TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2015 AND 2014

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

REPORT OF INDEPENDENT ACCOUNTANTS 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, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2015 and 2014. 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$22,685,860 thousand and NT$21,077,700 thousand, constituting 28 and 29 percent of the consolidated assets as of December 31, 2015 and 2014, respectively, and total revenues of NT$3,379,196 thousand and NT$3,274,267 thousand, constituting 43 and 43 percent of consolidated revenues for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, and their financial performance and cash flows for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, on which we have expressed an unqualified opinion on those consolidated financial statements.

PricewaterhouseCoopers, Taiwan
March 15, 2016

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 SECUTITIES CHANGE CO.,LTD
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		December 31, 2015		December 31, 2014	
Assets	Notes	AMOUNT	%	AMOUNT	%
Current assets					
Cash and cash equivalents	6(1)	$ 15,197,590	19	$ 8,932,138	12
Financial assets at fair value through profit or loss - current	6(2)	2,058,147	3	1,789,243	3
Available-for-sale financial assets - current	6(3)	5,382,762	7	3,600,356	5
Held-to-maturity financial assets - current	6(4)	3,007,615	4	4,259,347	6
Accounts receivable, net	6(6) and 7	573,597	1	568,612	1
Accounts receivable - related parties	6(9)	7,422,752	9	6,344,772	9
Other receivables		162,979	-	175,943	-
Other current financial assets	6(1)	10,215,177	13	12,427,664	17
Other current assets, others	6(7)	256,603	-	222,877	-
Current Assets		44,277,222	56	38,320,952	53
Non-current assets					
Available-for-sale financial assets - noncurrent	6(3)	4,416,989	5	4,214,731	6
Held-to-maturity financial assets - noncurrent	6(4)	14,299,685	18	14,514,144	20
Non-current financial assets at amortised cost, net	6(5)	18,000	-	-	-
Financial assets carried at cost - noncurrent	6(8)	10,890,525	14	10,658,598	15
Investments accounted for under equity method	6(10)	56,373	-	61,742	-
Property, plant and equipment	6(11)	4,047,541	5	3,181,256	4
Investment property - net	6(12)	269,660	-	273,222	-
Intangible assets	6(13)	622,417	1	705,016	1
Other non-current assets	6(14)	854,763	1	767,889	1
Non-current assets		35,475,953	44	34,376,598	47
Total assets		$ 79,753,175	100	$ 72,697,550	100

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TAIWAN SECUTITIES CHANGE CO.,LTD
CONSOLIDATED BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Liabilities and Equity	Notes	December 31, 2015 AMOUNT	%	December 31, 2014 AMOUNT	%
Current liabilities					
Accounts payable	6(15)	$ 8,898,326	11	$ 5,176,954	7
Accounts payable - related parties	6(9)	7,422,752	9	6,344,772	9
Other payables		1,474,961	2	1,436,484	2
Other payables - related parties		-	-	-	-
Current income tax liabilities		199,164	-	211,293	-
Other current liabilities	6(16)	1,144,024	2	643,690	1
Current Liabilities		19,139,227	24	13,813,193	19
Non-current liabilities					
Deferred income tax liabilities	6(26)	81,899	-	84,510	-
Net defined benefit liabilities-non-current	6(17)	589,330	1	508,425	1
Guarantee deposits received		136,646	-	92,748	-
Non-current liabilities		807,875	1	685,683	1
Total Liabilities		19,947,102	25	14,498,876	20
Equity attributable to owners of parent					
Share capital	6(18)				
Share capital - common stock	6(18)	6,604,348	9	6,443,266	9
Capital surplus	6(19)				
Capital surplus		578	-	578	-
Retained earnings					
Legal reserve	6(20)	4,913,081	6	4,728,691	7
Special reserve	6(20)	32,902,283	41	32,182,134	44
Total unappropriated retained earnings	6(21)				
(accumulated deficit)		1,668,441	2	1,919,366	3
Other equity interest	6(22)				
Other equity interest		3,158,283	4	3,166,348	4
Equity attributable to owners of the parent		49,247,014	62	48,440,383	67
Non-controlling interest		10,559,059	13	9,758,291	13
Total equity		59,806,073	75	58,198,674	80
New Item	9				
Total liabilities and equity		$ 79,753,175	100	$ 72,697,550	100

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2016.

