TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS

31st DECEMBER 2012 AND 2011

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.

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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 2012 and 2011, 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$18,026,273 thousand and NT$17,133,883 thousand, constituting 24 and 23 percent of the consolidated assets as of 31st December 2012 and 2011, respectively, and total revenues of NT$2,730,479 thousand and NT$2,975,604 thousand, constituting 42 and 38 percent of consolidated revenues for the years then ended, respectively. 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$59,263 thousand and NT$55,048 thousand as of 31st December 2012 and 2011, respectively, and their related investment income amounted to NT$19,347 thousand and NT$16,818 thousand for the years then ended, respectively. These financial statements were audited by other auditors, whose reports thereon were furnished to us, and our opinion herein, insofar as it relates to the amounts included in the financial statements relative to the consolidated subsidiaries and these long-term equity 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 2012 and 2011, 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.

Effective 1st January 2013, Taiwan Stock Exchange Corporation adopts International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins (collectively referred herein as the IFRSs) as recognized by the former Financial Supervisory Commission, Executive Yuan, R.O.C (FSC) and the "Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges" that are applicable in 2013 in the preparation of consolidated financial statements of Taiwan Stock Exchange Corporation and its subsidiaries. Information relating to the adoption of IFRSs by Taiwan Stock Exchange Corporation is disclosed in Note 10 in accordance with Jin-Guan-Zheng-Shen-Zi Letter No. 0990004943 of the FSC, dated February 2, 2010. The IFRSs may be subject to changes during the time of transition; therefore, the actual impact of IFRSs adoption on Taiwan Stock Exchange Corporation and its subsidiaries may also change.

PricewaterhouseCoopers, Taiwan
19th March 2013

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)

	2012 Amount	2012 %	2011 Amount	2011 %
ASSETS				
Current Assets				
Cash and cash equivalents (Note 4(1))	$ 33,101,453	44	$ 33,146,651	44
Financial assets at fair value through profit or loss (Note 4(2))	1,384,018	2	1,526,631	2
Available-for-sale financial assets (Note 4(3))	2,650,992	3	1,917,096	3
Held-to-maturity financial assets (Note 4(4))	5,160,296	7	3,046,888	4
Accounts receivable-net (Notes 4(6) and 5)	474,394	1	435,741	1
Interest receivable	133,872	-	146,789	-
Other financial assets-current (Notes 4(15) and 6)	218,832	-	133,465	-
Other current assets (Note 4(12))	93,076	-	71,011	-
Total Current Assets	43,216,933	57	40,424,272	54
Funds and Long-term Investments				
Held-to-maturity financial assets – noncurrent (Note 4(4))	17,893,737	24	20,772,463	28
Financial assets carried at cost – noncurrent (Note 4(5))	951,652	1	951,652	1
Default damages fund (Notes 4(7) and (8))	10,228,240	13	10,016,170	13
Long-term equity investments accounted for under the equity method (Note 4(9))	59,263	-	55,048	-
Total Funds and Long-term Investments	29,132,892	38	31,795,333	42
Property, Plant and Equipment (Note 4(10))				
Cost				
Land	1,080,327	1	429,941	1
Buildings	676,150	1	693,473	1
Computer equipment	2,359,108	3	1,880,757	2
Other equipment	451,676	1	438,297	1
Revaluation – land	37,084	-	37,084	-
	4,604,345	6	3,479,552	5
Less: Accumulated depreciation	(2,352,891)	(3)	(2,099,716)	(3)
Construction in progress and prepayments on equipment	380,406	1	811,063	1
Total Property, Plant and Equipment	2,631,860	4	2,190,899	3
Intangible Asset				
Goodwill	169,083	-	169,083	-
Other Assets				
Rental assets	84,749	-	85,203	-
Operations guarantee deposits (Note 4(11))	310,000	1	300,000	1
Deferred charges	141,143	-	97,522	-
Refundable deposits and miscellaneous assets	177,506	-	170,093	-
Total Other Assets	713,398	1	652,818	1
Securities Settlement Debit (Note 4(8))	-	-	-	-
TOTAL ASSETS	$ 75,864,166	100	$ 75,232,405	100

	2012 Amount	2012 %	2011 Amount	2011 %
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accrued expenses	$ 1,395,183	2	$ 1,356,219	2
Income tax payable (Note 4(12))	87,075	-	292,238	-
Securities lending and borrowing collateral payable (Note 4(14))	20,988,801	28	21,816,597	29
Receipts under custody (Note 4(15))	139,845	-	57,691	-
Other current liabilities	835,114	1	699,312	1
Total Current Liabilities	23,446,018	31	24,222,057	32
Other Liabilities				
Default damages reserve (Note 4(7))	10,219,783	14	10,062,162	14
Deposits received	53,515	-	43,915	-
Reserve for land value increment tax	44,599	-	44,599	-
Deferred income tax liabilities – noncurrent (Note 4(12))	37,856	-	37,998	-
Total Other Liabilities	10,355,753	14	10,188,674	14
Securities Settlement Credit (Note 4(8))	-	-	-	-
Total Liabilities	33,801,771	45	34,410,731	46
Stockholders' Equity				
Capital stock (Note 4(16)				
Common stock	6,132,793	8	5,983,213	8
Capital reserve (Note 4(17))	37,682	-	37,682	-
Retained earnings				
Legal reserve (Note 4(18))	4,443,834	6	4,197,006	6
Special reserve (Note 4(18))	22,380,853	29	21,220,762	28
Unappropriated earnings (Note 4(19))	1,546,125	2	2,472,842	3
Other adjustments to Stockholders' Equity				
Unrealized gain or loss on financial instruments (Note 4(3))	29,485	-	(201,780)	-
Minority Interest	7,491,623	10	7,111,949	9
Total Stockholders' Equity	42,062,395	55	40,821,674	54
Commitments (Note 7)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 75,864,166	100	$ 75,232,405	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 19th March 2013.

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)

	2012 Amount	2012 %	2011 Amount	2011 %
Operating revenues				
Trading fees (Notes 4(20) and 5)	$ 2,161,095	33	$ 3,069,329	39
Securities recording service fees (Note 5)	657,782	10	857,749	11
Custodial service fees	638,017	10	695,064	9
Market data fees	369,360	6	417,841	5
Listing fees	817,385	12	858,505	11
Securities settlement service fees	589,895	9	480,659	6
Computer and other equipment fees	80,602	1	82,252	1
Data processing fees (Note 5)	96,168	2	142,193	2
Future settlement fees (Note 5)	287,024	4	335,685	4
Others (Note 5)	879,932	13	979,764	12
Total Operating Revenues	6,577,260	100	7,919,041	100
Operating costs-others (Note 4(23))	(108,424)	(2)	(81,347)	(1)
Operating Gross Profit	6,468,836	98	7,837,694	99
Operating expenses				
Personnel (Notes 4(13)(23))	(2,304,583)	(35)	(2,185,491)	(28)
General and administrative (Notes 4(21) and 5)	(2,459,084)	(37)	(2,635,758)	(33)
Total Operating Expenses	(4,763,667)	(72)	(4,821,249)	(61)
Operating income	1,705,169	26	3,016,445	38
Non-operating income				
Interest income	889,571	13	940,360	12
Equity in net income of investee company (Note 4(9))	19,347	-	16,818	-
Other income	110,315	2	65,708	1
Total Non-operating Income	1,019,233	15	1,022,886	13
Non-operating expenses				
Interest expense	(12,793)	-	(13,093)	-
Loss on disposal of investments	(24,916)	-	(19,007)	-
Other expenses	(104,885)	(2)	(72,376)	(1)
Total Non-operating Expenses	(142,594)	(2)	(104,476)	(1)
Income before income tax	2,581,808	39	3,934,855	50
Income tax expense (Note 4(12))	(436,526)	(6)	(666,992)	(9)
Consolidated net income	$ 2,145,282	33	$ 3,267,863	41
Attributable to:				
Equity holders of the Company	$ 1,527,264	23	$ 2,468,278	31
Minority interest	618,018	10	799,585	10
Consolidated net income	$ 2,145,282	33	$ 3,267,863	41

	2012 Pre tax	2012 After tax	2011 Pre tax	2011 After tax
Basic earnings per share (in dollars) (Note 4(22))				
Equity holders of the Company	$ 3.20	$ 2.49	$ 5.11	$ 4.02
Minority interest	1.01	1.01	1.30	1.30
Consolidated net income	$ 4.21	$ 3.50	$ 6.41	$ 5.32

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 19th March 2013.

