stocks and closed-end mutual funds is based on latest quoted fair prices of the accounting period. The fair value of open-end and balanced mutual funds is based on the net asset value at the balance sheet date.
- C. If there is any objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity should be removed and recognized in profit or loss. Impairment losses recognized previously in profit or loss for an investment in an equity instrument shall not be reversed through profit or loss, and if, subsequently, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

4) Held-to-maturity financial assets

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

5) Financial assets carried at cost

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

- 6) 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 Company 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.
- 7) Long-term equity investments accounted for under the equity method
- A. Long-term investments in which the Company owns at least 20% of the investee company's voting rights or can exercise significant influence over the management of the investee company are accounted for by the equity method.
  - B. The Company prepares annual consolidated financial statements which includes all subsidiaries wherein the Company or the Company and other subsidiaries own at least 50% of the investee company's voting rights or the investee company is a controlled entity.
- 8) Property, plant and equipment
- A. With the exception of the fixed assets revalued based on government regulations, fixed assets are stated at cost.
  - B. Depreciation is provided on the straight-line method using the estimated useful lives of the assets except for computer equipment. Depreciation of computer equipment is provided using the fixed-percentage-on-declining balance method over 3 years. The estimated useful lives are 55 years for buildings and 3 to 17 years for the other property and equipment. Salvage values of fixed assets still in use after the end of their original estimated useful lives are depreciated based on the new estimated remaining useful lives of the assets.
  - C. Upon revaluation of properties, any appreciation is added to the cost of properties. Reserve for land value increment tax, if any, is recognized, and the resulting net increment is credited to capital surplus.

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

9) Retirement and pension

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

10) Default damages

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

11) Impairment of non-financial assets

The Company recognizes impairment loss when there is indication that the recoverable amount of an asset is less than its carrying amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. When the impairment no longer exists, the impairment loss recognized in prior years shall be recovered.

12) Revenue, cost and expense

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

13) Income tax

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

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

when it is approved by the Tax Authority.

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

14) 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.

15) 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.

16) 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 Company adopted the amendments to 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 net income and earnings per share for the year ended December 31, 2011.

#### 4. DETAILS OF SIGNIFICANT ACCOUNTS

##### 1) Cash and cash equivalents

	<u>31st December</u>	
	<u>2011</u>	<u>2010</u>
Cash		
Checking and savings deposits	\$ 2,868,675	\$ 17,536,630
Time deposits	21,878,030	20,935,720
Negotiable certificates of deposits	800,000	800,000
Cash equivalents		
Commercial papers	1,785,089	3,058,696
Government bonds under resell agreement	-	310,000
	<u>\$ 27,331,794</u>	<u>\$ 42,641,046</u>
Annual interest rates of time deposits	<u>0.37%~1.91%</u>	<u>0.19%~1.135%</u>
Annual interest rates of negotiable certificates of deposits	<u>1.05%~1.17%</u>	<u>0.85%~1.00%</u>
Annual interest rates of commercial papers	<u>0.78%~0.87%</u>	<u>0.43%~0.45%</u>
Annual interest rates of government bonds under resell agreement	<u>-</u>	<u>0.43%</u>

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

##### 2) Available-for-sale financial assets

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

3) Held-to-maturity financial assets

	31st December	
	2011	2010
Current items:		
Financial bonds	\$ 649,853	\$ 782,144
Corporate bonds	1,198,395	325,384
Beneficiary securities	201,994	119,510
Government bonds	-	47,022
	<u>\$ 2,050,242</u>	<u>\$ 1,274,060</u>
Non-current items:		
Financial bonds	\$ 10,463,435	\$ 9,458,259
Corporate bonds	4,995,566	6,213,531
Beneficiary securities	-	470,675
Assets securitization- short-term notes and bills	104,414	198,884
	<u>\$ 15,563,415</u>	<u>\$ 16,341,349</u>