TAIWAN SECUTITIES CHANGE CO.,LTD
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31			
		2015		2014	
Items	Notes	AMOUNT	%	AMOUNT	%
Sales revenue	6(23) and 7	$ 7,891,714	100	$ 7,676,015	100
New Item					
New Item					
New Item					
New Item					
New Item					
New Item					
New Item					
New Item					
New Item					
New Item					
New Item					
Operating costs	6(24)	(131,967)	(2)	(109,106)	(1)
Net operating margin		7,759,747	98	7,566,909	99
Operating expenses	6(24)				
Selling expenses		(2,479,982)	(31)	(2,487,600)	(33)
General & administrative expenses	7	(3,062,158)	(39)	(2,794,375)	(36)
Total operating expenses		(5,542,140)	(70)	(5,281,975)	(69)
Operating profit		2,217,607	28	2,284,934	30
Non-operating income and expenses					
Other income		186,738	2	176,153	2
Other gains and losses		(95,613)	(1)	(90,164)	(1)
Net gain/(loss) from derecognizing financial assets measured at amortized cost		704,067	9	701,851	9
Net gain/(loss) on reclassification of financial assets	6(3)	13,823	-	148,019	2
Finance costs	6(25)	(7,080)	-	(10,204)	-
Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(10)	13,562	-	22,076	-
Total non-operating revenue and expenses		815,497	10	947,731	12
Profit before income tax		3,033,104	38	3,232,665	42
Income tax (expense) benefit	6(26)	(512,507)	(6)	(588,270)	(8)
Profit for the year		$ 2,520,597	32	$ 2,644,395	34

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TAIWAN SECUTITIES CHANGE CO.,LTD
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31			
		2015		2014	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Actuarial (loss) gain on defined benefit plan	6(17)	($ 5,261)	-	$ 37,500	1
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(296)	-	(1,193)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		107	-	42	-
Components of other comprehensive income that will not be reclassified to profit or loss		(5,450)	-	36,349	1
Components of other comprehensive income that will be reclassified to profit or loss					
Unrealized gain on valuation of available-for-sale financial assets		53,658	1	1,002,407	13
Components of other comprehensive income that will be reclassified to profit or loss		53,658	1	1,002,407	13
Total comprehensive income for the year		$ 2,568,805	33	$ 3,683,151	48
Profit (loss), attributable to:					
Owners of the parent		$ 1,699,021	22	$ 1,843,904	24
Non-controlling interest		821,576	10	800,491	10
New Item		$ 2,520,597	32	$ 2,644,395	34
Comprehensive income attributable to:					
Owners of the parent		$ 1,643,021	21	$ 2,834,376	37
Non-controlling interest		925,784	12	848,775	11
New Item		$ 2,568,805	33	$ 3,683,151	48
Basic earnings per share	6(27)				
Total basic earnings per share		$ 2.57		$ 2.79	

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2016.