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			Unrealized Gain or		
	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Unappropriated Earnings	Loss on Financial Instruments	Minority Interest	Total
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
2012								
Balance at 1st January 2012	$ 5,983,213	$ 37,682	$ 4,197,006	$ 21,220,762	$ 2,472,842	($ 201,780)	$ 7,111,949	$ 40,821,674
Appropriations of 2011 earnings: (Note)								
Legal reserve	-	-	246,828	-	(246,828)	-	-	-
Special reserve	-	-	-	1,160,091	(1,160,091)	-	-	-
Cash dividends	-	-	-	-	(897,482)	-	-	(897,482)
Stock dividends	149,580	-	-	-	(149,580)	-	-	-
Decrease in minority interest	-	-	-	-	-	-	(238,344)	(238,344)
Consolidated net income for 2012	-	-	-	-	1,527,264	-	618,018	2,145,282
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	231,265	-	231,265
Balance at 31st December 2012	$ 6,132,793	$ 37,682	$ 4,443,834	$ 22,380,853	$ 1,546,125	$ 29,485	$ 7,491,623	$ 42,062,395

Note: Employees' bonuses of $106,592 and $102,609 were deducted from the statement of income for 2011 and 2010, respectively.

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 19th March 2013.

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

	2012	2011
Cash flows from operating activities		
Consolidated net income	$ 2,145,282	$ 3,267,863
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:		
Loss on disposal of investments	24,916	19,007
Reversal of allowance for bad debts	(604)	-
Amortization of bond premium	16,116	22,513
Gain on valuation of financial assets	(12)	(6)
Provision for default damages	157,621	274,998
Equity in net income of investee companies-net of cash dividends received	(4,215)	(1,536)
Depreciation (rental assets included)	346,612	336,085
Loss on obsolescence and disposal of property, plant and equipment	2	626
Amortization	63,254	81,487
Changes in assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	142,625	13,775
(Increase) decrease in accounts receivable-net	(38,049)	283,776
Decrease in interest receivables	12,917	1,316
Increase in other receivables	-	(7)
(Increase) decrease in other financial assets-current	(85,367)	96,526
Increase in deferred income tax assets	(257)	(1,065)
Increase in other current assets	(21,950)	(12,949)
Increase in accrued expenses	38,964	79,519
Decrease in income tax payable	(205,163)	(93,248)
Decrease in securities lending and borrowing collateral payable	(827,796)	(18,905,805)
Increase (decrease) in receipts under custody	82,154	(84,282)
Increase in other current liabilities	137,072	12,316
Net cash provided by (used in) operating activities	1,984,122	(14,609,091)

(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)

	2012	2011
Cash flows from investing activities		
(Increase) decrease in available-for-sale financial assets-net	($ 527,547)	$ 3,009,560
Decrease in held-to-maturity financial assets-net	749,202	385,297
Increase in default damages fund	(212,070)	(304,100)
Proceeds from capital reduction of long-term investments accounted for under the equity method	-	50,687
Acquisition of property, plant and equipment	(844,727)	(931,403)
Proceeds from disposal of property, plant and equipment	1,408	7
Increase in operations guarantee deposits	(10,000)	-
Increase in deferred charges	(51,947)	(43,490)
Increase in refundable deposits-net	(7,413)	(2,450)
Net cash (used in) provided by investing activities	(903,094)	2,164,108
Cash flows from financing activities		
Increase (decrease) in deposits received-net	9,600	(1,885)
Cash dividends paid	(897,482)	(875,592)
Cash dividends paid-minority interest	(238,344)	(189,712)
Net cash used in financing activities	(1,126,226)	(1,067,189)
Net decrease in cash and cash equivalents	(45,198)	(13,512,172)
Cash and cash equivalents at beginning of year	33,146,651	46,658,823
Cash and cash equivalents at end of year	$ 33,101,453	$ 33,146,651
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 12,478	$ 23,543
Income tax	$ 665,828	$ 762,008

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated 19th March 2013.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31st DECEMBER 2012 AND 2011
(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 2012, the Company had 601 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 1st January 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 2012. 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 2012, TDCC had 506 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 2012 and 2011 is both 50.43%.

(B) TWCA

a. Taiwan-Ca Inc. (TWCA) was 30.25% owned by the Company as of 31st December 2012 and 2011. Although the Company does not directly or indirectly hold more than 50% of TWCA's voting shares, the Company and TDCC together hold more than half of all 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 2012, TWCA had 59 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.

Except for buildings, which are depreciated on a straight-line method over 55 years, depreciation of TDCC's other assets is provided using the fixed-percentage-on-declining balance method before 1st January 2012 and the straight-line method after (on) 1st January 2012, but depreciation on information equipment is still provided using the fixed-percentage-on-declining balance method after (on) 1st January 2012. The estimated useful lives are 3 to 15 years for its major property, plant 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

Cost of computer software and expense on information systems establishment are amortized using the straight-line method, except for those of TDCC which are amortized using the fixed-percentage-on-declining balance method over 3 years before 1st January 2012.

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 1st January998 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 CHANGES IN ACCOUNTING PRINCIPLES

(1)Accounting for financial instruments

Effective 1st January 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 31st December 2011.

(2)Change in accounting estimate

To deal with depreciation/amortization more reasonably and systematically, effective 1st January 2012, TDCC uses the straight-line method in place of the fixed-percentage-on-declining balance method to depreciate/amortize fixed assets (other than computer equipment)/deferred expenses. As a result of this change in accounting estimate, TDCC's income before tax, income after tax and basic earnings after tax per share for 2012 were increased by $3,497, $2,902 and $0.01, respectively. This change in accounting estimate had no significant effect on consolidated net income and earnings per share for the year ended 31st December 2012.

4. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	31st December 2012	31st December 2011
Cash		
Checking and savings deposits	$ 5,338,622	$ 2,891,662
Time deposits	24,556,033	27,669,900
Negotiable certificates of deposits	200,000	800,000
Cash equivalents		
Commercial paper	3,006,798	1,785,089
	$ 33,101,453	$ 33,146,651
Annual interest rates of time deposits	0.38%~ 1.36%	0.37%~ 1.91%
Annual interest rates of negotiable certificates of deposits	0.87%	1.05%~1.17%
Annual interest rates of commercial paper	0.76%~0.80%	0.78%~0.87%

Time deposits as of 31st December 2012 and 2011 were due within one year.

2) Financial instruments at fair value through profit or loss

	31st December 2012	31st December 2011
Financial assets held for trading		
Beneficiary certificates	$ 1,384,018	$ 1,526,631

3) Available-for-sale financial assets

	31st December 2012	31st December 2011
Current items:		
Beneficiary certificates	$ 2,621,507	$ 2,118,876
Valuation adjustment	29,485	(201,780)
	$ 2,650,992	$ 1,917,096

4) Held-to-maturity financial assets

	31st December 2012	31st December 2011
Current items:		
Financial bonds	$ 2,715,873	$ 699,862
Corporate bonds	1,890,161	1,998,395
Government bonds	449,886	100,183
Beneficiary securities	-	248,448
Assets securitization- short-term notes and bills	104,376	-
	$ 5,160,296	$ 3,046,888
Non-current items:		
Financial bonds	$ 12,471,132	$ 12,622,568
Corporate bonds	4,133,575	6,294,772
Government bonds	1,289,030	1,750,709
Assets securitization- short-term notes and bills	-	104,414
	$ 17,893,737	$ 20,772,463

5) Financial assets carried at cost

	31st December 2012	31st December 2011
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 2012	31st December 2011
Accounts receivable	$ 475,777	$ 437,728
Less: allowance for doubtful accounts	(1,383)	(1,987)
	$ 474,394	$ 435,741

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, following Article 6 of "Taiwan Stock Exchange Corporation Securities Borrowing and Lending Rules", from June, 2003, the Company contributes 3% of each loan service fee it receives as default damages fund and default damages reserve as well.