4) Financial assets carried at cost

	31st December	
	2011	2010
Unlisted stocks	\$ 938,528	\$ 938,528
Accumulated impairment	( 116,876)	( 116,876)
	<u>\$ 821,652</u>	<u>\$ 821,652</u>

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

5) Accounts receivable - net

	31st December	
	2011	2010
Accounts receivable	\$ 235,529	\$ 457,039
Less: Allowance for doubtful accounts	( 604)	( 2,928)
	<u>\$ 234,925</u>	<u>\$ 454,111</u>

6) 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, following No. 46 of “Taiwan Stock Exchange Corporation Securities Lending and Borrowing Regulations” and the Competent Authority No. 0920129756 bulletin (2003), the Company contributes 3% of Securities Lending and Borrowing (SLB) service fees as default damages fund and default damages reserve.

- B. As the accumulated amount of the DDF has exceeded the total amount of the Company’s capital, the Company has stopped making contributions to the DDF and default damages reserve since November 2006. 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. The movements of the DDF and default damages reserve are as follows:

A) Default damages fund (DDF)

	<u>For the years ended 31st December</u>	
	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 4,995,246	\$ 4,839,909
Contributions		
Based on the amounts of trading fees	172,616	152,798
3% of securities lending and borrowing service fees	<u>3,148</u>	<u>2,539</u>
	5,171,010	4,995,246
Settlement fund (SF)	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 8,171,010</u>	<u>\$ 7,995,246</u>

B) Default damages reserve

	<u>For the years ended 31st December</u>	
	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 8,036,253	\$ 7,865,216
Contributions		
Based on the amounts of trading fees	153,467	168,449
3% of securities lending and borrowing service fees	<u>3,274</u>	<u>2,588</u>
Balance, end of year	<u>\$ 8,192,994</u>	<u>\$ 8,036,253</u>

- E. As of 31st December 2011, the DDF is invested in time deposits.



7) 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 regulation. In addition, as of 31st December 2011, the Company had entered into a loan agreement with financial institutions in the amount of NT\$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.

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

A. List of long-term equity investments

Investee companies	Ownership percentage as of 31st December	31st December	
		2011	2010
Taiwan Depository & Clearing Corporation (TDCC)	50.43%	\$ 7,114,645	\$ 6,508,447
Taiwan-Ca. Inc. (TWCA)	30.25%	72,398	64,198
Taiwan Ratings Co. (TRC)	19.99%	28,222	27,430
		<u>\$ 7,215,265</u>	<u>\$ 6,600,075</u>

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

Investee companies	For the years ended 31st December	
	2011	2010
TDCC	\$ 794,143	\$ 809,385
TWCA	11,087	9,486
TRC	8,624	8,701
	<u>\$ 813,854</u>	<u>\$ 827,572</u>

C. The investment income in 2011 and 2010 were based on the investee companies' financial statements which were audited by other independent accountants.

9) Property, plant and equipment

Item	31st December 2011			
	Original Cost	Revaluation	Accumulated Depreciation	Net Book Value
Land	\$ 129,496	\$ 37,084	\$ -	\$ 166,580
Buildings	180,233	-	( 81,194)	99,039
Computer equipment	449,942	-	( 319,813)	130,129
Other equipment	285,686	-	( 114,008)	171,678
Construction in progress and prepayments for equipment (Note)	811,063	-	-	811,063
	<u>\$ 1,856,420</u>	<u>\$ 37,084</u>	<u>(\$ 515,015)</u>	<u>\$ 1,378,489</u>

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.

31st December 2010

Item	Original Cost	Revaluation	Accumulated Depreciation	Net Book Value
Land	\$ 129,496	\$ 37,084	\$ -	\$ 166,580
Buildings	180,233	-	( 77,976)	102,257
Computer equipment	1,459,305	-	( 1,218,934)	240,371
Other equipment	498,258	-	( 304,483)	193,775
Construction in progress and prepayments for equipment (Note)	101,612	-	-	101,612
	<u>\$ 2,368,904</u>	<u>\$ 37,084</u>	<u>(\$ 1,601,393)</u>	<u>\$ 804,595</u>

10) 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.