TAIWAN SECUTITIES CHANGE CO.,LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Equity attributable to owners of the parent								
				Retained Earnings						
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Unrealized gain or loss on available-for-sale financial assets	Total	Non-controlling interest	Total equity
2014										
Balance at January 1, 2014		$ 6,286,113	$ 578	$ 4,596,560	$30,586,547	$ 1,321,304	$ 2,203,277	$44,994,379	$ 9,119,295	$54,113,674
Appropriations of 2013 earnings:	6(21)									
Legal reserve		-	-	132,131	-	(132,131)	-	-	-	-
Special reserve		-	-	-	198,195	(198,195)	-	-	-	-
Cash dividends		-	-	-	-	(785,764)	-	(785,764)	-	(785,764)
Stock dividends		157,153	-	-	-	(157,153)	-	-	-	-
Recognised special reserve		-	-	-	1,397,392	-	-	1,397,392	-	1,397,392
Changes in non-controlling interests		-	-	-	-	-	-	-	(209,779)	(209,779)
Net income for 2014		-	-	-	-	1,843,904	-	1,843,904	800,491	2,644,395
Other comprehensive income for 2014	6(22)	-	-	-	-	27,401	963,071	990,472	48,284	1,038,756
Balance at December 31, 2014		$ 6,443,266	$ 578	$ 4,728,691	$32,182,134	$ 1,919,366	$ 3,166,348	$48,440,383	$ 9,758,291	$58,198,674
2015										
Balance at January 1, 2015		$ 6,443,266	$ 578	$ 4,728,691	$32,182,134	$ 1,919,366	$ 3,166,348	$48,440,383	$ 9,758,291	$58,198,674
Appropriations of 2014 earnings:	6(21)									
Legal reserve		-	-	184,390	-	(184,390)	-	-	-	-
Special reserve		-	-	-	590,049	(590,049)	-	-	-	-
Cash dividends		-	-	-	-	(966,490)	-	(966,490)	-	(966,490)
Stock dividends		161,082	-	-	-	(161,082)	-	-	-	-
Recognised special reserve		-	-	-	130,100	-	-	130,100	127,881	257,981
Changes in non-controlling interests		-	-	-	-	-	-	-	(252,897)	(252,897)
Net income for 2015		-	-	-	-	1,699,021	-	1,699,021	821,576	2,520,597
Other comprehensive income for 2015	6(22)	-	-	-	-	(47,935)	(8,065)	(56,000)	104,208	48,208
Balance at December 31, 2015		$ 6,604,348	$ 578	$ 4,913,081	$32,902,283	$ 1,668,441	$ 3,158,283	$49,247,014	$ 10,559,059	$59,806,073

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2016.

TAIWAN SECUTITIES CHANGE CO.,LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014
(EXPRESSED IN THOUSANDS of NEW TAIWAN DOLLARS)

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 3,033,104	$ 3,232,665
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		(704,067)	(701,851)
Dividends income		(155,725)	(91,524)
Finance costs	6(25)	7,080	10,204
Provision for bad debts		168	1,422
Amortization of discount or premium of debt investment		38,720	34,864
Depreciation (including investment property)	6(24)	502,937	547,485
Amortization	6(24)	217,151	179,647
Loss on financial assets at fair value through profit or loss		12	28
Gain on disposal of investments		(13,823)	(148,019)
Gain on disposal of property and equipment		(19)	(47)
Share of profit (loss) of associates accounted for using equity method		5,073	(4,462)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(268,916)	(259,086)
Accounts receivable		(5,153)	(89,059)
Other receivables		(35,586)	(23,276)
Other current assets		(33,726)	271,993
Default damages fund		(231,927)	(233,741)
Other non-current assets		(108,784)	(7,300)
Changes in operating liabilities			
Securities lending and borrowing collateral payable		3,721,372	(8,492,232)
Accrued expenses		36,162	154,862
Other current liabilities		500,334	(736,990)
Net defined benefit liabilities		75,751	75,226
Cash inflow (outflow) generated from operations		6,580,138	(6,279,191)
Interest received		752,617	752,896
Interest paid		(6,210)	(10,183)
Income tax paid		(529,944)	(788,452)
Income taxes refund		257,981	-
Net cash flows from (used in) operating activities		7,054,582	(6,324,930)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in available-for-sale financial assets-net		(1,917,183)	(267,921)
Decrease in held-to-maturity financial assets-net		1,427,471	1,830,400
Increase in financial assets at cost		(18,000)	-
Decrease in other current financial assets		2,212,487	7,036,043
Acquisition of property and equipment	6(29)	(1,080,296)	(746,475)
Proceeds from disposal of property and equipment		56	286
Increase in intangible assets		(65,551)	(104,361)
Increase in prepayments for equipment		(277,779)	(394,581)
Increase in refundable deposits-net		(50,571)	(2,759)
Dividends received		155,725	91,524
Cash arising from consolidation	6(28)	-	(70,435)
Net cash flows from investing activities		386,359	7,371,721
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid		(966,490)	(785,764)
Increase in guarantee deposits received		43,898	2,501
Changes in non-controlling interests		(252,897)	(209,779)
Net cash flows used in financing activities		(1,175,489)	(993,042)
Net increase in cash and cash equivalents		6,265,452	53,749
Cash and cash equivalents at beginning of year		8,932,138	8,878,389
Cash and cash equivalents at end of year		$ 15,197,590	$ 8,932,138