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. For the preparation of financial statements in accordance with IFRSs from 1st January 2013, following Jin-Guan-Zheng-Jiao-Zi Order No. 1010047392 of the regulatory authority, dated 30th October 2012, the default damages reserve the Company has contributed should be reclassified to 'special reserve', which cannot be used for other purposes except for the use to cover accumulated deficit or for other uses approved by the Financial Supervisory Commission. In addition, as specified by Jin-Guan-Zheng-Jiao-Zi Letter No. 10100473923 of the regulatory authority, dated 30th October 2012, the regulations about the accounting for contribution to the default damages fund in (75)Tai-Cai-Zheng(2)-Zi Letter No. 00480 of the former regulatory authority are no more effective from 30th October 2012.

D. 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 2012 and 2011, the balance of the SF was $3,000,000 for both years.

E. 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.

F. For the preparation of financial statements in accordance with IFRSs from 1st January 2013, following Jin-Guan-Zheng-Tou-Zi Letter No. 1010045022 of the Financial Supervisory Commission, dated 16st October 2012, the default damages reserve TDCC has contributed should be reclassified to 'special reserve', which cannot be used for other purposes except for the use to cover accumulated deficit or for other uses approved by the Financial Supervisory Commission. In addition, TDCC has stopped providing for default damages reserve since October, 2012, but contributes a certain percentage of service revenue as default damages fund as stated above.

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

(A) Default damages fund (DDF)

	For the years ended 31st December	
	2012	2011
Balance, beginning of year	$ 7,016,170	$ 6,712,070
Contributions		
Based on the amounts of trading fees	113,337	172,616
5% of securities settlement, securities recording and custodial service fees	95,375	128,336
3% of securities lending and borrowing service fees	3,358	3,148
	7,228,340	7,016,170
Settlement fund (SF)	3,000,000	3,000,000
Balance, end of year	$ 10,228,240	$ 10,016,170

(B) Default damages reserve

	For the years ended 31st December	
	2012	2011
Balance, beginning of year	$ 10,062,162	$ 9,787,164
Contributions		
Based on the amount of trading fees	83,697	153,467
5% of securities settlement, securities recording and custodial service fees	71,367	118,257
3% of securities lending and borrowing service fees	2,557	3,274
Balance, end of year	$ 10,219,783	$ 10,062,162

H. As of 31st December 2012, 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 2012 and 2011, the balances of the SSF were $3,529,433 and $5,123,838, 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 2012, 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 emergency revolving fund due to Securities firms violation of settlement obligation or natural disaster. As of 31st December 2012, 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, 2012	31st December 2012	31st December 2011
Equity method:			
Taiwan Ratings Co., Ltd. (TRC)	39.00%	$ 59,263	$ 55,048

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

Investee company	For the years ended 31st December 2012	2011
TRC	$ 19,347	$ 16,818

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

Item	31st December 2012			
	Original Cost	Revaluation	Accumulated Depreciation	Net Book Value
Land	$ 1,080,327	$ 37,084	$ -	$ 1,117,411
Buildings	676,150	-	(243,383)	432,767
Computer equipment	2,359,108	-	(1,855,935)	503,173
Other equipment	451,676	-	(253,573)	198,103
Construction in progress and prepayments for equipments (Note)	380,406	-	-	380,406
	$ 4,947,667	$ 37,084	($ 2,352,891)	$ 2,631,860

Item	31st December 2011			
	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 will be used as the location for the construction of a computer center. This amount had been reclassified to 'land' in 2012.

11) Operations guarantee deposits

As of December 31, 2012 and 2011, the Company deposited time deposits and financial bonds amounting to $310,000 and $300,000, respectively, in the Central Bank of China as guaranty bond.

12) Income tax

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

	For the years ended 31st December	
	2012	2011
Income tax expense	$ 436,526	$ 666,992
Effect of deferred income tax-net	257	1,065
Under provision of prior year's income tax	(7,402)	(8,557)
Prepaid income tax	(395,532)	(403,725)
Net income tax payable	$ 33,849	$ 255,775
Income tax receivable	($ 23,417)	$ -
Income tax payable	$ 57,266	$ 255,775

A. As of 31st December 2012 and 2011, the deferred income tax assets (liabilities) were as follows:

	31st December 2012	31st December 2011
Total deferred income tax assets	$ 100,404	$ 99,311
Valuation allowance	$ 98,824	$ 97,988
Total deferred income tax liabilities	$ 38,889	$ 38,889

B. As of 31st December 2012 and 2011, details of deferred income tax assets (liabilities) were as follows:

	31st December			
	2012		2011	
Item	Amount	Tax Effect	Amount	Tax Effect
Current:				
Employees' welfare	$ 3,219	$ 547	$ 2,539	$ 432
Others	7,194	1,223	6,914	1,175
		1,770		1,607
Less: valuation allowance		(1,223)		(1,175)
		547		432
Noncurrent:				
Contributions to retirement fund	553,700	94,129	510,937	86,859
Equity in investees' net losses	-	-	37,725	6,413
Goodwill	(228,759)	(38,889)	(228,759)	(38,889)
Others	26,499	4,505	26,072	4,432
		59,745		58,815
Less: valuation allowance		(97,601)		(96,813)
		(37,856)		(37,998)
Total		($ 37,309)		($ 37,566)

C. All of 2010 earnings were distributed as resolved by the shareholders at the shareholders' meeting. The 10% additional income tax expense of $1,430 on the undistributed earnings for 2011 was recognized in 2012.

D. The Company's income tax returns through 2008 have been assessed and approved by the Tax Authority. 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 2010 have been assessed and approved by the Tax Authority.

E. The income tax returns of TDCC for 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	
	2012	2011
Balance, beginning of year	$ 2,166,334	$ 2,321,088
Contributions	142,834	138,541
Interest income	24,008	24,370
Valuation adjustment	11,687	(21,525)
Payments of benefits	(127,198)	(296,140)
Balance, end of year	$ 2,217,665	$ 2,166,334

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 2012 and 2011 were $118,288 and $121,873, respectively. As of 31st December 2012 and 2011, the balances of the funds amounted to $1,693,418 and $1,573,371, 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 2012 and 2011, the Company has received collaterals consisting of cash amounting to $20,988,801 and $21,816,597 (Note A), bank draft of $4,338,657 and $1,315,751 (Note B), and securities of $42,163,869 and $19,057,718, 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 2012 and 2011. 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 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.

B. In accordance with the resolution adopted at the stockholders' meeting on 22nd June 2012, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 14,958 thousand shares. The registration of this capital increase was approved by the Competent Authority.

C. As of 31st December 2012, the Company's authorized, issued and outstanding common stock consisted of 613,279 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, 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, 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 transfer 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 2012 and 2011 were $1.5 (in dollars) for both years, and the stock dividend per share for 2012 and 2011 were $0.25 (in dollars) for both years.

D. The amount of employees' bonus for 2012 was estimated at $122,287 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 2013. Employees' bonus for 2011 as resolved by the stockholders was lower compared to the amount recognized in the 2011 financial statements. The difference of $10,597 had been adjusted in the statement of income for 2012.

E. The creditable tax rate of distributed dividends in 2011 was 18.64%. As of 31st December 2012, the imputation tax credit account balance was $217,275, and the estimated creditable tax ratio was 14.05%. As of 31st December 2012, the Company's undistributed earnings derived before and after the adoption of the imputation tax system were $156 and $1,545,969, respectively.

