

**TAIWAN STOCK EXCHANGE  
CORPORATION AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT ACCOUNTANTS  
DECEMBER 31, 2013 AND 2012**

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



資誠

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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 December 31, 2013, December 31, 2012 and January 1, 2012, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. 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 (including investments accounted for under the equity method) of NT\$20,232,105 thousand, NT\$18,870,424 thousand and NT\$17,820,393 thousand, constituting 24, 23 and 21 percent of the consolidated assets as of December 31, 2013, December 31, 2012 and January 1, 2012, respectively, and total revenues of NT\$2,885,326 thousand and NT\$2,730,479 thousand, constituting 43 and 42 percent of consolidated revenues for the years ended December 31, 2013 and 2012, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to those consolidated subsidiaries and investee accounted for under equity method, is based solely on the audit reports of the other independent accountants.

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

In our opinion, based on our audits and the reports of other independent accountants, 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 December 31,

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資誠

2013, December 31, 2012 and January 1, 2012, and their financial performance and cash flows for the years ended December 31, 2013 and 2012, in conformity with the “Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of Taiwan Stock Exchange Corporation (not presented herein) as of and for the years ended December 31, 2013 and 2012, on which we have expressed an unqualified opinion on those consolidated financial statements.

PricewaterhouseCoopers, Taiwan

March 25, 2014

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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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2013, DECEMBER 31, 2012, AND JANUARY 1, 2012  
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	Note	December 31, 2013		December 31, 2012		January 1, 2012	
		Amount	%	Amount	%	Amount	%
<b>Current Assets</b>							
Cash and cash equivalents	6(1)	\$ 8,878,389	11	\$ 24,551,436	30	\$ 24,969,722	29
Financial assets at fair value through profit or loss-current	6(2)	1,530,185	2	1,384,018	2	1,526,631	2
Available-for-sale financial assets-current	6(3)	3,108,103	4	2,650,992	3	1,917,096	2
Held-to-maturity financial assets-current	6(4)	2,753,121	3	5,160,296	6	3,046,888	4
Accounts receivable-net	6(5) and 7	480,975	-	474,394	1	435,741	-
Other receivables		210,851	-	210,377	-	220,531	-
Other financial assets-current	6(1)	19,463,406	24	8,550,017	10	8,176,929	10
Other current assets	6(6)	494,857	-	234,566	-	130,295	-
<b>Total Current Assets</b>		<b>36,919,887</b>	<b>44</b>	<b>43,216,096</b>	<b>52</b>	<b>40,423,833</b>	<b>47</b>
<b>Non-current Assets</b>							
Available-for-sale financial assets-non-current	6(3)	3,288,637	4	3,067,048	4	2,550,387	3
Held-to-maturity financial assets-non-current	6(4)	17,885,634	21	17,893,737	22	20,772,463	25
Default damages fund	6(7)	10,424,857	13	10,228,240	12	10,016,170	12
Investments accounted for using the equity method	6(9)	58,474	-	56,451	-	53,541	-
Property and equipment	6(10)	2,595,954	3	2,221,159	3	2,013,841	2
Investment property-net	6(11)	276,785	-	115,044	-	99,374	-
Intangible assets	6(12)	591,976	1	310,226	-	266,605	-
Other non-current assets	6(13)	866,987	1	887,371	1	651,497	1
<b>Total Non-current Assets</b>		<b>35,989,304</b>	<b>43</b>	<b>34,779,276</b>	<b>42</b>	<b>36,423,878</b>	<b>43</b>
Securities Settlement Debit	6(8)	10,860,630	13	5,309,502	6	8,129,525	10
<b>TOTAL ASSETS</b>		<b>\$ 83,769,821</b>	<b>100</b>	<b>\$ 83,304,874</b>	<b>100</b>	<b>\$ 84,977,236</b>	<b>100</b>

(Continued)

**TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2013, DECEMBER 31, 2012, AND JANUARY 1, 2012**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

LIABILITIES AND EQUITY	Note	December 31, 2013		December 31, 2012		January 1, 2012	
		Amount	%	Amount	%	Amount	%
<b>Current Liabilities</b>							
Securities lending and borrowing collateral payable	6(14)	\$ 13,669,186	16	\$ 20,988,801	25	\$ 21,816,597	26
Accrued expenses		1,284,549	1	1,403,128	2	1,346,836	2
Current income tax liabilities		195,262	-	87,075	-	292,238	-
Other current liabilities	6(15)	1,380,671	2	943,656	1	744,308	1
<b>Total Current Liabilities</b>		<b>16,529,668</b>	<b>19</b>	<b>23,422,660</b>	<b>28</b>	<b>24,199,979</b>	<b>29</b>
<b>Non-current Liabilities</b>							
Deferred income tax liabilities	6(25)	1,704,861	2	1,704,861	2	1,678,500	2
Accrued pension liabilities	6(16)	470,741	1	690,213	1	502,940	1
Deposits received		90,247	-	87,408	-	58,776	-
<b>Total Non-current Liabilities</b>		<b>2,265,849</b>	<b>3</b>	<b>2,482,482</b>	<b>3</b>	<b>2,240,216</b>	<b>3</b>
Securities Settlement Credit	6(8)	10,860,630	13	5,309,502	6	8,129,525	9
<b>Total Liabilities</b>		<b>29,656,147</b>	<b>35</b>	<b>31,214,644</b>	<b>37</b>	<b>34,569,720</b>	<b>41</b>
<b>Equity Attributable to Owners of the Parent</b>							
<b>Capital Stock</b>							
Common stock	6(17)	6,286,113	7	6,132,793	8	5,983,213	7
<b>Capital Reserve</b>							
Capital reserve	6(18)	578	-	578	-	578	-
<b>Retained Earnings</b>							
Legal reserve	6(19)	4,596,560	5	4,443,834	6	4,197,006	5
Special reserve	6(19)	30,586,547	37	30,128,367	36	28,866,379	34
Unappropriated earnings	6(20)	1,321,304	2	1,082,389	1	2,174,138	3
<b>Other Equity Interest</b>							
Other equity interest	6(21)	2,203,277	3	1,758,088	2	1,052,957	1
<b>Equity Attributable to Owners of the Parent</b>		<b>44,994,379</b>	<b>54</b>	<b>43,546,049</b>	<b>53</b>	<b>42,274,271</b>	<b>50</b>
<b>Non-controlling Interest</b>		<b>9,119,295</b>	<b>11</b>	<b>8,544,181</b>	<b>10</b>	<b>8,133,245</b>	<b>9</b>
<b>Total Equity</b>		<b>54,113,674</b>	<b>65</b>	<b>52,090,230</b>	<b>63</b>	<b>50,407,516</b>	<b>59</b>
Commitments and Contingent Liabilities	9						
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 83,769,821</b>	<b>100</b>	<b>\$ 83,304,874</b>	<b>100</b>	<b>\$ 84,977,236</b>	<b>100</b>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2014.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR BASIC EARNINGS PER SHARE)

	2013		2012	
	Amount	%	Amount	%
Operating revenues (Notes 6(22) and 7)				
Trading fees	\$ 2,038,100	30	\$ 2,161,095	33
Listing fees	931,400	14	817,385	12
Securities settlement service fees	721,763	11	589,895	9
Securities recording service fees	632,841	9	657,782	10
Transfer process fees	372,291	6	321,015	5
Market data fees	349,062	5	369,360	6
Account maintenance service fees	331,732	5	317,002	5
Future settlement service fees	199,180	3	287,024	4
Data processing fees	129,541	2	96,168	1
Others	1,022,336	15	960,534	15
Total Operating Revenues	6,728,246	100	6,577,260	100
Operating costs (Note 6(23))	( 107,030)	( 1)	( 108,424)	( 2)
Operating Gross Profit	6,621,216	99	6,468,836	98
Operating expenses (Note 6(23))				
Personnel	( 2,366,838)	( 35)	( 2,389,588)	( 36)
General and administrative (Note 7)	( 2,527,750)	( 38)	( 2,301,463)	( 35)
Total Operating Expenses	( 4,894,588)	( 73)	( 4,691,051)	( 71)
Operating income	1,726,628	26	1,777,785	27
Non-operating income and expenses				
Interest income	837,231	12	889,571	13
Gain (loss) on disposal of investments	59,340	1	( 24,916)	-
Equity in net income of investee company	18,320	-	19,347	-
Other income	104,745	2	110,315	2
Finance costs (Note 6(24))	( 12,551)	-	( 12,793)	-
Other expenses	( 75,226)	( 1)	( 104,885)	( 2)
Total non-operating income and expenses	931,859	14	876,639	13
Profit before income tax	2,658,487	40	2,654,424	40
Income tax expense (Note 6(25))	( 449,712)	( 7)	( 462,485)	( 7)
Profit for the year	2,208,775	33	2,191,939	33
Other comprehensive income				
Unrealized gain on valuation of available-for-sale financial assets (Note 6(3))	480,491	7	747,926	12
Actuarial gain (loss) on defined benefit plan (Note 6(16))	288,871	4	( 120,019)	( 2)
Share of other comprehensive income of associates accounted for under equity method	1,174	-	( 1,305)	-
Income tax relating to the components of other comprehensive income	( 14)	-	-	-
Other comprehensive income for the year	770,522	11	626,602	10
Total comprehensive income for the year	\$ 2,979,297	44	\$ 2,818,541	43
Profit attributable to:				
Owners of the parent	\$ 1,541,424	23	\$ 1,566,107	24
Non-controlling interest	667,351	10	625,832	9
	\$ 2,208,775	33	\$ 2,191,939	33
Comprehensive income attributable to:				
Owners of the parent	\$ 2,214,929	33	\$ 2,169,260	33
Non-controlling interest	764,368	11	649,281	10
	\$ 2,979,297	44	\$ 2,818,541	43
Earnings per share (Note 6(26))				
Basic earnings per share	\$ 2.45		\$ 2.49	

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2014.

TAIWAN STOCK EXCHANGE CORPORATION  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Notes	Equity attributable to owners of the parent							Non-controlling Interest	Total Equity
	Common Stock	Capital Reserve	Retained Earnings		Unappropriated Earnings	Other Equity Interest	Total		
			Legal Reserve	Special Reserve					
<u>2012</u>									
Balance at January 1, 2012	\$ 5,983,213	\$ 578	\$ 4,197,006	\$ 28,866,379	\$ 2,174,138	\$ 1,052,957	\$ 42,274,271	\$ 8,133,245	\$ 50,407,516
Appropriations of 2011 earnings:									
Legal reserve	6(19)	-	246,828	-	( 246,828 )	-	-	-	-
Special reserve	6(19)	-	-	1,261,988	( 1,261,988 )	-	-	-	-
Cash dividends	6(20)	-	-	-	( 897,482 )	-	( 897,482 )	-	( 897,482 )
Stock dividends	6(20)	149,580	-	-	( 149,580 )	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	( 238,345 )	( 238,345 )
Net income for 2012		-	-	-	1,566,107	-	1,566,107	625,832	2,191,939
Other comprehensive income for 2012	6(21)	-	-	-	( 101,978 )	705,131	603,153	23,449	626,602
Balance at December 31, 2012	<u>\$ 6,132,793</u>	<u>\$ 578</u>	<u>\$ 4,443,834</u>	<u>\$ 30,128,367</u>	<u>\$ 1,082,389</u>	<u>\$ 1,758,088</u>	<u>\$ 43,546,049</u>	<u>\$ 8,544,181</u>	<u>\$ 52,090,230</u>
<u>2013</u>									
Balance at January 1, 2013	\$ 6,132,793	\$ 578	\$ 4,443,834	\$ 30,128,367	\$ 1,082,389	\$ 1,758,088	\$ 43,546,049	\$ 8,544,181	\$ 52,090,230
Appropriations of 2012 earnings:									
Legal reserve	6(19)	-	152,726	-	( 152,726 )	-	-	-	-
Special reserve	6(19)	-	-	458,180	( 458,180 )	-	-	-	-
Cash dividends	6(20)	-	-	-	( 766,599 )	-	( 766,599 )	-	( 766,599 )
Stock dividends	6(20)	153,320	-	-	( 153,320 )	-	-	-	-
Changes in non-controlling interests		-	-	-	-	-	-	( 189,254 )	( 189,254 )
Net income for 2013		-	-	-	1,541,424	-	1,541,424	667,351	2,208,775
Other comprehensive income for 2013	6(21)	-	-	-	228,316	445,189	673,505	97,017	770,522
Balance at December 31, 2013	<u>\$ 6,286,113</u>	<u>\$ 578</u>	<u>\$ 4,596,560</u>	<u>\$ 30,586,547</u>	<u>\$ 1,321,304</u>	<u>\$ 2,203,277</u>	<u>\$ 44,994,379</u>	<u>\$ 9,119,295</u>	<u>\$ 54,113,674</u>

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2014.

TAIWAN STOCK EXCHANGE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2013	2012
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Consolidated profit before tax for the year		\$ 2,658,487	\$ 2,654,424
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Income and expenses having no effect on cash flows			
Interest income		( 837,231 )	( 889,571 )
Dividend income		( 62,473 )	( 70,327 )
Finance costs	6(24)	12,551	12,793
Reversal of allowance for bad debts		-	( 604 )
Depreciation (including investment property)	6(23)	525,088	346,612
Amortization	6(23)	122,843	63,254
Loss on disposal of property and equipment		305	2
(Gain) loss on disposal of investments		( 59,340 )	24,916
Equity in net income of investee companies-net of cash dividends received		( 849 )	( 4,215 )
Gain on financial assets at fair value through profit or loss		( 108 )	( 12 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		( 146,059 )	142,625
Accounts receivable		( 6,581 )	( 38,049 )
Other receivables		( 53,267 )	( 17,882 )
Other current assets		( 260,291 )	( 104,271 )
Default damages fund		( 196,617 )	( 212,070 )
Other non-current assets		( 9,141 )	12,354
Net changes in liabilities relating to operating activities			
Securities lending and borrowing collateral payable		( 7,319,615 )	( 827,796 )
Accrued expenses		( 116,186 )	58,491
Other current liabilities		437,015	199,348
Accrued pensions liabilities		69,385	67,254
Cash (used in) generated from operations		( 5,242,084 )	1,417,276
Interest received		890,024	917,607
Interest paid		( 16,887 )	( 12,478 )
Income tax paid		( 336,141 )	( 665,828 )
Net cash (used in) provided by operating activities		( 4,705,088 )	1,656,577
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Increase in available-for-sale financial assets-net		( 138,869 )	( 527,547 )
Decrease in held-to-maturity financial assets-net		2,415,278	765,318
Increase in other current financial assets		( 10,913,389 )	( 373,088 )
Acquisition of property and equipment	6(28)	( 649,277 )	( 336,251 )
Proceeds from disposal of property and equipment		1,105	1,408
Increase in intangible assets		( 141,451 )	( 51,947 )
Increase in prepayments for equipment		( 650,991 )	( 508,475 )
Decrease (increase) in refundable deposits-net		176	( 7,413 )
Dividends received		62,473	70,327
Net cash used in investing activities		( 10,014,945 )	( 967,668 )
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Cash dividends paid		( 766,599 )	( 897,482 )
Increase in deposits received		2,839	28,632
Changes in non-controlling interests		( 189,254 )	( 238,345 )
Net cash used in financing activities		( 953,014 )	( 1,107,195 )
Decrease in cash and cash equivalents		( 15,673,047 )	( 418,286 )
Cash and cash equivalents at beginning of year	6(1)	24,551,436	24,969,722
Cash and cash equivalents at end of year	6(1)	\$ 8,878,389	\$ 24,551,436

The accompanying notes are an integral part of these consolidated financial statements.  
See report of independent accountants dated March 25, 2014.