11) Income tax

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

	For the years ended 31st December	
	2011	2010
Income tax expense	\$ 355,884	\$ 351,491
Effect of deferred income tax-net	( 93)	( 300)
Under provision of prior year's income tax	( 6,659)	( 7,378)
Prepaid income tax	( 222,729)	( 182,909)
Income tax on separately taxed interest income	-	( 7)
Income tax payable	<u>\$ 126,403</u>	<u>\$ 160,897</u>

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

	31st December	
	2011	2010
Total deferred income tax assets	<u>\$ 73,715</u>	<u>\$ 65,763</u>
Valuation allowance	<u>\$ 72,441</u>	<u>\$ 64,396</u>

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

Item	2011		2010	
	Amount	Tax Effect	Amount	Tax Effect
Current:				
Employees' welfare	\$ 2,251	\$ 383	\$ 2,196	\$ 373
Noncurrent:				
Employees' welfare	3,446	586	3,362	571
Contributions to retirement fund	426,125	72,441	355,743	64,396
Others	1,797	305	2,484	423
		73,332		65,390
Less: valuation allowance		( 72,441)		( 64,396)
		891		994
Total		\$ 1,274		\$ 1,367

C. The 10% additional income tax expense of \$416 on the undistributed earnings for 2009 was recognized in 2010. There was no undistributed earnings for 2010.

D. 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.

## 12 Retirement and termination plans

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

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

	<u>For the years ended 31st December</u>	
	<u>2011</u>	<u>2010</u>
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	<u>\$ 2,166,334</u>	<u>\$ 2,321,088</u>

13) Securities lending and borrowing collateral payable

The Company has provided securities lending and borrowing services since June 2003. The borrower is required to deposit collaterals based on certain percentages (the stipulated collateral ratio) of borrowed securities daily market prices to the Company. In addition, individual collateral maintenance ratio of each transaction will be calculated on a daily basis, and further collateral will be required if the maintenance ratio is below the collateral ratio. As of 31st December 2011 and 2010, the Company has received collaterals consisting of cash of \$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 Taiwan Depository & Clearing Corporation. Upon the rendering of service, the securities are turned over to the Company as collaterals. However, effective from 1st April 2010, the securities are turned over to the Company as collateral before the rendering of services as long as the Company has ensured that the borrowers' designated securities are correct.

14) 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.

15) 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.

16) 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.

17) Unappropriated earnings

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

- B. As approved by the stockholders during their meeting, cash dividends declared per share for 2011 and 2010 were \$1.50 and \$1.25 dollars for both years, and the stock dividend per share for 2011 and 2010 were \$0.25 dollars for both years.
- C. 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 of 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 2012. Employees' bonus lower than that of 2010 as resolved by the stockholders was amounts recognized in the 2010 financial statements. The difference of \$11,167 had been adjusted in the statement of income of 2011.
- D. 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.

#### 18) 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%.

#### 19) 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.



20) 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 (in dollars)		
Before income tax	After income tax		Before income tax	After income tax	
Net income	\$ 2,824,162	\$ 2,468,278	598,321	\$ 4.72	\$ 4.13

  

For the year ended 31st December 2010					
Amount		Retroactively adjusted shares at the end of the year (in thousands)	Earnings per common share (in dollars)		
Before income tax	After income tax		Before income tax	After income tax	
Net income	\$ 2,988,316	\$ 2,636,825	598,321	\$ 4.99	\$ 4.41

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 \$5.12 dollars and \$4.52 dollars to \$4.99 dollars and \$4.41 dollars, respectively.