F. TDCC's actual creditable tax ratio of distributed earnings for the 1st cash dividends and for the 2nd stock dividends in 2011 was 20.56% for both years. As of 31st December 2012, the imputation tax credit account balance of TDCC was $244,409, and the estimated creditable tax ratio was 20.33%. As of 31st December 2012, TDCC's undistributed earnings derived before and after the adoption of the imputation tax system were $0 and $1,418,801, 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 2012				
	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	$ 1,963,790	$ 1,527,264	613,279	$ 3.20	$ 2.49
Minority interest income	618,018	618,018		1.01	1.01
Total consolidated net income	$ 2,581,808	$ 2,145,282		$ 4.21	$ 3.50

	For the year ended 31st December 2011				
	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	$ 3,135,270	$ 2,468,278	613,279	$ 5.11	$ 4.02
Minority interest income	799,585	799,585		1.30	1.30
Total consolidated net income	$ 3,934,855	$ 3,267,863		$ 6.41	$ 5.32

The number of shares outstanding for the year ended 31st December 2011 was retroactively adjusted in accordance with the ratio of capital increase. The earnings per common share before and after income tax in 2011 were reduced from $5.24 and $4.13 to $5.11 and $4.02, respectively.

23) Personnel expenses, depreciation and amortization

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

	For the year ended 31st December 2012		
	Operating costs	Operating expenses	Total
Personnel expenses			
Salaries	$ 48,496	$ 1,976,520	$ 2,025,016
Insurance	-	121,153	121,153
Pension	-	304,753	304,753
Others	707	17,635	18,342
Depreciation	10,898	335,714	346,612
Amortization	7,722	55,532	63,254

	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

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 (Note)
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 and TDCC
Yuanta Securities Co., Ltd. (YCPS)	An institutional director of the Company and TDCC

Names of Related Parties	Relationship with the Company
Bank of Taiwan Co., Ltd.	An institutional director of the Company
Hua Nan Commercial Bank Co., Ltd.	An institutional supervisor of the Company
Yuanta Securities Finance Co., Ltd.	An institutional director of TDCC
KGI Securities Co., Ltd. (KGI)	An institutional director of TDCC
SinoPac Securities Co., Ltd. (SPS)	An institutional supervisor of TDCC
Financial Information Service Co., Ltd. (FISC)	An institutional supervisor and an institutional director of TWCA
HiTRUST Inc.	TWCA is an investee of HiTRUST Inc. accounted for under the equity method

Note: In February, 2013, the chairman of the Company was changed to Mr. Sush Der Lee; a director of the Taiwan Over-The-Counter Securities Exchange was changed from president of the Company to the chairman of the Company.

2) Significant transactions and balances with related parties

A. Trading fees

	For the years ended 31st December			
	2012		2011	
	Amount	% of trading fees	Amount	% of trading fees
YCPS	$ 282,742	13	$ 333,075	11
FB	126,683	6	188,147	6
Others	30,116	1	43,229	1
	$ 439,541	20	$ 564,451	18

Terms are at arms-length.

B. Securities recording service fees

	For the years ended 31st December			
	2012		2011	
	Amount	% of Securities recording service fees	Amount	% of Securities recording service fees
KGI	$ 52,055	8	$ 70,092	8
FB	39,782	6	54,266	7
SPS	34,190	5	42,973	5
	$ 126,027	19	$ 167,331	20

Terms are at arms-length.

C. Data processing fees

	For the years ended 31st December			
	2012		2011	
	Amount	% of data processing fees	Amount	% of data processing fees
OTC	$ 91,678	95	$ 136,751	96

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			
	2012		2011	
	Amount	% of future settlement fees	Amount	% of future settlement fees
TFE	$ 287,024	100	$ 335,685	100

Terms are at arms-length.

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

	For the years ended 31st December			
	2012		2011	
	Amount	% of license fees	Amount	% of license fees
TFE	$ 143,866	81	$ 191,926	87
FB	300	-	-	-
	$ 144,166	81	$ 191,926	87

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			
	2012		2011	
	Amount	% of securities settlement service fees	Amount	% of securities settlement service fees
OTC	$ 82,400	100	$ 122,859	100

Terms are at arms-length.

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

	For the years ended 31st December			
	2012		2011	
	Amount	% of rental and administrative expense	Amount	% of rental and administrative expense
TFCC	$ 162,604	89	$ 156,673	75

H. Expense of investors' protection

	For the years ended 31st December			
	2012		2011	
	Amount	% of expense of investors' protection	Amount	% of expense of investors' protection
SFIPC	$ 108,055	100	$ 153,466	100

I. Accounts receivable

	31st December			
	2012		2011	
	Amount	% of accounts receivable	Amount	% of accounts receivable
TFE	$ 34,338	7	$ 35,118	8
YCPS	28,709	6	19,511	4
FB	16,615	4	15,045	4
OTC	15,690	3	10,304	3
KGI	6,756	1	5,780	1
Others	7,406	2	6,474	1
	$ 109,514	23	$ 92,232	21

6.PLEDGED ASSETS

As of 31st December 2012 and 2011, the carrying amounts of TWCA's pledged assets were as follows:

		31st December	
Assets	Purpose	2012	2011
Time deposit	Provisional seizure guarantees	$ 1,965	$ 1,965

7. COMMITMENTS

1) As of 31st December 2012, the Company leased certain offices. The total future minimum lease payments under these operating lease agreements were as follows:

Year	Amount
2013	$ 214,071
2014	206,041
2015	196,605
2016	196,605
2017	194,970
2018～2020 (The present value of $506,558) (Note)	546,735
	$ 1,555,027

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 2012, future payments required for the contracts in relation to the acquisitions of computer equipment and information system amounted to $650,735.

3) As of 31st December 2012, TDCC's future payments required for the contracts in relation to the acquisitions of computer equipment and information system amounted to $83,371.

4) As of 31st December 2012, 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
2013	$ 74,839
2014	7,833
2015	7,833
2016	7,833
2017	1,958
	$ 100,296

5) As of 31st December 2012, 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
2013	$ 1,644
2014	348
2015	348
2016	174
	$ 2,514

6) As of 31st December 2012, TDCC has custody of stocks, beneficiary certificates,

warrants and convertible bonds with aggregate par value of about $11,369,715,995, domestic bonds with aggregate par value of about $2,611,164,307, international bonds with aggregate par value of about $4,926,494, short-term transactions instruments with aggregate par value of about US$390,000 and short-term bills with aggregate par value of about $1,023,871,836.

8. OTHERS

1) The fair values of the financial instruments

	31st December 2012		
		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	$ 33,928,551	$ -	$ 33,928,551
Financial assets at fair value through profit or loss	1,384,018	1,384,018	-
Available-for-sale financial assets	2,650,992	2,650,992	-
Held-to-maturity financial assets	23,054,033	12,752,919	10,563,993
Financial assets carried at cost	951,652	-	3,330,814
Liabilities			
Financial liabilities with book value equal to fair value	22,523,829	-	22,523,829

	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	-	2,641,857
Liabilities			
Financial liabilities with book value equal to fair value	23,230,507	-	23,230,507

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, other financial assets 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) For the years ended 31st December 2012 and 2011, total interest income for financial assets and financial liabilities that are not at fair value through profit or loss amounted to $889,571 and $940,360, respectively. Total interest expense for financial assets and financial liabilities that are not at fair value through profit or loss amounted to $12,793 and $13,093, respectively. For available-for-sale financial assets, the amount of unrealized gain recognized directly in equity in 2012 was $29,485, and unrealized loss recognized directly in equity in 2011 was $201,780.

3) 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.

4) 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 currency denominated assets and liabilities that are significantly affected by exchange rate fluctuations are as follows (expressed in thousands of dollars):

	31st December 2012			31st December 2011		
	Foreign currency amount	Rate	NT amount	Foreign currency amount	Rate	NT amount
Financial assets						
Currency						
USD	$657,294	29.04	$19,087,818	$684,743	30.28	$20,734,018
Financial liabilities						
Currency						
USD	$608,039	29.04	$17,657,453	$675,603	30.28	$20,457,259

(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 $6,358,272 and $5,805,694 as of 31st December 2012 and 2011, 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 2012 and 2011.

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, these 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.

4) As of 31st December 2012 and 2011, the financial assets with cash flow risk due to the change of interest amounted to \$9,728,569 and \$8,044,885, respectively, and the financial liabilities with cash flow risk due to the change of interest amounted to \$20,988,801 and \$21,816,597, respectively.