TAIWAN STOCK EXCHANGE CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012

(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 and its subsidiaries (the Group) are providing location and facilities for trading and settlement of securities, and other services as approved by the Competent Authority.

On October 11, 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. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 25, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable as it is the first-time adoption of IFRSs by the Group this year.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

IFRS 9, 'Financial Instruments: Classification and measurement of financial assets'

A. The International Accounting Standards Board ("IASB") published IFRS 9, 'Financial Instruments', in November 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), 'Financial Instruments: Recognition and Measurement' reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments, which might affect the accounting treatments for financial instruments of the Group.

C. The Group has not yet evaluated the overall effect of the IFRS 9 adoption. However, based on our preliminary evaluation, it was noted that the IFRS 9 adoption might have an impact on those instruments classified as 'available-for-sale financial assets' held by the Group, as IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognised in other

comprehensive income should not be reclassified to profit or loss when such assets are derecognised. The Group recognised gain (or loss) on equity instruments amounting to \$480,491, respectively, in other comprehensive income for the year ended December 31, 2013.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, 'Financial Instruments: Disclosures' and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, 'Financial instruments: Classification and measurement of financial liabilities'	IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognising the liabilities; and all other changes in fair value are recognised in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.)	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, 'Financial instruments: Recognition and measurement', prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognise related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, 'Income taxes—recovery of revalued non-depreciable assets'.	January 1, 2012
IFRS 10, 'Consolidated financial statements'	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, 'Joint arrangements'	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRS 12, 'Disclosure of interests in other entities'	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013
IAS 27, 'Separate financial statements' (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, 'Consolidated financial statements'.	January 1, 2013
IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, 'Employee benefits' (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service costs will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognised in other comprehensive income.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	Stripping costs that meet certain criteria should be recognised as the 'stripping activity asset'. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, 'Inventories'.	January 1, 2013
Disclosures—Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of 'currently has a legally enforceable right to set off the recognised amounts'; and (ii) that some gross settlement mechanisms with certain features may be considered equivalent to net settlement.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, 'Financial instruments', and IAS 20, 'Accounting for government grants and disclosure of government assistance', prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognise the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, 11 and 12 is adopted.	January 1, 2013
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define 'Investment Entities' and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
IFRIC 21, 'Levies'	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognised in accordance with IAS 37, 'Provisions, contingent liabilities and contingent assets'.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRS 9, 'Financial assets: hedge accounting' and amendments to IFRS 9, IFRS 7 and IAS 39	<ol style="list-style-type: none"> <li>1. IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity.</li> <li>2. An entity can elect to early adopt the requirement to recognise the changes in fair value attributable to changes in an entity's own credit risk from financial liabilities that are designated under the fair value option in 'other comprehensive income'.</li> </ol>	November 19, 2013 (Not mandatory)

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements. Except for the new standards, interpretations and amendments above, the Group preliminarily assessed that severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1), IFRS 11, 'Joint arrangements', Novation of derivatives and continuation of hedge accounting (amendments to IAS 39), IFRIC 20, 'Stripping costs in the production phase of a surface mine' and Government loans (amendment to IFRS 1), and other new standards, interpretations and amendments did not have significant impact on the Group.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### (1) Compliance statement

A. These consolidated financial statements are the first year end consolidated financial statements prepared by the Group in accordance with the "Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchange" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

B. In the preparation of the balance sheet as of January 1, 2012 (the Group's date of transition to IFRSs) ("the opening IFRS balance sheet"), the Group has adjusted the amounts that were reported in the consolidated financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 15 for the impact of transitioning from R.O.C. GAAP to IFRSs on the Group's financial position, operating results and cash flows.

(2) Basis of preparation

Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- A. Financial assets at fair value through profit or loss.
- B. Available-for-sale financial assets measured at fair value.
- C. Accrued pension liabilities calculated by actuarial valuation.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, or owns substantive control.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Taiwan Depository & Clearing Corporation (TDCC) and Taiwan-Ca Inc. (TWCA) were consolidated subsidiaries in 2013 and 2012. The details of consolidated subsidiaries are as follows:

(a) TDCC:

- i. 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.
- ii. The Company's ownership percentage as of December 31, 2013, December 31, 2012 and January 1, 2012 was 50.43%.

(b) TWCA:

- i. Taiwan-Ca Inc. (TWCA) was 30.25% owned by the Company as of December 31, 2013, December 31, 2012 and January 1, 2012. Although the Group 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 the Board of Directors' seats. Therefore, the Group exercises significant control over TWCA.
- ii. TWCA was incorporated on December 17, 1999 and is mainly engaged in internet



certification, retail and wholesale of information software and related services.

C.Subsidiaries not included in the consolidated financial statements: None.

D.Adjustments for subsidiaries with different balance sheet dates: None.

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

(4) Foreign currency translation

The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss. All foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses".

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realised 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 criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities 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. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents including cash on hand, deposits and other short-term investment with high liquidity that will expire within three months since acquisition, can be transferred into fixed amount of cash and the risk of change in value is minor.

(7) Financial assets at fair value through profit or loss

A.Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are

classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets held for trading are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(9) Held-to-maturity financial assets

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

B. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognised using settlement date accounting.

C. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(10) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(11) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events)

has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments;

(b) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(c) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the recognised impairment loss will reverse to be recognised in profit or loss by adjusting allowance account. However, the reversal shall not make the book value of the financial assets greater than the amortised cost if no recognition occurred at the reversal date.

(b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(12) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Lease

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(14) Investments accounted for using the equity method / associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- B. The Group's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

(15) Property and equipment

- A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Land is not depreciated. Other property and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- C. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. The amount recognised at acquisition date is considered as the cost of goodwill that arises in a business combination, and is then measured based on the amount of cost less accumulated impairment loss.

(18) Impairment of non-financial assets

- A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no

longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

B. The recoverable amounts of goodwill that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or group of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Pensions

A. Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

B. Defined benefit plans

(a) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method.

(b) Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.

(21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet.

D. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

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

(24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Financial assets-fair value measurement of unlisted stocks without active market

The fair value of unlisted stocks held by the Group that are not traded in an active market is determined considering related financial information and reference. Any changes in these judgements and estimates will impact the fair value measurement of these unlisted stocks.

As of December 31, 2013, the carrying amount of unlisted stocks was \$3,288,637.

(2) Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2013, the carrying amount of accrued pension obligations was \$470,741.

(3) Held-to-maturity financial assets

The Group has positive intention and ability to hold the financial assets until maturity.

As of December 31, 2013, the carrying amount of held-to-maturity financial assets was

\$20,638,755.

(4) Impairment assessment of goodwill

For the purpose of impairment testing, the Group shall consider the usable value of goodwill that is allocated to each of the cash-generating units. In order to calculate the usable value, the management levels shall estimate the future cash flows generated from the cash-generating units, and shall determine the appropriate discount rate. If actual cash flows are less than expectation, critical impairment loss may occur.

As of December 31, 2013, the carrying amount of goodwill was \$169,083.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Checking accounts and demand deposits	\$ 765,589	\$ 5,338,622	\$ 2,891,662
Cash equivalents			
Time deposits with maturity within three months from initial date	3,169,215	16,206,016	20,292,971
Commercial papers	4,943,585	3,006,798	1,785,089
Total	<u>\$ 8,878,389</u>	<u>\$ 24,551,436</u>	<u>\$ 24,969,722</u>

A.As of December 31, 2013, December 31, 2012 and January 1, 2012, the time deposits with maturity of more than three months from initial date were \$19,463,406, \$8,550,017 and \$8,176,929, respectively, and were shown as 'other financial assets – current'.

B.The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

C.Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

(2) Financial assets at fair value through profit or loss-current

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Financial assets held for trading			
Beneficiary certificates	\$ 1,530,004	\$ 1,383,811	\$ 1,526,383
Valuation of financial assets held for trading	181	207	248
Total	<u>\$ 1,530,185</u>	<u>\$ 1,384,018</u>	<u>\$ 1,526,631</u>

A.For the years ended December 31, 2013 and 2012, the Group recognized net gain of \$8,698 and \$8,511 (shown as 'other income'), respectively.

B.The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

<u>Items</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Current items:			
Beneficiary certificates	\$ 2,819,716	\$ 2,621,507	\$ 2,118,876
Valuation adjustment of available-for-sale financial assets	288,387	29,485	(201,780)
Total	<u>\$ 3,108,103</u>	<u>\$ 2,650,992</u>	<u>\$ 1,917,096</u>
Non-current items:			
Unlisted stocks	\$ 1,068,528	\$ 1,068,528	\$ 1,068,528
Valuation adjustment of available-for-sale financial assets	2,336,985	2,115,396	1,598,735
Accumulated impairment	(116,876)	(116,876)	(116,876)
Total	<u>\$ 3,288,637</u>	<u>\$ 3,067,048</u>	<u>\$ 2,550,387</u>

A. The Group recognised \$480,491 and \$747,926 in other comprehensive income for fair value change for the years ended December 31, 2013 and 2012, respectively.

B. The Group has no available-for-sale financial assets pledged to others.

(4) Held-to-maturity financial assets

<u>Items</u>	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Current items:			
Financial bonds	\$ 1,500,000	\$ 2,715,873	\$ 699,862
Corporate bonds	799,716	1,890,161	1,998,395
Government bonds	453,405	449,886	100,183
Beneficiary securities	-	-	248,448
Assets securitization-short-term notes and bills	-	104,376	-
Total	<u>\$ 2,753,121</u>	<u>\$ 5,160,296</u>	<u>\$ 3,046,888</u>
Non-current items:			
Financial bonds	\$ 13,832,287	\$ 12,471,132	\$ 12,622,568
Corporate bonds	3,175,094	4,133,575	6,294,772
Government bonds	878,253	1,289,030	1,750,709
Assets securitization-short-term notes and bills	-	-	104,414
Total	<u>\$ 17,885,634</u>	<u>\$ 17,893,737</u>	<u>\$ 20,772,463</u>

The Group has no held-to-maturity financial assets pledged to others.



(5) Accounts receivable

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Accounts receivable			
Less: Allowance for doubtful accounts	\$ 482,358	\$ 475,777	\$ 437,728
	( 1,383)	( 1,383)	( 1,987)
	<u>\$ 480,975</u>	<u>\$ 474,394</u>	<u>\$ 435,741</u>

A. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

B. The Group does not hold any collateral as security.

(6) Other current assets

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Receipt and payment for offshore mutual funds on behalf of others	\$ 424,910	\$ 140,145	\$ 57,758
Others	69,947	94,421	72,537
	<u>\$ 494,857</u>	<u>\$ 234,566</u>	<u>\$ 130,295</u>

Since August 2006, the Company's subsidiaries began to provide receipt and payment services for offshore mutual funds on behalf of others. Receipts of this business are accounted for as debit to other current assets and credit to receipts under custody upon receipt and are reversed when payment has occurred.

(7) Default damages fund

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 46 of "Taiwan Stock Exchange Corporation Securities Borrowing and Lending Rules", and the regulations of the Competent Authority No. 0920129756 bulletin (2003), the Company contributes 3% of each loan service fee it receives as default damages fund.

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 Group has contributed 5% of trading fees to the DDF within 15 days after the end of every quarter since January 1, 2010.

C. Taiwan Depository & Clearing Corporation (TDCC) allocates 5% of revenue from securities

settlement services, accounts transferring services, accounts maintenance and other services to default damages fund (Debit: default damages fund, credit: cash) 15 days after the end of each quarter until the accumulated fund balance equals TDCC's paid-in capital.

D. For the preparation of financial statements in accordance with IFRSs from January 1, 2013, following the regulatory authority, the default damages reserve the Group has contributed should be reclassified to 'special reserve', which cannot be used for other purposes except to cover accumulated deficit or for other uses approved by the Financial Supervisory Commission. In addition, contribution to the default damages fund was discontinued effective from October 30, 2012.

E. 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 Group established the special settlement fund ("SF") with an initial funding of \$1,000,000. If the Group's DDF exceeds \$1,000,000, the excess should be contributed to the SF until the contribution reaches \$2,000,000. As of December 31, 2013, December 31, 2012, January 1, 2012, the balance of the SF was \$3,000,000.

F. The movements of the Default damages fund are as follows:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Balance, beginning of year (Note)	\$ 7,228,240	\$ 7,016,170
Contributions		
Based on the amounts of trading fees	100,011	113,337
5% of securities settlements, securities recording and custodial service fees	92,792	95,375
3% of securities lending and borrowing service fees	3,814	3,358
	<u>7,424,857</u>	<u>7,228,240</u>
Settlement fund (SF)	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 10,424,857</u>	<u>\$ 10,228,240</u>

Note: The beginning balance of SF was \$3,000,000 and the DDF was \$10,228,240 and \$10,016,170 as of January 1, 2013 and 2012, respectively.