21) Personnel expenses, depreciation and amortization

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

For the year ended 31 <sup>st</sup> December 2011			
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	\$ -	\$ 1,046,224	\$1,046,224
Insurance	-	63,223	63,223
Pension	-	165,107	165,107
Others	-	12,580	12,580
Depreciation	-	235,318	235,318
Amortization	-	56,460	56,460

  

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

## 5. RELATED PARTY TRANSACTIONS

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

<u>Names of Related Parties</u>	<u>Relationship with the Company</u>
Taiwan Depository & Clearing Corporation (TDCC)	A subsidiary of the Company
Taiwan-Ca Inc. (TWCA)	A subsidiary of the company
Taiwan Ratings Co.	The investee company accounted for under the equity method
Taiwan Futures Exchange (TFE)	The Company is a director of TFE
Gre Tai Securities Market (OTC)	President of the Company is a director of OTC
Securities and Futures Investors Protection Center (SFIPC)	Senior Executive Vice President of the Company is a director of SFIPC
Securities and Futures Institute (SFI)	President of the Company is a director of SFI
Accounting Research and Development Foundation (ARDF)	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
Yuanta Securities Co., Ltd. (YCPS)	An institutional director of the Company
Fubon Securities Finance Co., Ltd (FB)	An institutional director of the Company
Land Bank of Taiwan Co., Ltd.	An institutional director of the Company
Bank of Taiwan Co., Ltd.	An institutional director of the Company
Jih Sun Financial Holding Co., Ltd. (JS)	An institutional supervisor of the Company (Note)
First Commercial Bank Co., Ltd.	An institutional supervisor of the Company (Note)

Note: Resigned on 30th June 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
	<u>\$ 564,451</u>	<u>18</u>	<u>\$ 704,148</u>	<u>21</u>

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. 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.

C. License fees (recorded as 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.

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

For the years ended 31st December				
	2011		2010	
	Amount	% of securities settlement service fees	Amount	% of securities settlement service fees
TDCC	\$ 689,468	100	\$ 743,189	100

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

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

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

F. 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

G. Accounts receivable

	31st December			
	2011		2010	
	Amount	% of accounts receivable	Amount	% of accounts receivable
YCPS	\$ 19,039	8	\$ 43,409	10
TFE	11,883	5	13,325	3
FB	10,801	5	24,894	5
OTC	5,429	2	17,741	4
Others	3,047	1	5,523	1
	\$ 50,199	21	\$ 104,892	23

H. Payable for securities settlement services

	31st December	
	2011	2010
	Amount	Amount
	%	%
	payable for securities settlement services	payable for securities settlement services
TDCC	\$ 36,518	\$ 82,660
	100	100

I. 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. COMMITMENTS**

1) As of 31st December 2011, the Company leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements are 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
	<u>\$ 1,505,545</u>

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

**7. SIGNIFICANT SUBSEQUENT EVENT**

Regarding the matters about return and additional payment of Securities Settlement Fund for 2012, please refer to Note 4(7).

## 8. OTHERS

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

	31st December 2011		
	Book value	Fair value	
		Quotation in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with book value equal to fair value	\$ 27,713,508	\$ -	\$ 27,713,508
Available-for-sale financial assets	1,917,096	1,917,096	-
Financial assets carried at cost	821,652	-	-
Held-to-maturity financial assets	17,613,657	9,056,484	8,738,534
Liabilities			
Financial liabilities with book value equal to fair value	22,681,835	-	22,681,835

	31st December 2010		
	Book value	Fair value	
		Quotation in an active market	Estimated using a valuation technique
Non-derivative financial instruments			
Assets			
Financial assets with book value equal to fair value	\$ 43,390,660	\$ -	\$ 43,390,660
Available-for-sale financial assets	5,075,990	5,075,990	-
Financial assets carried at cost	821,652	-	-
Held-to-maturity financial assets	17,615,409	9,794,740	8,003,805
Liabilities			
Financial liabilities with book value equal to fair value	41,582,293	-	41,582,293

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 and the current liability accounts, excluding other current liabilities.
- B. For available-for-sale instruments, the market value is regarded as the fair value.
- C. For held-to-maturity instruments, the quoted price is regarded as the fair value, if it is readily and regularly available from an active market. If the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique.