5) 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 SHEETS
31st DECEMBER 2012 and 2011
(In Thousands of New Taiwan Dollars)

	31st December 2012		31st December 2011	
ASSETS	Amount	%	Amount	%
CURRENT ASSETS				
Cash	$ 48,976	6	$ 2,520	-
Notes and accounts receivable	64,377	8	55,479	8
Other current assets	14,439	2	13,808	2
Total current assets	127,792	16	71,807	10
PROPERTIES				
Cost				
Computers	153,554	19	152,756	21
Miscellaneous equipment	3,086	-	6,425	1
Leasehold improvements	542	-	542	-
Total cost	157,182	19	159,723	22
Less - accumulated depreciation				
Computers	146,898	18	146,827	20
Miscellaneous equipment	2,563	-	5,178	1
Leasehold improvements	530	-	480	-
Total accumulated depreciation	149,991	18	152,485	21
Net properties	7,191	1	7,238	1
OTHER ASSETS				
Refundable deposits	94,496	11	93,958	13
Deferred charges	2,014	-	486	-
Others	591,111	72	552,494	76
Total other assets	687,621	83	646,938	89
TOTAL ASSETS	$ 822,604	100	$ 725,983	100

	31st December 2012		31st December 2011	
LIABILITIES AND STOCKHOLDERS' EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Accrued expenses	$ 63,688	8	$ 57,545	8
Income tax payable	5,649	-	5,298	1
Other current liabilities	63,439	8	18,080	2
Total liabilities	132,776	16	80,923	11
STOCKHOLDERS' EQUITY				
Appropriated working capital	500,000	61	500,000	69
Retained earnings	189,828	23	145,060	20
Total stockholders' equity	689,828	84	645,060	89
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 822,604	100	$ 725,983	100

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

STATEMENTS OF INCOME
FOR THE YEARS ENDED 31st DECEMBER 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUES				
Bills clearing and settlement	$ 446,437	97	$ 361,641	96
Others	15,351	3	15,922	4
Total operating revenues	461,788	100	377,563	100
OPERATING EXPENSES				
Personnel	(124,824)	(27)	(121,126)	(32)
General and administrative	(113,901)	(25)	(87,678)	(23)
Total operating expenses	(238,725)	(52)	(208,804)	(55)
OPERATING REVENUES AND GAINS	223,063	48	168,759	45
NON-OPERATING REVENUES				
Interest income	5,788	1	6,057	1
Other income	-	-	10	-
Total non-operating revenues	5,788	1	6,067	1
NON-OPERATING EXPENSES				
Other expenses	(143)	-	(55)	-
INCOME BEFORE INCOME TAX	228,708	49	174,771	46
INCOME TAX EXPENSE	(38,880)	(8)	(29,711)	(8)
NET INCOME	$ 189,828	41	$ 145,060	38

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 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 2012:

(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	17,654	-	$ 205,800	$ 11.6586	$ 205,823	None
"	Mega Diamond Bond Fund	32,913	-	400,000	12.1549	400,056	"
"	FSITC Taiwan Money Market Fund	20,281	-	301,011	14.8443	301,051	"
"	Capital Money Market Fund	12,771	-	200,000	15.6620	200,027	"
"	Yuanta Wan Tai Bond Fund	16,992	-	250,000	14.7146	250,034	"
TWCA	UPAMC James Bond Fund	1,669	-	27,027	16.1184	27,027	"
			-	1,383,838		$ 1,384,018	
	Valuation adjustment			180			
	Total			$ 1,384,018			

(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	$ 25.3900	$ 81,278	None
"	SinoPac Balance 2 Fund	-	3,158	-	84,929	25.1000	79,276	"
"	JF (Taiwan) Balanced Fund	-	3,090	-	66,642	21.8700	67,569	"
"	UPAMC QUALITY GROWTH Fund	-	15,504	-	305,593	19.1600	297,063	"
"	Yuanta Taiwan Weighted Stock Index Fund	-	9,615	-	133,000	14.6510	140,873	"
"	Yuanta Global Bond ETF Fund of Funds	-	25,000	-	233,250	8.5300	213,250	"
"	Fubon Taiwan Strategy 1 ETF Private Equity Fund	-	48,454	-	537,620	11.5600	560,123	"
"	Fubon Strategy II Private Equity Fund	-	24,678	-	250,000	10.7200	264,548	"
"	Fubon Stategy III Taiwan EMP Fund	-	25,000	-	250,000	10.0400	251,000	"
"	Fuh Hwa Global Thematic Fund	-	25,000	-	250,000	10.1700	254,250	"
"	ING Global Luxury Brands Fund		4,752		80,000	18.1400	86,194	
"	SinoPac Luxury and Lifestyle Fund	-	4,563	-	50,000	11.2700	51,420	"
"	Mega Diamond Money Market Fund	-	25,023	-	297,850	12.1549	304,148	"
		-			2,621,507		$ 2,650,992	
	Valuation adjustment				29,485			
	Total available-for-sale financial assets-current				$ 2,650,992			

(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	Tcb-Bank 2006 1st Subordinate Class A Financial Bond	2013.04.24	$ 237,000	1.59%	Note A	$ 237,000	None
"	China Development Industrial Bank 94-2 Bank Debenture	2013.05.17	700,000	2.00%		698,122	"
"	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	"
"	Taishin Bank 2005 4th A subordinate Classes Financial Bond	2017.06.06	230,000	2.70%	Note B	230,000	"
"	Taishin Bank 2005 4th C subordinate Classes Financial Bond	2017.06.06	300,000	2.35%	Note B	300,000	"
TDCC	Taiwan Cooperative Bank 95 1A	2013.04.24	300,000	-	Note C	300,000	"
"	95 E Sun 1B	2013.08.24	350,000	2.60%		350,751	"
"	96 Taipei Fubon Bank 1	2013.06.28	100,000	2.90%		100,000	"
"	97 Taichi 1B	2013.09.13	100,000	3.10%		100,000	"
						2,715,873	
	Corporate bonds						
TSEC	Mega International 99 Unsecured 1	2013.02.04	$ 200,000	1.45%		200,000	None
"	Huanan Bank Subordinate Classes Corporate Bond	2013.06.29	150,000	2.85%		150,453	"
"	Taiwan Power a5-3 Secured B	2013.11.15	400,000	2.20%		402,701	"
"	Formosa Chemical & Fibre Corporation 2008-2 Unsecured	2013.12.08	150,000	2.62%		153,080	"
"	CPC Corporation , Taiwan97-1 Unsecured A	2013.12.12	400,000	2.40%		403,700	"
"	Taiwan Power 97-8 secured A	2013.12.30	80,000	2.15%		80,776	"
TDCC	Taipower 95 3B Corporate Bond	2013.11.15	200,000	2.20%		200,048	None
"	CPC Corporation, Taiwan 95 1st class B bond	2013.11.28	200,000	2.16%		99,403	"
"	CPC Corpotation, Taiwan 97 1st class A bond	2018.12.12	200,000	2.40%		200,000	"
						1,890,161	
	Government bonds						
TDCC	92 Jia 10 Bond	2013.12.05	50,000	2.88%		50,079	None
"	92 Jia 7 Bond	2013.09.19	50,000	2.75%		49,993	"
"	92 Jia 4 Bond	2013.03.07	150,000	1.88%		149,786	"
"	92 Jia 1 Bond	2013.01.16	200,000	2.38%		200,028	"
						449,886	
	Assets securitization- short-term notes and bills						
TSEC	Hua Nan Bank ABCP	2013.02.18	-	2.25%		104,376	None
"	Total held-to-maturity financial assets-current					$ 5,160,296	

Note A : Based on the one-year time deposit floating rate of Bank plus 0.25%.

Note B : Taishin Bank redeemed its 2005 4th A~C subordinated debentures in a mandatory manner on January 2, 2013 and repaid the principal to the holders of these debentures. These debentures were delisted from the Taiwan Over-The-Counter Securities Exchange on 3rd January 2013.