G. As of December 31, 2013, the DDF is invested in time deposits.

(8) Securities settlement debit (credit)

As required by the Criteria Governing Preparation of Financial Reports by Company – Type Stock Exchanges, securities settlement debit (credit) includes Securities Settlement Fund ("SSF") and settlement consideration, and related descriptions are as follows:

A. Securities settlement fund

(a) As required by the Competent Authority, securities companies make cash deposits to the SSF, which is administered by a committee and deposited in the name of the Group, and this account is distinguished from the others owned by the Group. 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 Group and expenses incurred in meeting obligations are settled using the balance of the defaulting Group's contributions to the SSF and any undistributed income thereon.

i. If the obligation of the defaulting Group still cannot be fully settled, the SF portion in excess of \$1,000,000 will be used.

ii. 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 of December 31, 2013, December 31, 2012, January 1, 2012, the balances of the SSF were \$3,453,050, \$3,529,443 and \$5,123,838, respectively, and the balances of the SF were all \$3,000,000. The funds are invested in time deposits pursuant to the regulation. In addition, as of December 31, 2012, the Group had entered into a loan agreement with financial institutions in the amount of \$12,800,000 and Ten million U.S. dollars 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 Group and emergency revolving fund due to Securities firms violation of settlement obligation or natural disaster. As of December 31, 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.

(d) 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 Group to securities firms amounted to \$1,680,263. Such funds had been returned on February 15, 2012.

(e) Due to the Group is only responsible for the custodianship of the SSF deposited by security dealers, yield and income from the funds belong to the security dealers, the Group does not bear any related expenses and losses, and charge or return the SSF to individual security dealers. Therefore, the assets and liabilities are expressed in net of \$0.

#### B. Settlement consideration

Because the Company net settles the listing securities, the Company shall receive or pay settlement payment from/ to each security dealers and shown as 'securities settlement debit' and 'securities settlement credit. Pursuant to 'Operating Rules of the Taiwan Stock Exchange Corporation', net settlement is employed on the second business day following the trade date. Balance of securities settlement debit (credit) as of December 31, 2013, December 31, 2012 and January 1, 2012 is as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Securities settlement credit	\$ 10,860,630	\$ 5,309,502	\$ 8,129,525
Securities settlement debit	\$ 10,860,630	\$ 5,309,502	\$ 8,129,525

(9) Investments accounted for using the equity method

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Taiwan Ratings Co. (TRC)	\$ 58,474	\$ 56,451	\$ 53,541

The financial information summary of the Taiwan Ratings Co. is as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Assets	\$ 302,652	\$ 299,348	\$ 275,928
Liabilities	\$ 152,695	\$ 156,871	\$ 139,860

	<u>2013</u>	<u>2012</u>
Revenue	\$ 167,135	\$ 165,273
Profit/(Loss)	\$ 49,137	\$ 49,631

The Group's percentage of ownership of the abovementioned shares is 39% as of December 31, 2013, December 31, 2012 and January 1, 2012.

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

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(10) Property and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Computer equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>						
At January 1, 2013	\$1,052,738	\$ 625,803	\$2,359,108	\$ 451,676	\$ -	\$4,489,325
Revaluation	81,622	-	-	-	-	81,622
Additions	-	-	195,420	141,994	314,581	651,995
Disposals	-	( 23,746)	( 554,590)	( 130,374)	-	( 708,710)
Reclassifications	( 70,510)	( 123,476)	410,327	712	-	217,053
Closing book amount	<u>\$1,063,850</u>	<u>\$ 478,581</u>	<u>\$2,410,265</u>	<u>\$ 464,008</u>	<u>\$ 314,581</u>	<u>\$4,731,285</u>
<u>Accumulated Depreciation</u>						
At January 1, 2013	\$ -	\$ 240,280	\$1,855,935	\$ 253,573	\$ -	\$2,349,788
Depreciation	-	8,931	458,947	53,647	-	521,525
Disposals	-	( 23,746)	( 554,129)	( 129,425)	-	( 707,300)
Reclassifications	-	( 28,682)	-	-	-	( 28,682)
Closing book amount	<u>\$ -</u>	<u>\$ 196,783</u>	<u>\$1,760,753</u>	<u>\$ 177,795</u>	<u>\$ -</u>	<u>\$2,135,331</u>
At January 1, 2013						
net book amount	<u>\$1,134,360</u>	<u>\$ 385,523</u>	<u>\$ 503,173</u>	<u>\$ 198,103</u>	<u>\$ -</u>	<u>\$2,221,159</u>
At December 31, 2013						
net book amount	<u>\$1,063,850</u>	<u>\$ 281,798</u>	<u>\$ 649,512</u>	<u>\$ 286,213</u>	<u>\$ 314,581</u>	<u>\$2,595,954</u>

	<u>Land</u>	<u>Buildings</u>	<u>Computer equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<u>Cost</u>						
At January 1, 2012	\$ 411,368	\$ 654,042	\$ 1,880,757	\$ 438,297	\$ 648,176	\$ 4,032,640
Revaluation	81,622	-	-	-	-	81,622
Additions	2,210	-	292,129	40,642	-	334,981
Disposals	-	( 17,323)	( 41,409)	( 35,661)	-	( 94,393)
Reclassifications	639,160	( 10,915)	227,630	8,398	( 648,176)	216,097
Closing book amount	<u>\$1,134,360</u>	<u>\$ 625,804</u>	<u>\$2,359,107</u>	<u>\$ 451,676</u>	<u>\$ -</u>	<u>\$4,570,947</u>
<u>Accumulated Depreciation</u>						
At January 1, 2012	\$ -	\$ 248,804	\$ 1,608,594	\$ 243,023	\$ -	\$ 2,100,421
Depreciation	-	11,622	288,391	45,364	-	345,377
Disposals	-	( 17,118)	( 41,051)	( 34,814)	-	( 92,983)
Reclassifications	-	( 3,027)	-	-	-	( 3,027)
Closing book amount	<u>\$ -</u>	<u>\$ 240,281</u>	<u>\$ 1,855,934</u>	<u>\$ 253,573</u>	<u>\$ -</u>	<u>\$ 2,349,788</u>
At January 1, 2012						
net book amount	<u>\$ 492,990</u>	<u>\$ 405,238</u>	<u>\$ 272,163</u>	<u>\$ 195,274</u>	<u>\$ 648,176</u>	<u>\$ 2,013,841</u>
At December 31, 2012						
net book amount	<u>\$1,134,360</u>	<u>\$ 385,523</u>	<u>\$ 503,173</u>	<u>\$ 198,103</u>	<u>\$ -</u>	<u>\$ 2,221,159</u>

The estimated useful lives of property and equipment are as follows:

<u>Buildings</u>	
-Main buildings	55 years
-Auxiliary buildings	3 years
Computer equipment	3 years ~ 5 years
Other equipment	3 years ~ 15 years

(11) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2013	\$ 55,629	\$ 75,757	\$ 131,386
Revaluation	70,510	123,476	193,986
Closing book amount	<u>\$ 126,139</u>	<u>\$ 199,233</u>	<u>\$ 325,372</u>

Accumulated depreciation

At January 1, 2013	\$ -	\$ 16,342	\$ 16,342
Depreciation	-	3,563	3,563
Reclassifications	-	28,682	28,682
Closing book amount	<u>\$ -</u>	<u>\$ 48,587</u>	<u>\$ 48,587</u>

At January 1, 2013 net book amount	<u>\$ 55,629</u>	<u>\$ 59,415</u>	<u>\$ 115,044</u>
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At December 31, 2013 net book amount	<u>\$ 126,139</u>	<u>\$ 150,646</u>	<u>\$ 276,785</u>
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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2012	\$ 46,612	\$ 64,843	\$ 111,455
Revaluation	9,017	10,915	19,932
Closing book amount	<u>\$ 55,629</u>	<u>\$ 75,758</u>	<u>\$ 131,387</u>

Accumulated depreciation

At January 1, 2012	\$ -	\$ 12,081	\$ 12,081
Depreciation	-	1,235	1,235
Reclassifications	-	3,027	3,027
Closing book amount	<u>\$ -</u>	<u>\$ 16,343</u>	<u>\$ 16,343</u>

At January 1, 2012 net book amount	<u>\$ 46,612</u>	<u>\$ 52,762</u>	<u>\$ 99,374</u>
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At December 31, 2012 net book amount	<u>\$ 55,629</u>	<u>\$ 59,415</u>	<u>\$ 115,044</u>
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A. Rental revenue and direct operating expenses arising from the investment property are shown below:

	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Rental revenue from the lease of the investment property	\$ 15,473	\$ 6,117
Direct operating expenses arising from the investment property that generated rental income in the period (Depreciation expense)	\$ 1,800	\$ 941

B. The fair value of the investment property held by the Company as of December 31, 2013, December 31, 2012 and January 1, 2012 was \$605,967, \$218,874 and \$199,806, respectively. The fair value was revalued by independent appraisers and compared with similar assets' transaction information traded in markets and have been applied appropriate correction after estimation, and comparative law is used for estimation.

C. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 55 years.

(12) Intangible assets

	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2013	\$ 169,083	\$ 599,293	\$ 768,376
Additions	-	404,593	404,593
Disposals	-	( 64,258)	( 64,258)
Reclassifications	-	-	-
Closing book amount	<u>\$ 169,083</u>	<u>\$ 939,628</u>	<u>\$ 1,108,711</u>
<u>Accumulated amortization</u>			
At January 1, 2013	\$ -	\$ 458,150	\$ 458,150
Amortization	-	122,843	122,843
Disposals	-	( 64,258)	( 64,258)
Reclassifications	-	-	-
Closing book amount	<u>\$ -</u>	<u>\$ 516,735</u>	<u>\$ 516,735</u>
At January 1, 2013	<u>\$ 169,083</u>	<u>\$ 141,143</u>	<u>\$ 310,226</u>
At December 31, 2013	<u>\$ 169,083</u>	<u>\$ 422,893</u>	<u>\$ 591,976</u>



	<u>Goodwill</u>	<u>Software</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2012	\$ 169,083	\$ 497,286	\$ 666,369
Additions	-	51,948	51,948
Disposals	-	( 4,868)	( 4,868)
Reclassifications	-	54,927	54,927
Closing book amount	<u>\$ 169,083</u>	<u>\$ 599,293</u>	<u>\$ 768,376</u>
<u>Accumulated amortization</u>			
At January 1, 2012	\$ -	\$ 399,764	\$ 399,764
Amortization	-	63,254	63,254
Disposals	-	( 4,868)	( 4,868)
Reclassifications	-	-	-
Closing book amount	<u>\$ -</u>	<u>\$ 458,150</u>	<u>\$ 458,150</u>
At January 1, 2012			
net book amount	<u>\$ 169,083</u>	<u>\$ 97,522</u>	<u>\$ 266,605</u>
At December 31, 2012			
net book amount	<u>\$ 169,083</u>	<u>\$ 141,143</u>	<u>\$ 310,226</u>

Computer software is stated at historical cost, and is amortised on a straight-line basis over their estimated useful lives of 3~5 years.

(13) Other non-current assets

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Operations guarantee deposits	\$ 314,900	\$ 310,000	\$ 300,000
Refundable deposits and other assets	194,870	196,965	188,610
Prepayments for equipment	357,217	380,406	162,887
Total	<u>\$ 866,987</u>	<u>\$ 887,371</u>	<u>\$ 651,497</u>

As at December 31, 2013, December 31, 2012 and January 1, 2012, the Company deposited time deposits and financial bonds amounting to \$314,900, \$310,000 and \$300,000, respectively, in the Central Bank of China as guaranty bond.

(14) Securities lending and borrowing collateral payable

The Company has provided securities lending and borrowing services since June 2003. The borrower is required to deposit collaterals based on certain percentages (the stipulated collateral ratio) of borrowed securities daily market prices to the Company. In addition, individual collateral maintenance ratio of each transaction will be calculated on a daily basis, and further collateral will be required if the maintenance ratio is below the collateral ratio. As at December 31, 2013, December 31, 2012 and January 1, 2012, the Company has received collaterals as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Cash (Note A)	\$ 13,669,186	\$ 20,988,801	\$ 21,816,597
Bank draft (Note B)	\$ 4,277,524	\$ 4,338,657	\$ 1,315,751
Securities (Note C)	\$ 49,519,283	\$ 42,163,869	\$ 19,057,718

Note A: Interest will be added based on the bank's current interest rate on refund of cash collateral.

Note B: Pursuant to 'Taiwan Stock Exchange Corporation Securities Borrowing and Lending Rules,' 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.

Note C: Securities are revalued according to their closing prices at December 31, 2013, December 31, 2012 and January 1, 2012. After the completion of application for securities lending and borrowing service, the borrowers' securities are under the custodianship of Taiwan Depository & Clearing Corporation. Upon the rendering of service, the securities are turned over to the Company as collaterals. However, effective from April 1, 2010, the securities are turned over to the Company as collateral before the rendering of services as long as the Company has ensured that the borrowers' designated securities are correct.

(15) Other current liabilities

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Temporary receipts for close down brokers	\$ 383,750	\$ 369,244	\$ 352,758
Advance receipts	313,073	326,788	222,177
Receipts under custody	431,385	147,539	62,771
Deposits received for borrowing securities collateral	165,000	-	-
Others	87,463	100,085	106,602
Total	<u>\$ 1,380,671</u>	<u>\$ 943,656</u>	<u>\$ 744,308</u>

A. Advanced receipts refer to prepaid (presold) warrant listing payment, system construction service fee received in advance, internet user authorisation service fee received in advance and others.

B. Since August 2006, the Company's subsidiaries began to provide receipt and payment services for offshore mutual funds on behalf of others. Receipts of this business are accounted for as debit to other current assets and credit to receipts under custody upon receipt and are reversed when payment has occurred.