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 15, 2016.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(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 Company and its subsidiaries) 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 FINANCIALSTATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized by the Board of Directors on March 15, 2016.

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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, the Company and its subsidiaries shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the “Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchange" effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRSs”) in preparing the consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 19 (revised), ‘Employee benefits’

Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity’s future cash flows.

B. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in OCI classified by nature into two Company and its subsidiariess on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two Company and its subsidiariess of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company and its subsidiaries will adjust its presentation of the statement of comprehensive income.

The Company and its subsidiaries which are subject to the above amendments will revise its comprehensive statements of income in 2015, whereby items that are not reclassified to profit or loss will include remeasurement on defined benefit plan. Items that might be reclassified to profit or loss will include unrealised gain (loss) on available-for-sale financial assets.

C. IFRS 12, 'Disclosure of interests in other entitles'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Company and its subsidiaries will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

D. IFRS 13, 'Fair value measurement'

The standard provides guides for fair value measurements. The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. Also, the standard requires more additional disclosures than the current standards. For example, IFRS 13 requires that all assets and liabilities that are applicable shall use 3 levels of disclosures. The measurement requirements in IFRS 13, 'Fair value measurement' are applied prospectively starting from 2015.

For the above items, the Company and its subsidiaries have assessed their impact on the consolidated financial statements and the affected amounts were not significant.

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

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The Company and its subsidiaries is assessing the potential impact of the new standards, interpretations and amendments above. The impact will be disclosed when the assessment is complete.

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

These consolidated financial statements of the Company and its subsidiaries have been prepared 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"). However, the Company and its subsidiaries comply with orders with different regulations issued by Financial Supervisory Commission (FSC).

(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 Company and its subsidiaries' consolidated financial statements. Subsidiaries are all entities controlled by the Company. The Company and its subsidiaries controls an entity when the Company and its subsidiaries' is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company and its subsidiaries obtain control of the subsidiaries and ceases when the Company and its subsidiaries lose control of the subsidiaries.

(b)Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

(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), Taiwan-Ca Inc. (TWCA), 國際通證券股份有限公司(以下簡稱國際通公司) and 基富通證券股份有限公司(以下簡稱基富通公司) were consolidated subsidiaries in 2015 and 2014. 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, 2015 and 2014 was 50.43%.

(b)TWCA:

i. TWCA was incorporated on December 17, 1999 and is mainly engaged in internet certification, retail and wholesale of information software and related services.

ii. Taiwan-Ca Inc. (TWCA) was 30.23% and 30.25% owned by the Company as of December 31, 2015 and 2014, repsectively. Although the Company and its subsidiaries 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 Company and its subsidiaries exercises significant control over TWCA.

(c)國際通公司:

i. 國際通公司 was established on September 18, 2015 and is primarily engaged in accepting orders to trade securities on the centralized securities exchange market and accepting orders to trade foreign securities – sub-brokerage.

ii. As of December 31, 2015, the Company's shareholding ratio was 100%.

(d)基富通公司:

i. On December 4, 2015, the Securities and Futures Bureau, Financial Supervisory Commission approved 基富通公司 to engage in securities brokerage business. Furthermore, Taipei City Government approved 基富通公司 to register for the establishment on December 15, 2015. 基富通公司 has applied for the permission based on Standards Governing the Establishment of Securities Firms and related laws, and is primarily engaged in sales of funds.

ii. Through the subsidiary, TDCC, the Company's shareholding ratio as of December 31, 2015 was 85.71%.

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 comapny: None.