Note C : These bonds bear interest of one-year time deposit floating rate of Taiwan Cooperative Bank plus 0.25%

(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	HSBC Bank (Taiwan) Limited 1st Financial Debenture - E Issue in 2011	2014.03.10	$ 300,000	1.23%		$ 300,000	None
〃	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%		300,987	〃
〃	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%		201,544	〃
〃	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	〃
〃	Bank SinoPac 97-3 Subordinate Classes Financial Bond	2014.03.09	100,000	1.81%	Note A	100,000	〃
〃	Tcb-Bank 2007 2nd Subordinate Class A Financial Bond	2014.09.28	200,000	2.56%	Note B	200,000	〃
〃	Yuanta Unsecured Subordinated Bank Debentures 99-1	2017.06.10	300,000	2.30%		300,000	〃
〃	First Bank 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%		199,999	〃
〃	SinoPac Bank 101-1 Subordinate Financial Debentures-A	2019.09.18	200,000	1.53%		200,000	〃
〃	Taiwan Agribank 101-1 Subordinate Classes Financial Bond	2019.10.17	100,000	1.43%		100,000	〃
〃	Land Bank 101-3 Subordinate Classes Financial Bond	2019.10.22	200,000	1.43%		200,000	〃
〃	Standard Chartered 2009-1 Subordinate Classes Financial Bond	2019.10.28	100,000	2.90%	Note C	100,000	〃
〃	Hua Nan Bank 2007 3rd Subordinate Classes Financial Bond	2014.09.20	200,000	2.56%	Note D	200,000	〃
〃	Hua Nan Bank 99-1 Subordinate Classes Financial Bond	2020.11.23	500,000	1.65%		500,000	〃
〃	Taiwan Agribank 101-1 Subordinate Classes Financial Bond-B	2022.10.17	100,000	1.53%		100,000	〃
TDCC	96 Land Bank of Taiwan 2	2014.06.26	100,000	-	Note E	100,000	〃
〃	97 Taipei Fubon Bank 1	2014.01.31	100,000	3.05%		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%		205,721	〃
〃	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	〃

Investor	Name of the securities	Due date	Face value	Rate		Book value	Amount of securities pledged
	Financial bonds		(continued)				
TDCC	Cathay United Bank 1st Subordinate Financial Debentures Issue in 2009	2017.06.11	$ 200,000	2.42%		$ 208,601	None
"	TaipeiFubon Bank 1st Subordinate Financial Debentures Issue in 2012	2019.04.05	200,000	1.48%		200,000	"
"	Chinatrust Commercial Bank 1st Unsecured Subordinate Financial Debentures- A Issue in 2011	2018.09.27	200,000	1.80%		204,043	"
"	Cathay United Bank 1st Subordinate Financial Debentures-01 Issue in, 2012	2019.06.06	200,000	1.48%		200,000	"
"	Land Bank of Taiwan 2nd Subordinate Financial Debenture Issue in 2012	2019.06.26	200,000	1.50%		200,000	"
"	FIRST COMMERCIAL BANK 1ST ISSUE A TRANCHE SUBORDINATE FINANCIAL DEBENTURES IN 2012	2019.09.25	200,000	1.47%		200,000	"
"	Hua Nan Commercial Bank the First Subordinate Financial Debentures-A Issue in 2012	2019.11.06	200,000	1.43%		200,000	"
"	The Shanghai Commercial & Savings Bank Ltd 1St Unsecured Subordinate Financial Debentures-Issue in 2012	2019.04.10	50,000	1.48%		50,237	"
"	The Shanghai Commercial & Savings Bank Ltd 4th Unsecured Subordinate Financial Debentures-A Issue in 2012	2019.12.27	200,000	1.43%		200,000	"
						12,471,132	
	Corporate bonds						
TSEC	Taiwan Power 98-2 secured B	2014.08.31	300,000	1.43%		300,426	None
"	Taiwan Power 98-3 secured B	2014.10.21	300,000	1.34%		299,997	"
"	CPC Corporation, Taiwan 98-1 Secured A	2014.12.02	300,000	1.20%		299,055	"
"	E.SUN Financial Holding Co., Ltd. 96 1st Unsecured Corporate Bond	2014.12.13	200,000	1.46%	Note F	200,000	"
"	Fubon bank 98-2 Unsecured corporate Bond A	2015.01.28	100,000	1.70%		100,297	"
"	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%		307,948	"
"	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%		615,560	"
"	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%		303,158	"
"	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%		106,582	"
TDCC	Taipower 99 2A Corporate Bond	2015.06.01	100,000	1.38%		100,261	"
"	Taipower 99 4A Corporate Bond	2015.08.20	200,000	1.37%		200,291	"
"	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	"
						4,133,575	
	Government bonds						
TDCC	93 Jia 4 Bond	2014.03.04	50,000	2.38%		$ 49,686	None
"	90 Jia 7 Bond	2016.10.19	100,000	3.50%		102,030	"
"	93 Taipei Construction Bond	2014.03.16	200,000	2.85%		200,000	"
"	89 Jia 7 Bond	2020.01.18	100,000	6.25%		119,037	"
"	88 Yi 1 Bond	2019.04.23	100,000	5.88%		114,480	"
"	89 Jia 4 Bond	2014.10.15	200,000	6.13%		209,119	"
"	90 Jia 3 Bond	2016.03.06	100,000	4.63%		104,465	"
"	90 Jia 6 Bond	2016.08.07	150,000	3.75%		153,526	"
"	92 Jia 1 Bond	2023.02.18	250,000	2.50%		236,687	"
						1,289,030	
	Total held-to-maturity financial assets-noncurrent					$ 17,893,737	

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

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

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

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

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

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

(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	13,929	$ 100,000	None
〃	Taipei Financial Center Corporation	〃	83,853	838,528	〃
TDCC	Taiwan International Futures Exchange Corporation	〃	18,108	130,000	〃
				1,068,528	
	Accumulated Impairment			(116,876)	
	Total held-to-maturity financial assets-noncurrent			$ 951,652	

(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	$ 30,382	19.99%	$ 30,382	None
TDCC	〃	〃	〃	1,330	28,877	19.00%	28,877	〃
TWCA	〃	〃	〃	1	4	0.01%	-	〃
					$ 59,263			

(7)Operations guarantee deposits

Name of the securities	Due date	Face value	Rate	Book value
Time deposits	2013.11.23	$ 1,300	1.35%	$ 1,300
Time deposits	2013.11.23	308,700	1.35%	308,700
Total				$ 310,000

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 2012:

			Balance as at 1st January 2012		Addition		Disposals				Balance as at 31st December 2012		
Investor	Name of the securities	Counter party	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousand)	Sales price	Book value	Gain (loss) from disposal	Number of shares (in thousands)	Market value	Note
	Available-for-sale financial assets-current												
TSEC	Fubon Stategy III Taiwan EMP Fund	-	-	$ -	25,000	$ 250,000	-	-	-	-	25,000	$ 251,000	Note A
〃	Fubon Strategy II Private Equity Fund	-	5,000	50,000	19,678	200,000	-	-	-	-	24,678	264,548	Note A
〃	Fuh Hwa Global Thematic Fund	-	-	-	25,000	250,000	-	-	-	-	25,000	254,250	Note A
〃	SinoPac Bank 101-1 Subordinate Financial Debentures-A	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	Taiwan Agribank 101-1 Subordinate Classes Financial Bond	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	
〃	Taiwan Agribank 101-1 Subordinate Classes Financial Bond-B	-	-	-	100,000	100,000	-	-	-	-	100,000	100,000	
〃	Land Bank 101-3 Subordinate Classes Financial Bond	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
TDCC	Cathay United Bank 1st Subordinate Financial Debentures Issue in 2009	-	-	-	200,000	210,375	-	-	-	-	200,000	208,601	Note B
〃	TaipeiFubon Bank 1St Subordinate Financial Debentures Issue in 2012	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	Chinatrust Commercial Bank 1st Unsecured Subordinate Financial Debentures-A Issue in 2011	-	-	-	200,000	204,534	-	-	-	-	200,000	204,043	Note B
〃	Cathay United Bank 1St Subordinate Financial Debentures-01 Issue in2012	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	Land Bank of Taiwan 2nd Subordinate Financial Debenture Issue in 2012	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	FIRST COMMERCIAL BANK 1ST ISSUE A TRANCHE SUBORDINATE FINANCIAL DEBENTURES IN 2012	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	Hua Nan Commercial Bank the First Subordinate Financial Debentures-A Issue in 2012	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
〃	The Shanghai Commercial & Savings Bank Ltd 4th Unsecured Subordinate Financial Debentures-A Issue in 2012	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	