(16) Pensions

A. Defined benefit plans

The amounts recognised in the balance sheet are determined as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Present value of funded obligations	\$ 4,166,024	\$ 4,215,512	\$ 3,865,415
Fair value of plan assets	( 3,695,283)	( 3,525,299)	( 3,362,475)
Accrued pension obligations	<u>\$ 470,741</u>	<u>\$ 690,213</u>	<u>\$ 502,940</u>

(a) Changes in present value of funded obligations are as follows:

	<u>2013</u>	<u>2012</u>
Present value of funded obligations		
At January 1	\$ 4,215,512	\$ 3,865,415
Current service cost	345,681	337,386
Interest expense	61,739	61,341
Actuarial profit and loss	( 303,056)	101,435
Benefit paid	( 153,852)	( 150,065)
At December 31	<u>\$ 4,166,024</u>	<u>\$ 4,215,512</u>

(b) Changes in fair value of plan assets are as follows:

	<u>2013</u>	<u>2012</u>
Fair value of plan assets		
At January 1	\$ 3,525,299	\$ 3,362,475
Expected return on plan assets	67,932	69,655
Actuarial profit and loss	( 11,975)	( 21,808)
Company contributions	267,023	264,105
Payment to plan assets for special accounts	( 152,996)	( 149,128)
At December 31	<u>\$ 3,695,283</u>	<u>\$ 3,525,299</u>

(c) Amounts of expenses recognised in statements of comprehensive income are as follows:

	<u>2013</u>	<u>2012</u>
Current service cost	\$ 345,681	\$ 337,386
Interest cost	61,739	61,341
Expected return on plan assets	( 67,932)	( 69,655)
Actuarial (profit) loss occurred during the period	( 291,081)	123,243
Current pension costs	<u>\$ 48,407</u>	<u>\$ 452,315</u>

Details of cost and expenses recognised in statements of comprehensive income are as follows:

	<u>2013</u>	<u>2012</u>
Personnel	<u>\$ 337,278</u>	<u>\$ 332,296</u>

Amounts recognised under other comprehensive income are as follows:

	<u>2013</u>	<u>2012</u>
Recognition for current period	\$ 288,871	(\$ 120,019)
Accumulated amount	\$ 168,852	(\$ 120,019)

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

(e)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.

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

(f)The principal actuarial assumptions used were as follows:

	<u>2013</u>	<u>2012</u>
Discount rate	1.75%~1.875%	1.5%~1.75%
Future salary increases	2%~3.75%	2%~3.75%
Expected return on plan assets	1.75%~2%	1.75%~2%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

(g) Historical information of experience adjustments was as follows:

	2013	2012
Present value of defined benefit obligation	\$ 4,166,024	\$ 4,215,512
Fair value of plan assets	( 3,695,283)	( 3,525,299)
Deficit in the plan	\$ 470,741	\$ 690,213
Experience adjustments on plan liabilities	\$ 153,224	\$ 93,414
Experience adjustments on plan assets	(\$ 11,975)	(\$ 3,406)

(h) Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2013 are \$267,023.

#### B. Defined contribution plans

(a) Effective July 1, 2005, the Group has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Group 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 benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2013 and 2012 were \$58,521 and \$62,525, respectively.

#### (17) Share capital

A. In accordance with the resolution adopted at the stockholders' meeting on June 22, 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.

B. In accordance with the resolution adopted at the stockholders' meeting on June 19, 2013, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 15,332 thousand shares. The registration of this capital increase was approved by the Competent Authority.

C. As of December 31, 2013, the Company's authorized, issued and outstanding common stock consisted of 628,611 thousand shares at \$10 dollars par value per share. All proceeds from shares issued have been collected.

D. Under an amendment to Article 128 of the Securities and Exchange Law promulgated on July 19, 2000, the Company's common stocks can only be sold to authorized securities companies starting January 15, 2001.

#### (18) Capital surplus

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.

(19) 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; pursuant to regulations of the Competent Authority, the Group has transferred default damages fund to special reserve in preparation of financial statements since 2013 in accordance with IFRSs. And the special reserve that has been resolved by the stockholders can only be used, upon the Competent Authority's approval, to offset deficit or transferred to capital.

(20) Unappropriated earnings

- A. The annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve and special reserve upon the Competent Authority's approval. The remaining balance can be distributed as follows:
- (a) Between 1% and 12% for employees' bonus following the resolution by the Board of Directors.
  - (b) The remaining amount can be distributed by a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting.
- B. As approved by the stockholders during their meeting, cash dividends declared for 2012 and 2011 were \$1.25 (in dollars) per share and \$1.5 (in dollars) per share, respectively, and the stock dividends for 2012 and 2011 were \$0.25 (in dollars) per share for both years.
- C. The amount of employees' bonus for 2013 was estimated at \$108,101 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 2014. Employees' bonus for 2012 as resolved by the stockholders was lower compared to the amount recognized in the 2012 financial statements. The difference of \$35,779 had been adjusted in the statement of income for 2013.

(21) Other equity items

	<u>Unrealised profit/loss on available- for-sale financial assets</u>
January 1, 2013	\$ 1,758,088
Valuation adjustment of available-for-sale financial assets	445,189
December 31, 2013	<u>\$ 2,203,277</u>

  

	<u>Unrealised profit/loss on available- for-sale financial assets</u>
January 1, 2012	\$ 1,052,957
Valuation adjustment of available-for-sale financial assets	705,131
December 31, 2012	<u>\$ 1,758,088</u>

(22) 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 was approved by the Board of Directors of the Company and the Competent Authority in No. 0950156625 bulletin (December 14, 2006), the rate has been reduced by 12% during the time that the Company stopped making cash contributions to the DDF. Effective December 1, 2011, as approved by the Board of Directors of the Company and the Competent Authority in No. 1000058644 bulletin (November 29, 2011), the rate (0.000065 per dollar) has been reduced by 20%.

(23) Expenses by nature

	<u>For the year ended December 31, 2013</u>		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Salaries	\$ 54,727	\$ 1,952,539	\$ 2,007,266
Insurance	\$ -	\$ 120,954	\$ 120,954
Pension	\$ -	\$ 395,799	\$ 395,799
Others	\$ 781	\$ 18,501	\$ 19,282
Depreciation	\$ 11,426	\$ 513,662	\$ 525,088
Amortization	\$ 3,754	\$ 119,089	\$ 122,843

	For the year ended December 31, 2012		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salaries	\$ 48,496	\$ 1,976,766	\$ 2,025,262
Insurance	\$ -	\$ 121,153	\$ 121,153
Pension	\$ -	\$ 394,821	\$ 394,821
Others	\$ 707	\$ 18,497	\$ 19,204
Depreciation	\$ 10,898	\$ 335,714	\$ 346,612
Amortization	\$ 7,722	\$ 55,532	\$ 63,254

(24) Finance costs

	For the years ended December 31,	
	2013	2012
Interest expense		
-Securities lending and borrowing collateral	\$ 12,551	\$ 12,793

(25) Income tax

A. Income tax expense

	For the years ended December 31,	
	2013	2012
Current tax:		
Current tax on profits for the period	\$ 445,374	\$ 429,872
Adjustments in respect of prior years	2,792	7,407
Total current tax	448,166	437,279
Deferred tax:		
Origination and reversal of temporary differences	1,546	25,206
Total deferred tax	1,546	25,206
Income tax expense	\$ 449,712	\$ 462,485
Tax calculated based on profit before tax and statutory tax rate	\$ 567,380	\$ 558,877
Tax effect of permanent differences	( 120,460)	( 105,229)
Additional 10% tax on undistributed earnings	-	1,430
Under provision of prior's year income tax	2,792	7,407
Tax expense	\$ 449,712	\$ 462,485



B. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

For the year ended December 31, 2013			
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	\$ 1,510	\$ 44	\$ 1,554
Unused expenses of employee compensated absences	17,146	( 1,592)	15,554
Others	70	2	72
	<u>\$ 18,726</u>	<u>(\$ 1,546)</u>	<u>\$ 17,180</u>
-Deferred tax liabilities:			
Default damages reserve	\$ 1,621,373	\$ -	\$ 1,621,373
Goodwill	38,889	-	38,889
Reserve for land value increment tax	44,599	-	44,599
	<u>\$ 1,704,861</u>	<u>\$ -</u>	<u>\$ 1,704,861</u>
For the year ended December 31, 2012			
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	\$ 1,018	\$ 492	\$ 1,510
Unused expenses of employee compensated absences	16,248	898	17,146
Others	305	( 235)	70
	<u>\$ 17,571</u>	<u>\$ 1,155</u>	<u>\$ 18,726</u>
-Deferred tax liabilities:			
Default damages reserve	\$ 1,595,012	\$ 26,361	\$ 1,621,373
Goodwill	38,889	-	38,889
Reserve for land value increment tax	44,599	-	44,599
	<u>\$ 1,678,500</u>	<u>\$ 26,361</u>	<u>\$ 1,704,861</u>

C. The amounts of deductible temporary differences that are not recognised as deferred tax assets are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Deductible temporary differences	\$ <u>104,262</u>	\$ <u>84,406</u>	\$ <u>83,817</u>

D. Except for 2009, the Company's income tax returns through 2011 have been assessed and approved by the Tax Authority.

E. As of December 31, 2013 and 2012, all the unappropriated earnings were generated in and after 1998.

F. Imputation tax information:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Balance of the imputation tax credit account	\$ <u>24,446</u>	\$ <u>219,408</u>	\$ <u>276,336</u>

The creditable tax rate was 14.83% for 2012 and is estimated to be 12.21% for 2013, according to the current income tax law.

(26) Earnings per share

	<u>For the year ended December 31, 2013</u>		
<u>Basic earnings per share</u>	<u>Amount after tax</u>	<u>Outstanding shares at the end of the year (in thousands)</u>	<u>Earnings per share (in dollars)</u>
Profit attributable to ordinary shareholders of the parent	\$ <u>1,541,424</u>	<u>628,611</u>	\$ <u>2.45</u>
	<u>For the year ended December 31, 2012</u>		
<u>Basic earnings per share</u>	<u>Amount after tax</u>	<u>Outstanding shares at the end of the year (in thousands)</u>	<u>Earnings per share (in dollars)</u>
Profit attributable to ordinary shareholders of the parent	\$ <u>1,566,107</u>	<u>628,611</u>	\$ <u>2.49</u>

(27) Business combinations

The main activities of Taiwan Integrated Shareholder Service Company (TISS) are to accept requests from listed companies to provide a platform for electronic-voting services, which includes providing electronic-voting for shareholders, accepting authorisation from shareholders to act as a solicitor, accepting solicitors to be entrusted for soliciting work, presenting as fiduciary at shareholders' meetings for listed companies' entrustment, and accepting entrustment from foreign investment institutions, asset management companies or security dealers to exercise voting rights. In order to follow the trend of integration of electronic-voting in international shareholders' meetings and to move forward to the development trend of international connection, to improve convenience and efficiency of voting for investors overseas, and to secure shareholders' equity and

improve goals of corporate governance for R.O.C., Taiwan Depository & Clearing Corporation (TDCC) and TISS merged together.

Summary of combination contract signed by TDCC and TISS on November 12, 2013 is as follows:

A. TISS was merged into TDCC and TISS was dissolved after the merger.

B. Both parties agreed with the conversion price of \$9.46 per share of TISS at the merger date. TISS shares of 30,000,000 totaled to \$283,800,000 at merger date, and TDCC will pay within one month from the merger date.

C. TDCC did not continue employing all TISS current employees after merger, so TISS went through all employees' retirement and layoff process in accordance with Enterprise Merger and Acquisition Act and Labor Standards Act before the merger date.

The merger was a resolution adopted on both companies' interim shareholders' meeting on February 6, 2014, and on the same date, the interim meeting of TDCC's Board of Directors set March 17, 2014 to be the merger date.

(28) Non-cash transaction

	For the years ended December 31,	
	2013	2012
Purchase of fixed assets	\$ 651,995	\$ 334,981
Add: opening balance of payable on equipment	1,230	2,500
Less: ending balance of payable on equipment	(3,948)	(1,230)
Cash paid during the period	<u>\$ 649,277</u>	<u>\$ 336,251</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

	For the years ended December 31,	
	2013	2012
A. Trading fees:		
Corporate Directors	<u>\$ 395,519</u>	<u>\$ 439,541</u>
B. Securities recording service fees		
Corporate Directors	<u>\$ 160,639</u>	<u>\$ 215,507</u>
C. Future settlement fees		
Other related parties	<u>\$ 199,180</u>	<u>\$ 287,024</u>
D. License fees (recorded as operating revenue-others):		
Other related parties	\$ 125,321	\$ 143,866
Corporate Directors	630	300
	<u>\$ 125,951</u>	<u>\$ 144,166</u>

	For the years ended December 31,		
	2013	2012	
E. Securities settlement service fees (recorded as operating expenses):			
Other related parties	\$ 112,315	\$ 82,400	
F. Rental and administrative expense (recorded as operating expenses):			
Other related parties	\$ 174,333	\$ 162,604	
	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
G. Receivables from related parties:			
Corporate Directors	\$ 66,215	\$ 79,286	\$ 61,272
Other related parties	30,160	41,764	38,911
	<u>\$ 96,375</u>	<u>\$ 121,050</u>	<u>\$ 100,183</u>

(2) Key management compensation

	For the years ended December 31,		
	2013	2012	
Salaries and other short-term employee benefits	\$ 71,605	\$ 69,265	
Pensions	7,300	7,100	
Total	<u>\$ 78,905</u>	<u>\$ 76,365</u>	

8. PLEDGED ASSETS

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's subsidiary, Taiwan-Ca. Inc., pledged the following as collateral. Please refer to Note 6(8) for the information on time certificates pledged as collateral for the settlement prices the Company had applied for payment on behalf of others and applied for credit limit with banks.

Assets	December 31, 2013	December 31, 2012	January 1, 2012	Purpose
Other current liabilities				Performance
-Other time deposit	\$ 1,309	\$ 1,965	\$ 1,965	bond

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As at December 31, 2013, December 31, 2012 and January 1, 2012, the Company leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements are as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Not later than one year	\$ 314,446	\$ 290,554	\$ 272,110
Later than one year but not later than five years	1,052,264	820,548	746,546
Over five years	599,488	546,735	637,081
	<u>\$ 1,966,198</u>	<u>\$ 1,657,837</u>	<u>\$ 1,655,737</u>

B.Future payments required for the contracts in relation to the acquisitions of computer equipment and information system is as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Computer equipment and other equipment	\$ 953,224	\$ 734,106	\$ 374,846

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives of capital management:

A.Ensure to continue operating and to continue to contribute returns for shareholders.

B.Support stability and growth of the Company.

C.Offer capital to improve risk management ability.