- 2) As of 31st December 2011 and 2010, the financial assets with cash flow risk due to the changes in interest rates amounted to \$8,044,885 and \$36,184,289, respectively, and the financial liabilities with cash flow risk due to the changes in interest rates amounted to \$21,816,597 and \$40,722,402, respectively.
- 3) For the years ended 31st December 2011 and 2010, total interest revenue for financial assets and financial liabilities that are not at fair value through profit or loss amounted to \$741,037 and \$668,554, respectively, and total interest expense 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 the amount of unrealized gain recognized directly in equity in 2010 was \$49,966.
- 4) Procedure of financial risk control
- A. The Company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.
- B. Risk management is carried out by a central financial department (Financial Department) in accordance with the policies approved by the Board of Directors. The Company's Financial Department identifies and evaluates a variety of financial instruments, the procedure of the transaction, and transaction parties. Moreover, the Company regularly proposes recommendation reports and reviews the business performance. The internal auditor is in charge of conducting the audit of the business function.
- 5) Information of material financial risk

A. Market risk

(1) Exchange rate risk

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

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



(2) Price risk

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

B. Credit risk

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

C. Liquidity risk

- a) The Company invests in financial securities, which are traded in active markets and can be readily converted into certain amount of cash that approximate their fair values. The liquidity risk exposure is low.
- b) Although the Company holds financial assets carried at cost which are not traded in active markets, these assets represent a small percentage of the Company's assets and the Company has adequate working capital. Therefore, no significant liquidity risk is expected to arise.

D. Cash flow interest rate risk

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

## 9. ADDITIONAL DISCLOSURES

### A. Related information of significant transactions

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

- a) Lending to others: None.
- b) Endorsements and guarantees for others: None.
- c) Marketable Securities at 31st December 2011:

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

<u>Name of the securities</u>	<u>Due Date</u>	<u>Units/Shares (in thousand)</u>	<u>Rate</u>	<u>Book value</u>	<u>Market value or net worth per share (in dollars)</u>	<u>Total amount</u>	<u>Amount of securities pledged</u>
Beneficiary Certificates							
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 Money Market Fund	-	25,023	-	<u>297,850</u>	12.0700	<u>301,901</u>	"
				2,118,876		<u>\$ 1,917,096</u>	
Valuation adjustment				( <u>201,780</u> )			
Total available-for-sale financial assets-current				<u>\$ 1,917,096</u>			

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

<u>Name of the Securities</u>	<u>Due Date</u>	<u>Face value</u>	<u>Rate</u>	<u>Book value</u>	<u>Amount of securities pledged</u>
<b>Financial bonds</b>					
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%	<u>150,000</u>	"
				<u>649,853</u>	
<b>Corporate bonds</b>					
Taiwan Power 98-2 secured A	2012.08.28	600,000	0.97%	599,224	"
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% NoteA	<u>300,000</u>	"
				<u>1,198,395</u>	"
<b>Beneficiary securities</b>					
Shin Kong Life Insurance REAT No.3	2012.02.08	80,472	2.21%	80,472	"
Shin Kong Life Tun Nan Building CMBS	2012.06.22	121,522	2.40%	<u>121,522</u>	"
				<u>201,994</u>	"
<b>Total held-to-maturity financial assets-current</b>				<u>\$ 2,050,242</u>	

Note A : Based on the one-year time deposit floating rate of Chunghwa Post Co., Ltd. plus 0.4%.