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

Note B: The difference between the ending balance and the beginning balance add/less purchase/selling amount for this period is due to unwinding of premium.

e) Acquisition of real estate properties exceeding $100 million or 20% of the Company's paid-in capital during the year ended 31st December 2012: None

f) Disposal of real estate properties exceeding $100 million or 20% of the Company's paid-in capital during the year ended 31st December 2012: 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 2012: None

h) Derivative financial instruments undertaken during the year ended 31st December 2012: None

B. Related information of investee companies for the year ended 31st December 2012

				Initial investment amount		Holding Status					
Investor	Investee	Address	Major operating activities	At the end of this year	At the end of last year	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%	$ 30,382	$ 49,631	$ 9,918	-
TDCC	〃	〃	〃	13,300	13,300	1,330	19.00%	28,877	49,631	9,429	-
TWCA	〃	〃	〃	4	4	1	0.01%	4	49,631	-	-

11. DISCLOSURES RELATING TO THE ADOPTION OF IFRSs

Pursuant to the regulations of the Financial Supervisory Commission, Executive Yuan, R.O.C., effective 1st January 2013, a public company whose stock is listed on the Taiwan Stock Exchange Corporation or traded in the GreTai Securities Market should prepare financial statements in accordance with the International Financial Reporting Standards, International Accounting Standards, and Interpretations/bulletins (collectively referred herein as the IFRSs) developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as recognized by the Financial Supervisory Commission, Executive Yuan, R.O.C.

The Company discloses the following information in advance prior to the adoption of IFRSs under the requirements of Jin-Guan-Zheng-Shen-Zi Order No. 0990004943 of the Financial Supervisory Commission, dated February 2, 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	
3. Determine IFRSs accounting policies	Completed
4. Confirm the first-time adoption of IFRSs accounting policies and select exemptions available	Completed 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	Completed
8. Summarize IFRSs information required and make proper disclosures in the financial statements	Completed
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)	Completed
2. Prepare first IFRSs financial statements	In progress
3. Examine the IFRSs financial statements preparation process and make improvements	In progress
4. Amend accounting policies	Completed
Phase 4- Adjustment and improvement (January 2012- December 2013) Continue analysis of IFRSs adoption process and improvements	In progress

B. Material differences that may arise between the current accounting policies used in the preparation of financial statements and the 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 and the impact of such differences are outlined below:

The Company uses the IFRSs already recognized currently by the Financial Supervisory Commission and the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" that are expected to be applicable 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 that are subsequently recognized by the Financial Supervisory Commission or amendments to the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges" come in the future. Therefore, the actual impact of those differences may also change.

The impact of material differences identified by the Company that may arise between the current accounting policies used in the preparation of financial statements and the 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, and the effects of exemptions selected by the Company under IFRS 1 – First-time Adoption of International Financial Reporting Standards (refer to Note 10(3)) are set forth below:

1.Reconciliation of balance sheet accounts with material differences between different accounting policies adopted as at 1st January 2012:

	Accounting Standards in R.O.C.	Adjustment	IFRSs	Remark
Cash and cash equivalents	$ 33,146,651	($ 7,857,829)	$ 25,288,822	(1)
Accounts receivable-net	435,741	8,129,525	8,565,266	(2)
Other financial assets-current	133,465	7,857,829	7,991,294	(1)
Available-for-sale financial assets–noncurrent	-	2,641,857	2,641,857	(3)
Financial assets carried at cost	951,652	(951,652)	-	(3)
Long-term equity investments accounted for under the equity method	55,048	(1,507)	53,541	(8)
Rental assets	85,203	(85,203)	-	(4)
Investment property	-	148,744	148,744	(4)
Others	40,424,645	(46,353)	40,378,292	(4)(5)(6)
TOTAL ASSETS	$ 75,232,405	$ 9,835,411	$ 85,067,816	
Accounts payable	-	8,129,525	8,129,525	(2)
Accrued expenses	1,356,219	(7,217)	1,349,002	(5)(6)
Accrued pension liability	-	502,940	502,940	(6)
Reserve for land value increment tax	44,599	(44,599)	-	(7)
Default damages reserve	10,062,162	(10,062,162)	-	(9)
Deferred income tax liabilities	37,998	1,639,612	1,677,610	(7)(9)
Others	22,909,753	-	22,909,753	
TOTAL LIABILITIES	$ 34,410,731	$ 158,099	$ 34,568,830	
Capital reserve	37,682	(37,104)	578	(7)
Retained earnings	27,890,610	7,346,914	35,237,524	(5)(6)(7)(8)(9)
Other equity	(201,780)	1,334,910	1,133,130	(3)
Others	5,983,213	-	5,983,213	
Non-controlling interest	7,111,949	1,032,592	8,144,541	
TOTAL STOCKHOLDERS' EQUITY	$ 40,821,674	$ 9,677,312	$ 50,498,986	

2.Reconciliation of balance sheet accounts with material differences between different accounting policies adopted as at December 31, 2012:

	Accounting Standards in R.O.C.	Adjustment	IFRSs	Remark
Cash and cash equivalents	$ 33,101,453	($ 8,169,817)	$ 24,931,636	(1)
Accounts receivable-net	474,394	5,309,502	5,783,896	(2)
Other financial assets-current	218,832	8,169,817	8,388,649	(1)
Available-for-sale financial assets–noncurrent	-	3,330,814	3,330,814	(3)
Financial assets carried at cost	951,652	(951,652)	-	(3)
Long-term equity investments accounted for under the equity method	59,263	(2,812)	56,451	(8)
Rental assets	84,749	(84,749)	-	(4)
Investment property	-	164,246	164,246	(4)
Others	40,973,823	(61,546)	40,912,277	(4)(5)(6)
TOTAL ASSETS	$ 75,864,166	$ 7,703,803	$ 83,567,969	
Accounts payable	-	5,309,502	5,309,502	(2)
Accrued expenses	1,359,803	10,535	1,370,338	(5)(6)
Accrued pension liability	-	690,213	690,213	(6)
Reserve for land value increment tax	44,599	(44,599)	-	(7)
Default damages reserve	10,219,783	(10,219,783)	-	(9)
Deferred income tax liabilities	37,856	1,666,334	1,704,190	(7)(9)
Others	22,139,730	-	22,139,730	
TOTAL LIABILITIES	$ 33,801,771	($ 2,587,798)	$ 31,213,973	
Capital reserve	37,682	(37,104)	578	(7)
Retained earnings	28,370,812	7,283,779	35,654,591	(5)(6)(7)(8)(9)
Other equity	29,485	1,955,117	1,984,602	(3)
Others	6,132,793	-	6,132,793	
Non-controlling interest	7,491,623	1,089,809	8,581,432	
TOTAL STOCKHOLDERS' EQUITY	$ 42,062,395	$ 10,291,601	$ 52,353,996	

3.Reconciliation of income statement accounts with material differences between different accounting policies adopted for the year ended December 31, 2012:

	Accounting Standards in R.O.C.	Adjustment	IFRSs	Remark
Operating revenue	$ 6,577,260	$ -	$ 6,577,260	
Operating costs	(108,424)	-	(108,424)	
Operating gross profit	6,468,836	-	6,468,836	
Operating expenses				
Personnel	(2,304,583)	(85,005)	(2,389,588)	(5)(6)
General and administrative	(2,459,084)	157,621	(2,301,463)	(9)
Total operating expenses	(4,763,667)	72,616	(4,691,051)	
Operating income	1,705,169	72,616	1,777,785	
Non-operating income				
Equity in net income of investee company	19,347	-	19,347	
Other income	999,886	-	999,886	
Total Non-operating Income	1,019,233	-	1,019,233	
Non-operating expenses	(142,594)	-	(142,594)	
Income before income tax	2,581,808	72,616	2,654,424	
Income tax expense	(436,526)	(25,959)	(462,485)	(5)(6)(9)
Profit for the year	$ 2,145,282	$ 46,657	$ 2,191,939	
Other comprehensive income		798,898	798,898	(3)(6)(8)
Total comprehensive income for the year			$ 2,990,837	

Reasons for differences are outlined below:

(1)Time deposits held more than three months but less than one year

The 'cash' account of the Company and its subsidiaries includes time deposits held more than three months but less than one year. In accordance with IAS 7, 'Statement of Cash Flows', the purpose of holding cash equivalents is to meet short-term cash commitments rather than for investment or other purposes. Therefore, an investment is included as a cash equivalent only when it has a short maturity (ex. a maturity of three months or less from the date of acquisition). As of 31st December 2012 and 1st January 2012, time deposits of the Company and its subsidiaries held more than three months, amounting to $8,169,817 and $7,857,829, respectively, were reclassified to 'other financial assets – current'.

(2)Settlement prices

In accordance with "Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges", settlement amounts receivable from and payable to securities firms should be presented in net amount through offsetting such amounts receivable and payable. However, in accordance with IAS 32, 'Financial Instruments: Presentation', settlement prices do not meet the criteria of offsetting financial assets and financial liabilities, and should be presented in the financial statements in gross amounts. As of 31st December 2012 and 1st January 2012, the Company presented gross settlement amounts receivable and payable of $5,309,502 and $8,129,525, respectively, in the financial statements.

(3) Financial assets: equity instruments

In accordance with the "Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges", unlisted stocks held by the Company and its subsidiaries are measured at cost and recognised as 'financial assets measured 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 should be measured at fair value. Therefore, the Company and its subsidiaries reclassified $951,652 from 'financial assets measured at cost' to 'available-for-sale financial assets' as of 31st December 2012 and 1st January 2012. As of 31st December 2012 and 1st January 2012, the Company and its subsidiaries increased available-for-sale financial assets by $3,330,814 and $2,641,857, respectively, increased unrealized gain on available-for-sale financial assets by $1,955,117 and $1,334,910, respectively, and increased unrealized gain on valuation of available-for-sale financial assets by $920,222 for the year ended 31st December, 2012.

(4) Investment property

As of 31st December 2012 and 1st January 2012, the Company and its subsidiaries reclassified $164,246 and $148,744 from 'assets leased to others'/'property, plant and equipment' to 'investment property', respectively.

(5) Employee benefits

The Company and its subsidiaries increased accrued expenses by $101,293 and $96,195, increased deferred income tax assets by $17,220 and $16,353, and decreased retained earnings by $64,187 and $64,187 as of 31st December 2012 and 1st January 2012, respectively, and increased personnel expenses under operating expenses by $5,097 and decreased income tax expense by $867 for the year ended 31st December 2012.

(6) Pensions

According to the bulletin of Ministry of Economic Affairs, as the Company and its subsidiaries are non-public company, ROC SFAS No.18, 'Accounting for Pensions', is not applicable to the Group, and are not required to calculate pension costs in accordance with ROC SFAS No. 18. However, IFRSs do not indicate that non-public companies can be exempted from the application of IAS 19, 'Employee benefits'. Therefore, if unrecognised transitional net benefit obligation exceeds the liabilities that should be recognized under the previous accounting policies on the same day, the increased liabilities should be recognzied as a component of defined benefit obligations under IAS 19. As of 31st December 2012 and 1st January 2012, accrued expenses of the Company and its subsidiaries which belong to the defined benefit plan, amounting to $90,758 and $103,412, respectively, were reclassified to 'accrued pension liabilities' in accordance with IFRS 19, 'Employee Benefits', and the Company and its subsidiaries increased accrued pension liabilities by $599,455 and $399,528, respectively, increased deferred income tax assets by $369 and $835, respectively, and decreased retained earnings by $270,113 and $270,113, respectively. Additionally, the Group increased personnel expenses under operating expenses by $79,908, increased income tax expense by $466 and decreased actuarial pension gain (loss) on the defined benefit plan by $120,019 for the year ended 31st December 2012.

(7) Land revaluation increment/reserve for land revaluation increment tax/capital surplus

In accordance with current ROC accounitng standards, unrealized land revaluation increment should be recognized in 'capital surplus' and a reserve for land revaluation increment tax should be separately presented. However, in accordance with IASs, such unrealized land revaluation increment should be reclassified to 'retained earnings', and reserve for land revaluation increment tax should be reclassified to 'deferred income tax liabilities'. Therefore, the Company reclassified reserve for land revaluation increment tax of $44,599 to 'deferred income tax liabilities' and reclassified unrealized land revaluation increment of $37,023 to 'retained earnings' as of 31st December 2012 and 1st January 2012. Additionally, the Company recognized $81 in proportion to its share ownership as of 31st December 2012 and 1st January 2012 as its subsidiaries reclassified capital surplus to retained earnings.

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

Through the evaluation of major differences that may arise between the Company's current accounting policies and the IFRSs that will be applied in the preparation of financial statements in the future, the significant differences identifa6ied pertain to employee benefits and pensions. As a result of the differences above, the Company decreased long-term equity investments accounted for under the equity method by $2,812 and $1,507 and decreased retained earnings by $1,507 and $1,507 as of 31st December 2012 and 1st January 2012, respectively, and decreased actuarial pension gain (loss) on the defined benefit plan by $1,305 for the year ended 31st December 2012.

(9) Accounting for default damages reserve

The Company and its subsidiaries made contributions to default damages fund and recognized corresponding default damages reserve in 'liabilities' in accordance with the regulations of the regulatory authorities. However, in accordance with paragraph 10 of IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets': liabilities mean that an entity bears present obligation as a result of past events, and settlement of such obligation is expected to result in the entity's outflow of resources with economic benefits, the default damages reserve provided for by the Company and its subsidiaries, which did not meet that definition of liabilities, should be reclassified to 'retained earnings'. As a result of the difference above, the Company and its subsidiaries decreased default damages reserve by \$10,219,783 and \$10,062,162, increased deferred income tax liabilities by \$1,621,373 and \$1,595,013, and increased retained earnings by \$7,645,617 and \$7,645,617 as of 31st December 2012 and 1st January 2012, respectively. Additionally, the Group decreased business expenses under operating expenses by \$157,621 and increased income tax expense by \$26,360 for the year ended 31st December 2012.

C.The Company has elected the following exemptions in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards" and "Rules Governing the Preparation of Financial Statements by Securities Issuers" that are expected to be applicable in 2013:

1.Deemed cost

(1)For property, plant and equipment that were revalued under ROC GAAP before the date of the Company's first IFRS balance sheet, the Company has elected to use the revalued amount under ROC GAAP at the date of the revaluation as the 'deemed cost' of these assets under IFRSs.

(2)For investment properties that were accounted for under 'Property, plant and equipment' which were revalued under ROC GAAP before the date of the Company's first IFRS balance sheet, the Company has elected to use the revalued amount under ROC GAAP at the date of the revaluation as the 'deemed cost' of these assets under IFRSs.

2.Employee benefits

The Company has elected to recognize all cumulative actuarial gains and losses for all employee benefit plans in 'retained earnings' at the opening IFRS balance sheet date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, "Employee Benefits", based on their prospective amounts for financial periods from the opening IFRS balance sheet date.

3.Designation of previously recognized financial instruments

The Company has elected to designate certain financial assets carried at cost as 'Available-for-sale financial assets at the opening IFRS balance sheet date.

The selection of exemptions above may be different from the actual selection at the date of transition to IFRSs due to the issuance of related regulations by competent authorities, changes in economic environment, or changes in the evaluation of the impact of the Company's selection of exemptions