(2) Financial instruments

A.Fair value information of financial instruments

	<u>December 31, 2013</u>	
	<u>Book value</u>	<u>Fair value</u>
Financial assets:		
Financial assets with book value equal to fair value	\$ 47,821,176	\$ 47,821,176
Held-to-maturity financial assets	20,638,755	20,788,696
Total	<u>\$ 68,459,931</u>	<u>\$ 68,609,872</u>
Financial liabilities:		
Financial liabilities with book value equal to fair value	<u>\$ 25,814,365</u>	<u>\$ 25,814,365</u>

	December 31, 2012	
	Book value	Fair value
Financial assets:		
Financial assets with book value equal to fair value	\$ 46,197,784	\$ 46,197,784
Held-to-maturity financial assets	23,054,033	23,316,912
Total	<u>\$ 69,251,817</u>	<u>\$ 69,514,696</u>
Financial liabilities:		
Financial liabilities with book value equal to fair value	<u>\$ 27,701,431</u>	<u>\$ 27,701,431</u>
January 1, 2012		
	Book value	Fair value
Financial assets:		
Financial assets with book value equal to fair value	\$ 47,926,562	\$ 47,926,562
Held-to-maturity financial assets	23,819,351	24,166,592
Total	<u>\$ 71,745,913</u>	<u>\$ 72,093,154</u>
Financial liabilities:		
Financial liabilities with book value equal to fair value	<u>\$ 31,292,958</u>	<u>\$ 31,292,958</u>

The financial assets with book value equal to fair value include cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, net accounts receivable, other receivables, other financial assets and securities settlement debit; the financial liabilities with book value equal to fair value include securities lending and borrowing collateral payable, accrued expenses and securities settlement credit.

#### B. Financial instruments

The objectives and procedure of financial risk control

- (a) The Group's objectives of financial risk control are to manage variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) 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.
- (c) 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. Significant financial risks and degrees of financial risks

(a) Market risk

The market risk is caused by losses resulting from changes in exchange rate and securities prices.

Foreign exchange risk

Foreign exchange risk refers to impact from value changes to assets and liabilities denominated in foreign currencies. The Company provides services for securities borrowing and lending transactions, and according to regulations, specific security borrowers can deposit cash denominated in United States Dollars as collateral. Because the Company saves all collateral denominated in foreign currency, the foreign exchange risk is rather insignificant.

December 31, 2013					
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Degree of variation	Sensitivity analysis Effect on profit or loss (NTD)
	<u>Financial assets</u>				
<u>Monetary items</u>					
USD:NTD	389,497	29.805	11,608,958	1%	116,090
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	370,496	29.805	11,042,633	1%	110,426
December 31, 2012					
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Degree of variation	Sensitivity analysis Effect on profit or loss (NTD)
	<u>Financial assets</u>				
<u>Monetary items</u>					
USD:NTD	657,294	29.04	19,087,818	1%	190,878
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	608,039	29.04	17,657,453	1%	176,575

January 1, 2012			
(Foreign currency: functional currency)	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	684,743	30.28	20,734,018
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	675,603	30.28	20,457,259

#### Price risk of fixed income

Price risk of fixed income refers to changes in fair value of financial instruments resulting from changes in market interest rates, and the risk mainly comes from security investment. As of December 31, 2013, December 31, 2012, and January 1, 2012, the financial assets held-to-maturity that belongs to fixed-rate product was \$19,738,755, \$21,207,033, and \$21,852,351, respectively. The change in market interest rates will also fluctuate the fair value of the financial instruments, however, the financial instruments are held until maturity in order to receive effective rate compensation in duration, and there is no disposal or valuation loss arising from the fluctuation.

As of December 31, 2013, December 31, 2012, and January 1, 2012, security investments that belong to floating rate products were \$900,000, \$1,847,000, and \$1,967,000, respectively. Changes in market interest rate may fluctuate future cash flow. If the market interest rates had increased/decreased by 1% for the years ended December 31, 2013 and 2012, profit/ loss for the year would have increased/decreased by \$9,000 and \$18,470, respectively.

The Group is exposed to risk of net asset value of fund resulting from investment in money market. If the net asset value had increased/decreased by 1% for the years ended December 31, 2013 and 2012, profit/ loss for the year would have increased/decreased by \$15,302 and \$13,840, respectively, due to changes in fair value of financial assets at fair value through profit or loss.

#### Price risk of non-fixed income

The price risk of non-fixed income of equity instruments is from investment in available-for-sale financial assets.

The market risk of holding equity security include individual risk fluctuated by changes in quoted prices in active markets of individual equity security and general market risk fluctuated by quoted prices in overall active markets. For risk of security management, beneficiary certificates are in accordance with the Group's related regulations on capital usage, and the Group chooses appropriate investment objects, sets maximum amount for



prudent investment and related limitation, and prepares summary of investment gain/ loss and capital usage reports regularly. Equity investment has to be approved by the Group's Board of Directors before initialization.

Sensitivity analysis of price risk of equity instruments refers to calculation based on changes in fair value at the end of the reporting period. If the price of equity instruments had increased/decreased by 1% for the years ended December 31, 2013 and 2012, shareholders' equity at end of the year would have increased/decreased by \$63,967 and \$57,180, respectively.

(b) Credit risk:

Credit risk refers to financial loss resulting from counterparties' breach of contract, and is mainly receivables generated from operating activities and bank deposits, time deposits and fixed income of security investment generated from investing activities. Operating related credit risk and financial credit risk are managed separately. The maximum amounts of credit risk of accounts receivable and other receivables equal to their book value.

Operating related credit risk

The counterparties of the Group's accounts receivable are mostly security dealers, listed companies and other security related organisations with good credit quality; therefore, credit risk of accounts receivable is rather insignificant. Credit risk information is as follows:

i. Accounts receivable that were neither past due nor impaired

All the accounts receivable that were neither past due nor impaired have outstanding payment history, and the counterparties have steady capability to pay for the receivables. Therefore, even if the paying parties face significant uncertain factors or are exposed to adverse conditions, the Group still estimates them to maintain the capability to pay. As of December 31, 2013, December 31, 2012 and January 1, 2012, accounts receivable that were neither past due nor impaired was \$474,305, \$469,386 and \$419,850, respectively.

ii. Accounts receivable that were past due but not impaired

The ageing analysis of accounts receivable that were past due but not impaired is listed according to overdue time as follows:

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Less than 6 months	\$ 6,670	\$ 4,896	\$ 15,725
Over 6 months	-	112	166
	<u>\$ 6,670</u>	<u>\$ 5,008</u>	<u>\$ 15,891</u>

iii. Accounts receivable that were impaired

As of December 31, 2013, December 31, 2012 and January 1, 2012, the Group's accounts receivable that were impaired amounted to \$1,383, \$1,383 and \$1,987, respectively.

Movements on the Group's provision for impairment of accounts receivable are as follows:

	For the years ended December 31,	
	2013	2012
At January 1	\$ 1,383	\$ 1,987
Less: reclassified to 'Other income'	-	(604)
At December 31	<u>\$ 1,383</u>	<u>\$ 1,383</u>

#### Financial credit risk

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

The comparison between credit risk ratings and external credit ratings is provided as below. However, these two credit risk ratings do not have direct relation, the comparison chart is just for disclosing approximate level of credit risk ratings.

<u>Internal credit risk ratings</u>	<u>Company credit ratings by Taiwan Ratings</u>
Group 1	twAAA~twA-
Group 2	twBBB+~twBBB-
Group 3	twBB+~twC

Credit quality of financial assets is classified as follows:

	December 31, 2013		
	Group 1	Group 2	Group 3
Government bonds	\$ 1,331,658	\$ -	\$ -
Corporate bonds	3,974,810	-	-
Financial bonds	15,332,287	-	-
	<u>\$ 20,638,755</u>	<u>\$ -</u>	<u>\$ -</u>
	December 31, 2012		
	Group 1	Group 2	Group 3
Government bonds	\$ 1,738,916	\$ -	\$ -
Corporate bonds	6,023,736	-	-
Financial bonds	15,187,005	-	-
Assets securitization- short-term notes and bills	104,376	-	-
	<u>\$ 23,054,033</u>	<u>\$ -</u>	<u>\$ -</u>

	January 1, 2012		
	Group 1	Group 2	Group 3
Government bonds	\$ 1,850,892	\$ -	\$ -
Corporate bonds	8,293,167	-	-
Financial bonds	13,322,430	-	-
Beneficiary securities	248,448	-	-
Assets securitization- short-term notes and bills	104,414	-	-
	<u>\$ 23,819,351</u>	<u>\$ -</u>	<u>\$ -</u>

(c) Liquidity risk

Liquidity risk refers to responsibilities that the Company is unable to repay financial debts with cash or other financial assets. The Company applies expected cash flow approach to manage liquidity risk, and ensures the amount to be paid for all maturing debt and all known requirement for capital through expectations of cash needed.

Analysis of non-derivative financial liabilities that are categorised by the maturity date and amount undiscounted at maturity date is as follows:

	December 31, 2013			
	Less than 6 months	Between 6 months and 1 year	Over 1 year	Total
Securities lending and borrowing collateral payable	\$ 13,669,186	\$ -	\$ -	\$ 13,669,186
Accrued expenses	1,050,605	233,944	-	1,284,549
Deposits received	-	-	90,247	90,247
Total	<u>\$ 14,719,791</u>	<u>\$ 233,944</u>	<u>\$ 90,247</u>	<u>\$ 15,043,982</u>

  

	December 31, 2012			
	Less than 6 months	Between 6 months and 1 year	Over 1 year	Total
Securities lending and borrowing collateral payable	\$ 20,988,801	\$ -	\$ -	\$ 20,988,801
Accrued expenses	1,279,772	123,356	-	1,403,128
Deposits received	-	-	87,408	87,408
Total	<u>\$ 22,268,573</u>	<u>\$ 123,356</u>	<u>\$ 87,408</u>	<u>\$ 22,479,337</u>

	January 1, 2012			Total
	Less than 6 months	Between 6 months and 1 year	Over 1 year	
Securities lending and borrowing collateral payable	\$ 21,816,597	\$ -	\$ -	\$ 21,816,597
Accrued expenses	1,281,560	65,276	-	1,346,836
Deposits received	-	-	58,776	58,776
Total	<u>\$ 23,098,157</u>	<u>\$ 65,276</u>	<u>\$ 58,776</u>	<u>\$ 23,222,209</u>

(3) Fair value estimation

A. Financial instruments measured at fair value

In preparation for disclosure, the Company manipulates fair value levels that can reflect the importance of input value to classify financial instruments, and the levels are as follows:

Level 1: Fair value is measured using quoted prices (unadjusted) in active markets, for example, beneficiary certificate of the Company's investment.

Level 2: Fair value is measured using price directly or indirectly to derive observable value.

Level 3: Fair value is measured using non-observable values and observable values shall be adjusted in accordance with non-observable values, for example, the unlisted stocks invested by the Company.

B. Valuation method

(a) Financial instruments are measured at fair value at initial recognition. If there are quoted prices in active markets, the market values are then equal to fair value; if there is no quoted price, either estimate the values by evaluation method or adopt the quotes from the counterparties.

(b) Beneficiary certificate: net of beneficiary certificate

(c) Unlisted stocks: if there is any representative transaction, the traded prices can be the best estimation for the fair value; if there is no comparable company and market approach is unable to estimate the fair value, depending on the companies' operations, either apply the dividend discount model or based on the report of assets impairment and considerations of liquidity to estimate.

C. Measure of financial assets at fair value:

Analysis of financial instruments measured at fair value after initial recognition is as follows, and observable degrees of the fair value are classified to Level 1 to Level 3:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 1,530,185	\$ -	\$ -	\$ 1,530,185
Available-for-sale financial assets:				
Beneficiary certificates	3,108,103	-	-	3,108,103
Unlisted (OTC) stocks	-	-	3,288,637	3,288,637
Total	<u>\$ 4,638,288</u>	<u>\$ -</u>	<u>\$ 3,288,637</u>	<u>\$ 7,926,925</u>
<u>December 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 1,384,018	\$ -	\$ -	\$ 1,384,018
Available-for-sale financial assets:				
Beneficiary certificates	2,650,992	-	-	2,650,992
Unlisted (OTC) stocks	-	-	3,067,048	3,067,048
Total	<u>\$ 4,035,010</u>	<u>\$ -</u>	<u>\$ 3,067,048</u>	<u>\$ 7,102,058</u>
<u>January 1, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 1,526,631	\$ -	\$ -	\$ 1,526,631
Available-for-sale financial assets:				
Beneficiary certificates	1,917,096	-	-	1,917,096
Unlisted (OTC) stocks	-	-	2,550,387	2,550,387
Total	<u>\$ 3,443,727</u>	<u>\$ -</u>	<u>\$ 2,550,387</u>	<u>\$ 5,994,114</u>

D.Changes belonging to level 3 financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012 are as follows:

	<u>Available-for-sale financial assets</u>
January 1, 2013	\$ 3,067,048
Gain recognised in other comprehensive income	221,589
December 31, 2013	<u>\$ 3,288,637</u>
	<u>Available-for-sale financial assets</u>
January 1, 2012	\$ 2,550,387
Gain recognised in other comprehensive income	516,661
December 31, 2012	<u>\$ 3,067,048</u>

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

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

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A. Balance sheets

Taiwan Depository & Clearing Corporation - depository and clearing of short-term bills

(In Thousands of New Taiwan Dollars)

	December 31, 2013		December 31, 2012			December 31, 2013		December 31, 2012	
	Amount	%	Amount	%		Amount	%	Amount	%
<u>ASSETS</u>					<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>				
<u>CURRENT ASSETS</u>					<u>CURRENT LIABILITIES</u>				
Cash	\$ 2,568	-	\$ 48,976	6	Accrued expenses	\$ 71,248	8	\$ 63,688	8
Accounts receivable	77,238	9	64,377	8	Income tax payable	7,019	-	5,649	-
Other current assets	14,743	2	14,439	2	Other current liabilities	22,324	3	63,439	8
Total current assets	<u>94,549</u>	<u>11</u>	<u>127,792</u>	<u>16</u>		<u>100,591</u>	<u>11</u>	<u>132,776</u>	<u>16</u>
<u>NON-CURRENT ASSETS</u>					<u>NON-CURRENT LIABILITY</u>				
Property and equipment	6,978	1	7,191	1	Accrued pension liability	7,124	1	8,914	1
Refundable deposits	95,051	11	94,496	11	Total liabilities	<u>107,715</u>	<u>12</u>	<u>141,690</u>	<u>17</u>
Intangible assets	5,137	-	2,014	-	<u>EQUITY</u>				
Other assets	663,180	77	600,025	72	Appropriated working capital	500,000	58	500,000	60
Total non-current assets	<u>770,346</u>	<u>89</u>	<u>703,726</u>	<u>84</u>	Retained earnings	257,180	30	189,828	23
					Total non-current assets	<u>757,180</u>	<u>88</u>	<u>689,828</u>	<u>83</u>
<u>TOTAL ASSETS</u>					<u>TOTAL LIABILITY AND STOCKHOLDERS' EQUITY</u>				
	<u>\$ 864,895</u>	<u>100</u>	<u>\$ 831,518</u>	<u>100</u>		<u>\$ 864,895</u>	<u>100</u>	<u>\$ 831,518</u>	<u>100</u>