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

Name of the securities	Due date	Face value	Rate	Book value	Amount of securities pledged
Financial bonds				\$ 693,105	None
China Development Industrial Bank 94-2 Bank Debenture	2013.05.17	\$ 700,000	2.00%	200,000	"
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%	300,000	"
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%	200,000	"
Taiwan Agribank 98-1 Subordinate Classes Financial Bond	2014.11.08	200,000	2.30%	400,000	"
Tcb-Bank 2009 2nd Subordinate Financial Bond	2015.03.28	400,000	2.10%	200,000	"
Chinatrust 97-3 Subordinate Classes Financial Bond	2015.04.25	200,000	3.10%	301,386	"
First Bank stripped Subordinate Classes Financial Bond	2015.06.23	300,000	3.10%	300,000	"
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%	200,000	"
Shanghai Commercial 97-2 Subordinate Classes Financial Bond	2015.12.26	200,000	3.05%	300,000	"
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%	201,944	"
Shin Kong 95-1 Subordinate Classes Financial Bond-B	2016.11.13	200,000	2.72%	300,000	"
Taipei Fubon Subordinated Bank Debentures 98-2	2016.12.22	300,000	2.20%	400,000	"
E.Sun Bank 99-1 Subordinate Classes Financial Bond	2017.05.28	400,000	2.20%	130,000	"
Taishin Bank 2005 4th Subordinate Classes Financial Bond	2017.06.06	130,000	2.70% Note A	100,000	"
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	237,000	"
Tcb-Bank 2006 1st Subordinate Class A Financial Bond	2013.04.24	237,000	1.59% Note D	200,000	"
Tcb-Bank 2007 2nd Subordinate Class A Financial Bond	2014.09.28	200,000	1.20% Note E	300,000	"
Yuanta Unsecured Subordinated Bank Debentures 99-1	2017.06.10	300,000	2.30%	200,000	"
First Bank 99-2 Subordinate Classes Financial Bond	2017.09.28	200,000	1.50%	500,000	"
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%	200,000	"
SinoPac Bank 100-1 Subordinate Financial Debentures-A	2018.03.11	200,000	1.92%	100,000	"
E.Sun Bank 100-1 Subordinate Classes Financial Bond	2018.05.24	100,000	1.73%	200,000	"
Yuanta Subordinated Bank Debentures 100-1	2018.06.27	200,000	1.75%	100,000	"
Tcb-Bank 100-2 Subordinate Financial Debentures-B	2018.07.28	100,000	1.70%	200,000	"
Taipei Fubon Subordinated Bank Bond 100-2	2018.08.05	200,000	1.70%	150,000	"
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%	100,000	"
E.Sun Bank 100-2 Subordinate Classes Financial Bond	2018.10.28	100,000	1.80%	200,000	"
SinoPac Bank 100-3 Subordinate Financial Debentures-A	2018.11.04	200,000	1.85%	100,000	"
Standard Chartered 2009-1 Subordinate Classes Financial Bond	2019.10.28	100,000	2.90% Note F	200,000	"
Hua Nan Bank 2007 3rd Subordinate Classes Financial Bond	2014.09.20	200,000	1.21% Note G	500,000	"
Hua Nan Bank 99-1 Subordinate Classes Financial Bond	2020.11.23	500,000	1.65%	\$ 10,463,435	"

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 0.34%.  
 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%.

Corporate bonds

Name of the securities	Due date	Face value	Rate	Book value	Amount of
					securities pledged
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 a5-3 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%	306,376	"
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%	200,000	Note A
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 Corporate 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	"
				<u>4,995,566</u>	
Assets securitization- short-term notes and bills	2013.02.13	-	2.25%	104,414	None
Hua Nan Bank ABCP				<u>\$ 15,563,415</u>	
Total held-to-maturity financial assets-noncurrent					

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

(4) Financial assets carried at cost-noncurrent

<u>Name of the securities</u>	<u>Nature of securities</u>	<u>Units/Shares (in thousand)</u>	<u>Book value</u>	<u>Amount of securities pledged</u>
Taiwan International Futures Exchange Corporation	Stock	13,590	\$ 100,000	None
Taipei Financial Center Corporation (Note)	"	83,853	<u>838,528</u>	"
			938,528	
			<u>(116,876)</u>	
Accumulated Impairment			<u>\$ 821,652</u>	
Total financial assets carried at cost-noncurrent				

Note: An investment loss of \$300,000 was recognized for the investment in Taipei Financial Center Corporation for the year ended 31st December 2004. In addition, an impairment loss of \$42,696 and \$74,180 were recognized in 2007 and 2006, respectively, based on the net worth stated in its financial statements.