B. Statements of comprehensive income

Taiwan Depository & Clearing Corporation - depository and clearing of short-term bills  
 Statements of comprehensive income for the years ended December 31, 2013 and 2012  
 (In Thousands of New Taiwan Dollars)

	For the years ended December 31,			
	2013		2012	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Bills clearing and settlement	\$ 560,090	97	\$ 446,437	97
Others	15,256	3	15,351	3
Total operating revenues	<u>575,346</u>	<u>100</u>	<u>461,788</u>	<u>100</u>
<b>OPERATING EXPENSES</b>				
Personnel	( 126,588)	( 22)	( 124,824)	( 27)
General and administrative	( 144,546)	( 25)	( 113,901)	( 25)
Total operating expenses	<u>( 271,134)</u>	<u>( 47)</u>	<u>( 238,725)</u>	<u>( 52)</u>
<b>OPERATING GAIN</b>	<u>304,212</u>	<u>53</u>	<u>223,063</u>	<u>48</u>
<b>NON-OPERATING INCOME AND EXPENSES</b>				
Interest income	5,658	1	5,788	1
Other expenses	( 15)	-	( 143)	-
Total non-operating income and expenses	<u>5,643</u>	<u>1</u>	<u>5,645</u>	<u>1</u>
<b>INCOME BEFORE INCOME TAX</b>	<u>309,855</u>	<u>54</u>	<u>228,708</u>	<u>49</u>
<b>INCOME TAX EXPENSE</b>	<u>( 52,675)</u>	<u>( 9)</u>	<u>( 38,880)</u>	<u>( 8)</u>
<b>NET INCOME</b>	<u>\$ 257,180</u>	<u>45</u>	<u>\$ 189,828</u>	<u>41</u>



### 13. SUPPLEMENTARY DISCLOSURES

(1) Related information of significant transactions

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

A. Lending to others: None.

B. Endorsements and guarantees for others: None.

C. Marketable Securities at December 31, 2013:

(a) Financial instrument at fair value through profit or loss-current

Investor	Name of the Securities	Units/Shares (in thousands)	Book value	Market value		Amount of securities pledged
				Net value/Market value (in dollars)	Total	
TDCC	Mega Diamond Bond Fund	40,869	\$ 500,000	\$ 12.24	\$ 500,053	None
"	FSITC Taiwan Money Market Fund	21,094	315,000	14.93	315,030	"
"	Yuanta Wan Tai Bond Fund	16,884	250,000	14.81	250,022	"
"	Capital Money Market Fund	12,690	200,000	15.76	200,019	"
"	Cathay Taiwan Money Market Fund	19,684	240,004	12.19	240,025	"
TWCA	UPAMC James Bond Fund	308	25,000	16.28	25,036	"
			1,530,004		\$ 1,530,185	
	Valuation adjustment		181			
	Total		\$ 1,530,185			

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

Investor	Name of the Securities	Units/Shares (in thousands)	Book value	Market value or net worth per share (in dollars)	Total amount	Amount of securities pledged
	Beneficiary Certificates					
TSEC	SinoPac Balance Fund	1,601	\$ 41,311	\$ 31.05	\$ 49,699	None
"	SinoPac Balance 2 Fund	1,579	42,465	29.16	46,049	"
"	JF (Taiwan) Balanced Fund	1,545	33,321	24.52	37,878	"
"	UPAMC QUALITY GROWTH Fund	7,752	152,796	22.59	175,122	"
"	Yuanta Taiwan Weighted Stock Index Fund	4,134	59,000	17.00	70,287	"
"	Yuanta Global Bond ETF Fund of Funds	25,000	233,250	9.22	230,500	"
"	Fubon Taiwan Strategy I ETF Private Equity Fund	48,454	537,620	12.54	607,607	"
"	Fubon Strategy II Private Equity Fund	47,021	500,000	11.80	554,851	"
"	Fubon Strategy III Taiwan EMP Fund	25,000	250,000	12.18	304,500	"
"	Fuh Hwa Global Thematic Fund	25,000	250,000	12.03	300,750	"
"	Sinopac Strategies Fund No.1	10,000	100,000	10.02	100,200	"
"	Cathay Non-Finance Non-Electronics Sub-index Fund	25,000	250,000	10.09	252,250	"
"	Mega Diamond Money Market Fund	30,927	369,953	12.24	378,410	"
			2,819,716		\$ 3,108,103	
	Valuation adjustment		288,387			
	Total available-for-sale financial assets-current		\$ 3,108,103			

## (c)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	HSBC Bank (Taiwan) Limited 1st Financial Debenture - E Issue in 2011(G13305)	2014.03.10	\$ 300,000	1.23%		\$ 300,000	None
"	Bank SinoPac 97-3 Subordinate Classes Financial Bond (G11081)	2014.03.09	100,000	1.81%	Note 1	100,000	"
"	E.Sun Bank 98-2 Subordinate Classes Financial Bond (G102A6)	2014.09.05	300,000	2.15%		300,000	"
"	Hua Nan Bank 2007 3rd Subordinate Classes Financial Bond (G18996)	2014.09.20	200,000	1.21%	Note 2	200,000	"
"	Tcb-Bank 2007 2nd Subordinate Class A Financial Bond (G12405)	2014.09.28	200,000	1.21%	Note 3	200,000	"
"	Taiwan Agribank 98-1 Subordinate Classes Financial Bond (G13102)	2014.11.08	200,000	2.30%		200,000	"
TDCC	96 Land Bank of Taiwan 2	2014.06.26	100,000	1.15%	Note 4	100,000	"
"	97 Taipei Fubon Bank 1	2014.01.31	100,000	3.05%		100,000	"
						<u>1,500,000</u>	
Corporate bonds							
TSEC	CPC Corporation, Taiwan 98-1 Secured A (B71858)	2014.12.02	300,000	1.20%		299,547	None
"	Taiwan Power 98-2 secured B (B903TG)	2014.08.31	150,000	1.43%		150,170	"
"	Taiwan Power 98-3 secured B (B903TK)	2014.10.21	150,000	1.34%		149,999	"
"	E.SUN Financial Holding Co., Ltd. 96 1st Unsecured Corporate Bond B98602	2014.12.13	200,000	1.46%	Note 5	200,000	"
						<u>799,716</u>	
Government bonds							
TDCC	93 Jia 4 Bond	2014.03.04	50,000	2.38%		49,954	None
"	93 Taipei Construction Bond	2014.03.16	200,000	2.85%		200,000	"
"	89 Jia 4 Bond	2014.10.15	200,000	6.13%		203,451	"
						<u>453,405</u>	
						<u>\$ 2,753,121</u>	

Note 1 : Based on 90-day commercial paper interest rate plus 0.95%.

Note 2 : Based on 90-day commercial paper interest rate plus 0.35%.

Note 3 : Based on 90-day commercial paper interest rate plus 0.34%.

Note 4 : Based on 90-day commercial paper interest rate plus 0.27%.

Note 5 : Based on 90-day commercial paper interest rate plus 0.6%.

## (d)Held-to-maturity financial assets-non-current

Investor	Name of the Securities	Due Date	Face value	Rate	Book value	Amount of securities pledged
	Financial bonds					
TSEC	Tcb-Bank 2009 2nd Subordinate Financial Bond (G12413)	2015.03.28	\$ 400,000	2.10%	\$ 400,000	None
"	Chinatrust 97-3 Subordinate Classes Financial Bond (G11457)	2015.04.25	200,000	3.10%	200,000	"
"	First Bank stripped Subordinate Classes Financial Bond (G15983)	2015.06.23	300,000	3.10%	300,588	"
"	E.Sun Bank 97-1 Subordinate Classes Financial Bond (G102A4)	2015.10.24	300,000	3.15%	300,000	"
"	Mega International 97-9 Subordinate Classes Financial Bond (G11831)	2015.12.23	300,000	3.00%	300,000	"
"	Shanghai Commercial 97-2 Subordinate Classes Financial Bond (G10142)	2015.12.26	200,000	3.05%	200,000	"
"	Land Bank 97-2 Subordinate Classes Financial Bond (G12710)	2015.12.29	300,000	2.80%	300,000	"
"	E.Sun Bank 98-3 Subordinate Classes Financial Bond (G102A8)	2016.04.03	300,000	2.50%	300,000	"
"	Bank SinoPac 98-1 Subordinate Classes Financial Bond (G11082)	2016.04.29	200,000	2.80%	200,000	"
"	Standard Chartered Bank Taiwan Limited 1st Financial Debenture-D Issue in 2011BG10413	2016.05.19	200,000	1.45%	200,000	"
"	Shin Kong 95-1 Subordinate Classes Financial Bond-B (G11640)	2016.11.13	200,000	2.72%	201,145	"
"	Taipei Fubon Subordinated Bank Debentures 98-2 (G107AR)	2016.12.22	300,000	2.20%	300,000	"
"	E.Sun Bank 99-1 Subordinate Classes Financial Bond (99 E.Sun Bank 1)	2017.05.28	400,000	2.20%	400,000	"
"	Yuanta Unsecured Subordinated Bank Debentures 99-1	2017.06.10	300,000	2.30%	300,000	"
"	First Bank 99-2 Subordinate Classes Financial Bond (G15987)	2017.09.28	200,000	1.50%	200,000	"
"	Bank SinoPac 99-1 Subordinate Classes Financial Bond (G11085)	2017.12.09	500,000	1.80%	500,000	"
"	Land Bank 99-2 Subordinate Classes Financial Bond (G12712)	2017.12.15	500,000	1.53%	500,000	"
"	Mega International 99-1 Subordinate Classes Financial Bond (G11832)	2017.12.24	500,000	1.53%	500,000	"
"	SinoPac Bank 100-1 Subordinate Financial Debentures-A G11087	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 (G12420)	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 (G13103)	2019.10.17	100,000	1.43%	100,000	"
"	Land Bank 101-3 Subordinate Classes Financial Bond (G12717)	2019.10.22	200,000	1.43%	200,000	"
"	Standard Chartered 2009-1 Subordinate Classes Financial Bond (G10409)	2019.10.28	100,000	2.90%	Note 1 100,000	"

Note 1 : The annual interest rate of first 5 years and from 6th to 10th year is 2.90% and 3.40%, respectively.

Investor	Name of the Securities	Due Date	Face value	Rate	Book value	Amount of securities pledged
TSEC	Hua Nan Bank 99-1 Subordinate Classes Financial Bond (G189AB)	2020.11.23	\$ 500,000	1.65%	\$ 500,000	None
"	Taiwan Agribank 101-1 Subordinate Classes Financial Bond-B (G13104)	2022.10.17	100,000	1.53%	100,000	"
"	Tcb-Bank 102-1 Subordinate Financial Debentures-B (G12425)	2020.03.28	200,000	1.48%	200,000	"
"	Taipei Fubon Subordinated Bank Bond 102-1	2020.08.01	200,000	1.52%	200,000	"
TDCC	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 I	2016.09.15	200,000	2.30%	204,207	"
"	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	"
"	98 Cathay United Bank 1	2017.06.11	200,000	2.42%	206,713	"
"	101 Taipei Fubon Bank 1	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%	203,361	"
"	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%	50,201	"
"	The Shanghai Commercial & Savings Bank Ltd 4th Unsecured Subordinate Financial Debentures-A Issue in 2012	2019.12.27	200,000	1.43%	200,000	"
"	99 First Bank 2	2017.09.28	200,000	1.50%	201,661	"
"	101 Land Bank of Taiwan 1	2019.04.13	100,000	1.55%	100,909	"
"	Tcb-Bank 2010 2nd Subordinate Financial Bond	2017.10.25	200,000	1.45%	201,253	"
"	99 Taipei Fubon Bank 8	2017.11.15	200,000	1.50%	201,537	"
"	99 Land Bank of Taiwan 2	2017.12.15	200,000	1.53%	201,799	"
"	Shanghai Commercial 101-2 Subordinate Classes Financial Bond	2019.05.22	200,000	1.54%	201,957	"
"	MEGA Bank 9th Subordinated Financial Bond Issue in 2008	2015.12.23	100,000	3.00%	103,544	"
"	100 Chang Hwa Bank 1A	2018.03.30	200,000	1.65%	201,646	"
"	102 Taipei Fubon Bank 1A	2020.08.01	200,000	1.52%	200,000	"
"	MEGA Bank 1st Subordinated Financial Debentures Issue in 2011	2018.04.15	200,000	1.65%	201,605	"

Investor	Name of the Securities	Due Date	Face value	Rate	Book value	Amount of securities pledged
TDCC	Taiwan Cooperative Bank 102 1B	2020.03.28	\$ 50,000	1.48%	\$ 49,324	None
"	Taiwan Cooperative Bank 100 1B	2018.05.25	200,000	1.65%	200,838	"
"	Taiwan Cooperative Bank 102 2A	2020.12.25	200,000	1.72%	200,000	"
"	102 Land Bank of Taiwan 1	2020.12.26	200,000	1.72%	200,000	"
					<u>13,832,287</u>	
	Corporate bonds					
TSEC	Fubon Bank 98-2 Unsecured Corporate Bond A (99-2A)	2015.01.28	100,000	1.70%	100,154	None
"	China Development Financial Holding Co., Ltd.98-1 Unsecured A (B95542)	2015.03.01	200,000	1.80%	200,000	"
"	Shin Kong Bank 97-2 Unsecured Subordinate Classes Corporate Bond A	2015.09.29	300,000	3.65%	305,053	"
"	Cathay Financial Holdings 97 Unsecured Subordinate Classes Corporate Bond B98901	2015.12.24	300,000	3.10%	300,000	"
"	Mega International 97-2 Unsecured Corporate Bond B95354	2015.12.26	600,000	3.26%	610,349	"
"	Cathay Financial Holdings 98-1 Unsecured Subordinate Classes Corporate Bond B98902	2016.10.08	300,000	2.65%	300,000	"
"	Taiwan Power 99-4 secured B (B903U5)	2017.08.20	300,000	1.64%	302,477	"
"	CPC Corporation, Taiwan 99-1 Secured B (B71862)	2017.11.01	100,000	1.29%	100,000	"
"	CPC Corporation, Taiwan 97-1 Unsecured C (97 CPC Corporation 1C)	2018.12.16	100,000	2.65%	105,478	"
TDCC	Taipower 99 2A Corporate Bond	2015.06.01	100,000	1.38%	100,124	"
"	Taipower 99 4A Corporate Bond	2015.08.20	200,000	1.37%	200,154	"
"	CPC Corporation, 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	"
"	Taipower 100 1A Corporate Bond	2018.04.22	100,000	1.60%	101,143	"
"	CPC Corporation, Taiwan 102 1st class 2A bond	2018.10.28	50,000	1.49%	50,162	"
					<u>3,175,094</u>	
	Government bonds					
TSEC	Taiwan Government Bond A97105	2028.08.14	50,000	2.63%	54,920	"
TDCC	90 Jia 7 Bond	2016.10.19	100,000	3.50%	101,473	"
"	89 Jia 7 Bond	2020.01.18	100,000	6.25%	116,388	"
"	88 Yi 1 Bond	2019.04.23	100,000	5.88%	112,176	"
"	90 Jia 3 Bond	2016.03.06	100,000	4.63%	102,922	"
"	90 Jia 6 Bond	2016.08.07	150,000	3.75%	152,463	"
"	92 Jia 3 Bond	2023.02.18	250,000	2.50%	237,911	"
					<u>878,253</u>	
	Total held-to-maturity financial assets-noncurrent				<u>\$ 17,885,634</u>	

(e) Available-for-sale financial assets – non-current

Investor	Name of the Securities	Units/Shares (in thousands)	Market value or net worth per share		Total amount	Amount of securities pledged
			Book value	(in dollars)		
Stocks						
TSEC	Taiwan International Futures Exchange Corporation	14,208	\$ 100,000	\$ 53.14	\$ 755,010	None
"	Taipei Financial Center Corporation	83,853	838,528	18.51	1,552,115	"
TDCC	Taiwan International Futures Exchange Corporation	18,470	130,000	53.14	981,512	"
			1,068,528		\$ 3,288,637	
Accumulated Impairment			(116,876)			
			\$ 951,652			

(f) Investments accounted for under the equity method

Investor	Name of the Securities	Nature of the Securities	Relationship with the Company	Units/Shares (in thousands)	Market value or net value of the		Amount of securities pledged	
					Book value	stock rights		
TSEC	Taiwan Ratings Co.	Stocks	Investee company accounted for under the equity method	1,399	\$ 29,977	19.99%	\$ 29,977	None
TDCC	"	"	"	1,330	28,493	19.00%	28,493	"
TWCA	"	"	"	1	4	0.01%	-	"
					\$ 58,474			

(g) Operations guarantee deposits

Name of the securities	Due date	Face value	Rate	Book value
Time deposits	2014.04.17	\$ 4,900	1.345%	\$ 4,900
Time deposits	2014.11.23	1,300	1.345%	1,300
Time deposits	2014.11.23	308,700	1.345%	308,700
Total				\$ 314,900

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 December 31 2013:

Investor	Name of the Securities	Counter party	Balance as at January 1, 2013		Addition		Disposals			Gain (loss) from disposal	Balance as at December 31, 2013		Note
			Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sales price	Book value		Number of shares (in thousands)	Market value	
TSEC	Fubon Strategy Private Equity Fund	-	24,678	\$ 250,000	22,343	\$ 250,000	-	\$ -	\$ -	\$ -	47,021	\$ 554,851	Note 1
"	UPAMC QUALITY GROWTH Fund	-	15,504	305,593	-	-	( 7,752)	( 161,943)	( 152,796)	9,147	7,752	175,122	Note 1
"	Sinopac Strategies Fund No.1	-	-	-	10,000	100,000	-	-	-	-	10,000	100,200	Note 1
"	Cathay Non-Finance Non-Electronics Sub-index Fund	-	-	-	25,000	250,000	-	-	-	-	25,000	252,250	Note 1
"	Yuanta Taiwan Weighted Stock Index Fund	-	9,615	133,000	1,807	28,000	( 7,288)	121,003	( 102,000)	19,003	4,134	70,287	Note 1
"	Tcb-Bank 102-1 Subordinate Financial Debentures-B (G12425)	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
"	Taipei Fubon Subordinated Bank Bond 102-1	-	-	-	200,000	200,000	-	-	-	-	200,000	200,000	
TDCC	FSITC Taiwan Money Market Fund	-	20,281	301,051	197,253	2,936,324	( 196,440)	(2,922,335)	(2,920,978)	1,357	21,094	315,030	Note 1
"	Hua Nan QiLin Bond Fund	-	17,654	205,823	-	-	( 17,654)	206,359	( 205,800)	559	-	-	Note 1
"	FUBON CHI-HSIANG MONEY MARKET FUND	-	-	-	109,977	1,683,477	( 109,977)	(1,683,998)	(1,683,477)	521	-	-	
"	FSITC Money Market Fund	-	-	-	2,175	379,000	( 2,175)	( 379,054)	( 379,000)	54	-	-	
"	Hua Nan Phoenix Money Market Fund	-	-	-	7,172	114,000	( 7,172)	( 114,044)	( 114,000)	44	-	-	
"	Yuanta Wan Tai Bond Fund	-	16,922	250,034	194,907	2,877,981	( 195,015)	(2,879,476)	(2,877,981)	1,495	16,884	250,022	Note 1
"	Cathay Taiwan Money Market Fund	-	-	-	48,646	593,000	( 28,960)	( 353,102)	( 352,996)	106	19,684	240,025	Note 1
"	First Bank 99-2 Subordinate Classes Financial Bond	-	-	-	200,000	202,074	-	-	-	-	200,000	201,661	Note 2
"	Land Bank 101-1 Subordinate Classes Financial Bond	-	-	-	100,000	101,062	-	-	-	-	100,000	100,909	Note 2
"	Tcb-Bank 2010 2nd Subordinate Financial Bond	-	-	-	200,000	201,529	-	-	-	-	200,000	201,253	Note 2
"	Taipei Fubon Subordinated Bank Debentures 98-2	-	-	-	200,000	201,845	-	-	-	-	200,000	201,537	Note 2
"	Land Bank 99-2 Subordinate Classes Financial Bond	-	-	-	200,000	202,146	-	-	-	-	200,000	201,799	Note 2
"	Shanghai Commercial 101-2 Subordinate Classes Financial Bond	-	-	-	200,000	202,181	-	-	-	-	200,000	201,957	Note 2
"	MEGA Bank 9th Subordinated Financial Bond Issue in 2008	-	-	-	100,000	104,360	-	-	-	-	100,000	103,544	Note 2



Investor	Name of the Securities	Counter party	Balance as at January 1, 2013		Addition		Disposals				Balance as at December 31, 2013			
			Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Sales price	Book value	Gain (loss) from disposal	Number of shares (in thousands)	Market value	Note	
TDCC	Cathay United Bank 1st Subordinate Financial Debentures Issue in 2011	-	-	\$ -	200,000	\$ 201,803	-	\$ -	\$ -	\$ -	-	200,000	\$ 201,646	Note 2
"	Taipei Fubon Bank 1st Subordinate Financial Debentures Issue in 2013	-	-	-	200,000	200,000	-	-	-	-	-	200,000	200,000	
"	MEGA Bank 1st Subordinated Financial Debentures Issue in 2011	-	-	-	200,000	201,735	-	-	-	-	-	200,000	201,605	Note 2
"	Taiwan Cooperative Bank 100 1B	-	-	-	200,000	200,880	-	-	-	-	-	200,000	200,838	Note 2
"	Taiwan Cooperative Bank 102 2A	-	-	-	200,000	200,000	-	-	-	-	-	200,000	200,000	
"	Land Bank of Taiwan 2nd Subordinate Financial Debenture	-	-	-	200,000	200,000	-	-	-	-	-	200,000	200,000	
"	Taipower 100 1A Corporate Bond	-	-	-	100,000	101,251	-	-	-	-	-	100,000	101,143	Note 2

Note 1: Due to valuation adjustment, ending balance is not equal to beginning balance.

Note 2: 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. Disposal of real estate properties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2013: None.

F. Purchases from or sales to related parties exceeding \$100 million or 20% of the Company's paid-in capital during the year ended December 31, 2013: None.

G. Derivative financial instruments undertaken during the year ended December 31, 2013: None.

(2) Related information of investee companies for the year ended December 31, 2013

Investor	Investee	Address	Major operating activities	Initial investment amount		Holding Status			Net income (loss) of the investee	Investment income (loss) recognized by the Company	Note
				At the end of this year	At the end of last year	No. of shares (in thousands)	Ownership (%)	Book value			
TSEC	Taiwan Ratings Co.	49F., No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	\$ 15,045	\$ 15,045	\$ 1,399	19.99%	\$ 29,977	\$ 49,137	\$ 9,822	-
TDCC	"	"	"	13,300	13,300	1,330	19.00%	28,493	49,137	-	-
TWCA	"	"	"	4	4	1	0.01%	4	49,137	-	-

#### 14. SEGMENT INFORMATION

##### (1) General information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

##### (2) Segment information

The segment information provided to the chief operating decision-maker for the reportable segments is as follows:

For the year ended

<u>December 31, 2013</u>	<u>Stock exchange</u>	<u>Stock custodian</u>	<u>Total</u>
Revenue from external customers	\$ 3,842,920	\$ 2,623,520	\$ 6,466,440
Inter-segment revenue	-	483,494	483,494
Total segment revenue	<u>\$ 3,842,920</u>	<u>\$ 3,107,014</u>	<u>\$ 6,949,934</u>
Segment income before tax	<u>\$ 1,716,633</u>	<u>\$ 1,574,394</u>	<u>\$ 3,291,027</u>

For the year ended

<u>December 31, 2012</u>	<u>Stock exchange</u>	<u>Stock custodian</u>	<u>Total</u>
Revenue from external customers	\$ 3,846,781	\$ 2,487,225	\$ 6,334,006
Inter-segment revenue	-	505,922	505,922
Total segment revenue	<u>\$ 3,846,781</u>	<u>\$ 2,993,147</u>	<u>\$ 6,839,928</u>
Segment income before tax	<u>\$ 1,779,747</u>	<u>\$ 1,467,919</u>	<u>\$ 3,247,666</u>

##### (3) Reconciliation for reportable segment revenue and income (loss)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the income statement.

A reconciliation of reportable segment revenue and operating revenue and reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2013 and 2012 is provided as follows:

<u>Revenue</u>	<u>For the years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Reportable segments revenue	\$ 6,949,934	\$ 6,839,928
Other segments revenue	261,806	243,254
Elimination of revenue among segments	( 483,494)	( 505,922)
Operating revenue	<u>\$ 6,728,246</u>	<u>\$ 6,577,260</u>

	For the years ended December 31,	
	2013	2012
Reportable segments profit and loss	\$ 3,291,027	\$ 3,247,666
Other segments profit and loss	46,506	38,359
Elimination of profit and loss among segments	( 679,046)	( 631,601)
Profit before tax and continued operations	<u>\$ 2,658,487</u>	<u>\$ 2,654,424</u>

#### 15. INITIAL APPLICATION OF IFRSs

These consolidated financial statements are the first consolidated financial statements prepared by the Group in accordance with the IFRSs. The Group has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP consolidated financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Group, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Group's financial position, operating results and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

##### (1) Exemptions elected by the Group

###### A. Deemed cost

- (a) For property, plant and equipment that were revalued under R.O.C. GAAP before the transition date, the Group has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the 'deemed cost' of these assets under IFRSs.
- (b) For investment properties that were accounted for under 'Property, plant and equipment' which were revalued under R.O.C. GAAP before the transition date, the Group has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the 'deemed cost' of these assets under IFRSs.

###### B. Employee benefits

The Group has elected to recognise all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition 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 transition date.

###### C. Designation of previously recognised financial instruments

The Group has elected to designate investments, which were originally measured at cost, as available-for-sale financial assets at the transition date.

- (2) Except hedge accounting to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Group, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that day.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, 'Financial Instruments: Recognition and Measurement' shall be applied prospectively to transactions occurring on or after January 1, 2004.

C. Non-controlling interest

Requirements of IAS 27 (amended in 2008) that shall be applied prospectively are as follows:

- (a) Requirements concerning total comprehensive income (loss) attributed to owners of the parent and non-controlling interest, even which results in a loss to non-controlling interest;
- (b) Requirement for change in interest ownership of the parent in a subsidiary while control is retained is accounted for as an equity transaction with the parent; and
- (c) Requirements concerning the parent's loss of control over a subsidiary.