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

<u>Name of the securities</u>	<u>Nature of securities</u>	<u>Relationship with the Company</u>	<u>Units/Shares (in thousand)</u>	<u>Book value</u>	<u>Shares held by the Company</u>	<u>Market value or net value of the stock rights</u>	<u>Amount of securities pledged</u>
Taiwan Depository & Clearing Co.	Stock	The Company's subsidiary	157,877	\$ 7,114,645	50.43%	\$ 7,114,645	None
Taiwan-Ca. Inc.	"	"	5,387	72,398	30.25%	69,436	"
Taiwan Ratings Co.	"	The investee company accounted for under the equity method	1,399	<u>28,222</u>	19.99%	28,222	"
				<u>\$ 7,215,265</u>			
Total							

(6) Operations guarantee deposits

<u>Name of the securities</u>	<u>Due Date</u>	<u>Face Value</u>	<u>Rate</u>		<u>Book value</u>
Taishin Bank 2005 4th subordinate Classes Financial Bond	2017.06.06	\$ 100,000	2.70%	Note 1	\$ 100,000
Taishin Bank 2005 4th subordinate Classes Financial Bond	2017.06.06	200,000	1.68%	Note 2	<u>200,000</u>
Total					<u>\$ 300,000</u>

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

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

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

Name of the securities	General ledger account	Counter party	Balance as at 1st January 2011		Addition		Disposals			Gain (loss) from disposal	Balance as at 31st December 2011	
			Number of shares (in thousand)	Amount	Number of shares (in thousand)	Amount	Number of shares (in thousand)	Sales price	Book value		Number of shares (in thousands)	Market Value
Taishin 1699 Money Market Fund	Available-for-sale financial assets-current	-	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	-	-
FineBridge 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	-	-
NFTC 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) Bond 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 Private 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



Name of the securities	General ledger account	Counter party	Balance as at 1st January 2010		Addition		Disposals			Gain (loss) from disposal	Balance as at 31st December 2011		
			Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sales price	Book value		Number of shares (in thousands)	Amount	Note
	Held-to-maturity financial asset-noncurrent	-	-	-	-	-	-	-	-	-	-	-	-
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 100-1 Subordinate Classes Financial Bond	-	-	-	-	100,000	100,000	-	-	-	-	-	100,000	100,000
Yuanta Subordinated Bank Debentures 100-i	-	-	-	-	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 100-2 Subordinate 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 100-3 Subordinate 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)	None	Chunghwa Telecom Co., Ltd.	Appraisal 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:

Investor	Investee	Address	Major operating activities	Initial investment amount			Holding Status			Investment income (loss) recognized by the Company	Note
				No. of shares (in thousand)	At the end of this period	At the end of last period	Ownership (%)	Book value	Net income (loss) of the investee		
Taiwan Stock Exchange Corporation	Taiwan Depository & Cleaning Co.	11F., No.363, Fusing N.Rd., Taipei City	Custodian service for marketable securities	157,877	\$ 550,000	\$ 550,000	50.43%	\$7,114,645	\$ 1,574,787	\$ 794,143	The Company's subsidiary
"	Taiwan-Ca Inc.	10F., No. 85, Yanping S. Rd, Taipei City	Internet certification	5,387	102,898	102,898	30.25%	72,398	36,650	11,087	"
"	Taiwan Ratings Co.	49F., No.7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	1,399	15,045	15,045	19.99%	28,222	43,122	8,624	The investee company accounted for under the equity method