(3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A.Reconciliation for assets, liabilities and equity on January 1, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
<b>Current assets</b>				
Cash and cash equivalents	\$ 33,146,651	(\$ 8,176,929)	\$ 24,969,722	(a)
Financial assets at fair value through profit or loss	1,526,631	-	1,526,631	
Available-for-sale financial assets - current	1,917,096	-	1,917,096	
Held-to-maturity financial assets - current	3,046,888	-	3,046,888	
Accounts receivable - net	435,741	-	435,741	
Other receivables	220,531	-	220,531	
Other financial assets - current	-	8,176,929	8,176,929	(a)
Other current assets	130,295	-	130,295	
<b>Total current assets</b>	<b>40,423,833</b>	<b>-</b>	<b>40,423,833</b>	
<b>Non-current assets</b>				
Available-for-sale financial assets - non-current	-	2,550,387	2,550,387	(c)
Held-to-maturity financial assets - noncurrent	20,772,463	-	20,772,463	
Financial assets carried at cost-noncurrent	951,652	( 951,652)	-	(c)
Default damages fund	10,016,170	-	10,016,170	
Investments accounted for using equity method	55,048	( 1,507)	53,541	(e)
Property, plant and equipment	2,240,269	( 226,428)	2,013,841	(d)(h)
Investment property	-	99,374	99,374	(d)
Intangible assets	266,605	-	266,605	
Rental assets	35,833	( 35,833)	-	(d)
Other non-current assets	470,532	180,965	651,497	(f)(g)(h)(k)
<b>Total non-current assets</b>	<b>34,808,572</b>	<b>1,615,306</b>	<b>36,423,878</b>	
Securities Settlement Debit	-	8,129,525	8,129,525	(b)
<b>Total assets</b>	<b>\$ 75,232,405</b>	<b>\$ 9,744,831</b>	<b>\$ 84,977,236</b>	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Securities lending and borrowing collateral payable	\$ 21,816,597	\$ -	\$ 21,816,597	
Accrued expenses	1,354,053	( 7,217)	1,346,836	(f)(g)
Current income tax liabilities	292,238	-	292,238	
Other current liabilities	744,308	-	744,308	
Total current liabilities	24,207,196	( 7,217)	24,199,979	
Non-current liabilities				
Default damages reserve	10,062,162	( 10,062,162)	-	(i)
Reserve for land value increment tax	44,599	( 44,599)	-	(j)
Deferred income tax liabilities	37,998	1,640,502	1,678,500	(i)(j)
Accrued pension liabilities	-	502,940	502,940	(g)
Deposits received	58,776	-	58,776	
Total non-current liabilities	10,203,535	( 7,963,319)	2,240,216	
Securities Settlement Credit	-	8,129,525	8,129,525	(b)
Total liabilities	34,410,731	158,989	34,569,720	
Equity attributable to owners of the parent				
Capital stock				
Common stock	5,983,213	-	5,983,213	
Capital reserve	37,682	( 37,104)	578	(j)
Retained earnings				
Legal reserve	4,197,006	-	4,197,006	
Special reserve	21,220,762	7,645,617	28,866,379	(i)
Unappropriated earnings	2,472,842	( 298,704)	2,174,138	(e)(f)(g)(j)
Other equity	( 201,780)	1,254,737	1,052,957	(c)
Non-controlling interest	7,111,949	1,021,296	8,133,245	(c)(f)(g)(i)
Total equity	40,821,674	9,585,842	50,407,516	
Total liabilities and equity	\$ 75,232,405	\$ 9,744,831	\$ 84,977,236	

B. Reconciliation for assets, liabilities and equity on December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current assets				
Cash and cash equivalents	\$ 33,101,453	(\$ 8,550,017)	\$ 24,551,436	(a)
Financial assets at fair value through profit or loss	1,384,018	-	1,384,018	
Available-for-sale financial assets - current	2,650,992	-	2,650,992	
Held-to-maturity financial assets - current	5,160,296	-	5,160,296	
Accounts receivable - net	474,394	-	474,394	
Other receivables	210,377	-	210,377	
Other financial assets - current	-	8,550,017	8,550,017	(a)
Other current assets	234,566	-	234,566	
Total current assets	43,216,096	-	43,216,096	
Non-current assets				
Available-for-sale financial assets - non-current	-	3,067,048	3,067,048	(c)
Held-to-maturity financial assets - noncurrent	17,893,737	-	17,893,737	
Financial assets carried at cost-noncurrent	951,652	( 951,652)	-	(c)
Default damages fund	10,228,240	-	10,228,240	
Investments accounted for using equity method	59,263	( 2,812)	56,451	(e)
Property, plant and equipment	2,681,062	( 459,903)	2,221,159	(d)(h)
Investment property	-	115,044	115,044	(d)
Intangible assets	310,226	-	310,226	
Rental assets	35,547	( 35,547)	-	(d)
Other non-current assets	488,343	399,028	887,371	(f)(g)(h)(k)
Total non-current assets	32,648,070	2,131,206	34,779,276	
Securities Settlement Debit	-	5,309,502	5,309,502	(b)
Total assets	\$ 75,864,166	\$ 7,440,708	\$ 83,304,874	

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Current liabilities				
Securities lending and borrowing collateral payable	\$ 20,988,801	\$ -	\$ 20,988,801	
Accrued expenses	1,392,593	10,535	1,403,128	(f)(g)
Current income tax liabilities	87,075	-	87,075	
Other current liabilities	943,656	-	943,656	
Total current liabilities	23,412,125	10,535	23,422,660	
Non-current liabilities				
Default damages reserve	10,219,783	( 10,219,783)	-	(i)
Reserve for land value increment tax	44,599	( 44,599)	-	(j)
Deferred income tax liabilities	37,856	1,667,005	1,704,861	(i)(j)(k)
Accrued pension liabilities	-	690,213	690,213	(g)
Deposits received	87,408	-	87,408	
Total non-current liabilities	10,389,646	( 7,907,164)	2,482,482	
Securities Settlement Credit	-	5,309,502	5,309,502	(b)
Total liabilities	33,801,771	( 2,587,127)	31,214,644	
Equity attributable to owners of the parent				
Capital stock				
Common stock	6,132,793	-	6,132,793	
Capital reserve	37,682	( 37,104)	578	(j)
Retained earnings				
Legal reserve	4,443,834	-	4,443,834	
Special reserve	22,380,853	7,747,514	30,128,367	(i)
Unappropriated earnings	1,546,125	( 463,736)	1,082,389	(e)(f) (g)(i)(j)
Other equity	29,485	1,728,603	1,758,088	(c)
Non-controlling interest	7,491,623	1,052,558	8,544,181	(c)(f)(g)(i)
Total equity	42,062,395	10,027,835	52,090,230	
Total liabilities and stockholders' equity	\$ 75,864,166	\$ 7,440,708	\$ 83,304,874	



C.Reconciliation for comprehensive income for the year ended December 31, 2012:

	R.O.C. GAAP	Effect of transition from R.O.C. GAAP to IFRSs	IFRSs	Remark
Operating Revenue	\$ 6,577,260	\$ -	\$ 6,577,260	
Operating Costs	( 108,424)	-	( 108,424)	
Gross profit	6,468,836	-	6,468,836	
Operating Expenses				
Personnel	( 2,304,583)	( 85,005)	( 2,389,588)	(f)(g)
General and administrative	( 2,459,084)	157,621	( 2,301,463)	(i)
Operating income	1,705,169	72,616	1,777,785	
Non-operating income and expenses				
Interest income	889,571	-	889,571	
Other income	110,315	-	110,315	
Financial costs	( 12,793)	-	( 12,793)	
Loss on disposal of investments	( 24,916)	-	( 24,916)	
Other expenses	( 104,885)	-	( 104,885)	
Share of (loss)/profit of associates accounted for under equity method	19,347	-	19,347	
Income before income tax	2,581,808	72,616	2,654,424	
Income tax expense	( 436,526)	( 25,959)	( 462,485)	(f)(g)(i)
Net income	2,145,282	46,657	2,191,939	
Other comprehensive income				
Unrealised gain (loss) on valuation of available-for-sale financial assets	231,265	516,661	747,926	(c)
Share of other comprehensive income of associates accounted for under equity method	-	( 1,305)	( 1,305)	(e)
Actuarial gain (loss) on defined benefit plan	-	( 120,019)	( 120,019)	(g)
Other comprehensive income for the year, net of tax	231,265	395,337	626,602	
Total comprehensive income for the year	\$ 2,376,547	\$ 441,994	\$ 2,818,541	
Profit attributable to:				
Owners of the parent	\$ 1,527,264	\$ 38,843	\$ 1,566,107	
Non-controlling interest	618,018	7,814	625,832	
	\$ 2,145,282	\$ 46,657	\$ 2,191,939	
Total comprehensive income attributable to:				
Owners of the parent	\$ 1,758,529	\$ 410,731	\$ 2,169,260	
Non-controlling interest	618,018	31,263	649,281	
	\$ 2,376,547	\$ 441,994	\$ 2,818,541	

Descriptions of the reconciliation of significant differences are outlined below:

Items	Explanation	Account	Increase (Decrease)	
			January 1, 2012	December 31, 2012
(a)	<u>Time deposits held more than three months but less than one year</u>			
	In accordance with R.O.C GAAP, the 'cash' account of the Company includes time deposits held more than three months but less than one year.	Other financial assets - current	\$ 8,176,929	\$ 8,550,017
	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).	Cash and cash equivalents	( 8,176,929)	( 8,550,017)
(b)	<u>Securities Settlement Debit/Credit</u>			
	In accordance with the "Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges" before amendment on March 12, 2007, 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.	Securities Settlement Debit	8,129,525	5,309,502
		Securities Settlement Credit	8,129,525	5,309,502

Items	Explanation	Account	Increase (Decrease)	
			January 1, 2012	December 31, 2012
(c)	<u>Financial assets: equity instruments</u>			
	In accordance with the “Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges” before amendment on March 12, 2007, unlisted stocks and emerging stocks held by the Group were 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 the variability in the range of reasonable fair value estimates is (i.e. insignificant for that instrument, or the probabilities of the estimates within the range can be reasonably assessed and used in estimating fair value) should be measured at fair value.	Available-for-sale financial assets - current	\$ 2,550,387	\$ 3,067,048
		Financial assets carried at cost	( 951,652)	( 951,652)
		Unrealised gain (loss) on valuation of available-for-sale financial assets	1,254,737	1,728,603
		Non-controlling interest	343,998	386,793
(d)	<u>Investment property</u>			
	In accordance with R.O.C. GAAP, the Group’s property that is leased to others is presented in ‘Other assets’ account. In accordance with IAS 40, ‘Investment Property’, property that meets the definition of investment property is classified and accounted for as ‘Investment property’.	Investment property	99,374	115,044
		Rental assets	( 35,833)	( 35,547)
		Property and equipment	( 63,541)	( 79,497)

Items	Explanation	Account	Increase (Decrease)	
			January 1, 2012	December 31, 2012
(e)	<u>Long-term equity investments accounted for under the equity method</u>			
	The evaluation of major differences arises between the R.O.C. GAAP and the IFRSs that will be applied in the preparation of financial statements in the future.	Unappropriated earnings	(\$ 1,507)	(\$ 1,507)
		Long-term equity investments accounted for under equity method	( 1,507)	( 2,812)
		Share of (loss)/profit of associates accounted for under equity method	-	-
		Share of other comprehensive income of associates accounted for under equity method	- (	1,305)
(f)	<u>Employee benefits</u>			
	R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Group recognises such costs as expenses upon actual payment. However, IAS 19, 'Employee Benefits', requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.	Unappropriated earnings	( 64,188)	( 64,188)
		Accrued expenses	96,195	101,293
		Other non-current assets	16,353	17,220
		Non-controlling interest	( 15,654)	( 16,155)
		Personnel	-	5,097
		Income tax expense	- (	867)
		Minority interest income	-	499

Items	Explanation	Account	Increase (Decrease)	
			January 1, 2012	December 31, 2012
(g)	<u>Pensions</u>			
	According to the bulletin of Ministry of Economic Affairs, as the Group is non-public company, ROC SFAS No.18, 'Accounting for Pensions', is not applicable to the Group before January 1, 2013, and is 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 recognized as a component of defined benefit obligations under IAS 19.	Unappropriated earnings	(\$ 270,113)	(\$ 270,113)
		Other non-current assets	835	369
		Accrued expenses	( 103,412)	( 90,758)
		Accrued pension liabilities	502,940	690,213
		Personnel	-	79,908
		Income tax expense	-	466
		Actuarial gain (loss) on defined benefit plan	- (	101,978)
		Non-controlling interest	( 128,580)	( 168,976)
		Minority interest income	-	40,396
		Minority interest income - Actuarial gain (loss) on defined benefit plan	- (	19,346)
(h)	<u>Prepayment for equipment</u>			
	Prepayment for acquisition of property, plant and equipment is presented in 'Property, plant and equipment' in accordance with the "Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges". However, such prepayment should be presented in 'Other non-current assets' based on its nature under IFRSs.	Other non-current assets	162,887	380,406
		Property and equipment	( 162,887)	( 380,406)

Items	Explanation	Account	Increase (Decrease)	
			January 1, 2012	December 31, 2012
(i)	<u>Accounting for default damages reserve</u>			
	The Group made contributions to default damages fund and recognized corresponding default damages reserve in 'liabilities' in accordance with the Securities and Exchange Law before amendment and related regulations. 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. In accordance with the regulations of the regulatory authorities, the Group should be reclassified from 'default damages reserve' to 'retained earnings'.	Default damages reserve	(\$ 10,062,162)	(\$ 10,219,783)
		Deferred income tax liabilities- noncurrent	1,595,013	1,621,373
		Special reserve	7,645,617	7,747,514
		General and administrative	- (	157,621)
		Income tax expense	-	26,360
		Unappropriated earnings	- (	101,897)
		Non-controlling interest	821,532	850,896
		Minority interest income	- (	29,363)
(j)	<u>Land revaluation increment/reserve for land revaluation increment tax</u>			
	In accordance with R.O.C. GAAP, 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'.	Reserve for land value increment tax	( 44,599)	( 44,599)
		Deferred income tax liabilities- noncurrent	44,599	44,599
		Capital reserve	( 37,104)	( 37,104)
		Unappropriated earnings	37,104	37,104

Items	Explanation	Account	Increase (Decrease)	
			January 1, 2012	December 31, 2012
(k)	<u>Presentation of deferred income tax</u>			
	Under R.O.C GAAP, current portion of deferred income tax assets and liabilities of the same taxable entity shall be offset against each other and expressed at net amount; this also applies to non-current portion.	Other current assets	\$ 890	\$ 1,033
		Deferred income tax assets- non-current	890	1,033
	Under IFRSs, enterprises shall offset the deferred income tax assets with liabilities only if the enterprises hold legally enforceable right to offset their income tax assets and liabilities in the current period and their income tax assets and liabilities are related to the same tax authorities.			

D. Major adjustments for the consolidated statements of cash flows for the year ended December 31, 2012:

- (a) Under R.O.C. GAAP, receipt of dividend is included in cash flows from operating activities. However, under IFRSs, the Company has elected to classify receipt of dividend as cash flows from investing activities.
- (b) For the reconciliation between R.O.C. GAAP and IFRSs, "Time deposits held more than three months but less than one year" do not satisfy the definition of cash equivalents under IFRSs, and therefore it is classified as 'other financial assets – current' and its impact to cash flows is listed under investing activities.