F.Subsidiaries that have non-controlling interests that are material to the Company and its subsidiaries:

As of December 31, 2015 and 2014 the non-controlling interest amounted to $10,559,059 and $9,758,291, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

		Non-controlling interest			
		December 31, 2015		December 31, 2014	
Name of subsidiary	Principal place of business	Amount	Ownership (%)	Amount	Ownership (%)
TDCC and its subsidiaries	Taiwan	$ 10,420,733	49.57%	$ 9,601,361	49.57%

Balance sheets

	TDCC and its subsidiaries	
	December 31, 2015	December 31, 2014
Current assets	$ 10,058,029	$ 8,853,156
Non-current assets	12,119,626	11,720,049
Current liabilities	(826,974)	(808,938)
Non-current liabilities	(358,816)	(394,969)
Total net assets	$ 20,991,865	$ 19,369,298

Statements of comprehensive income

	TDCC and its subsidiaries	
	Years ended December 31,	
	2015	2014
Revenue	$ 3,647,963	$ 3,587,326
Profit before income tax	1,958,941	1,955,442
Income tax expense	(331,649)	(377,675)
Profit for the period	1,627,292	1,577,767
Other comprehensive income, net of tax	210,576	97,619
Total comprehensive income for the period	$ 1,837,868	$ 1,675,386
Dividends paid to non-controlling interest	$ 249,591	$ 202,846

	TDCC and its subsidiaries	
	Years ended December 31,	
	2015	2014
Net cash provided by operating activities	$ 1,728,503	$ 1,218,751
Net cash used in investing activities	(639,193)	(706,212)
Net cash provided by financing activities	(477,296)	(404,361)
Increase in cash and cash equivalents	612,014	108,178
Cash and cash equivalents, beginning of period	2,041,198	1,933,020
Cash and cash equivalents, end of period	$ 2,653,212	$ 2,041,198

(4) Foreign currency translation

Items included in the financial statements of each of the Company's and its subsidiaries entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Company's 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 other foreign exchange gains and losses based on the nature of those transactions 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 in the consolidated statement of cash flows, 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. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(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 Company and its subsidiaries 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 receivables

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 Company and its subsidiaries assess 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 Company and its subsidiaries use 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 Company and its subsidiaries assess 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)Financial assets measured at 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 current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

(c)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 Company and its subsidiaries 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) and payments made under an operating lease (net of any invcentives received from the loss or) are 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 Company and its subsidiaries 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 Company and its subsidiaries'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, plant 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 and computer equipments is depreciated using the fixed percentage on declining base method. 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 financial year-end. 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 Company and its subsidiaries 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 Company and its subsidiaries 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. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method.

(b)Remeasurement arising on defined benefit plans is recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings

(c)Past-service costs are recognised immediately in profit or loss

(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) Business combinations

Business combinations are accounted for using the acquisition method to account for business combinations. All acquisition-related costs are expensed as incurred. Goodwill is measured at the excess of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed.

(25) 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 Company and its subsidiaries'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 Company and its subsidiaries 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, 2015, the carrying amount of unlisted stocks was $4,416,989.

(2) Calculation of net defined benefit liabilities

When calculating the present value of defined pension obligations, the Company and its subsidiaries must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2015, the carrying amount of net defined benefit liabilities was $589,330.

(3) Impairment assessment of goodwill

For the purpose of impairment testing, the Company and its subsidiaries 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, 2015, the carrying amount of goodwill was $237,545.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Checking accounts and demand deposits	$ 5,980,258	$ 1,088,933
Cash equivalents		
Time deposits expires within three months from initial date	2,162,703	3,749,216
Commercial papers	7,054,629	4,093,989
Total	$ 15,197,590	$ 8,932,138

A. As of December 31, 2015 and 2014, the time deposits with maturity of more than three months from initial date were $10,215,177 and $12,427,664, respectively, and were shown as ‘other financial assets – current’.

B. The Company and its subsidiaries 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.

C. Details of the Company and its subsidiaries’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

Items	December 31, 2015	December 31, 2014
Financial assets held for trading		
Beneficiary certificates	$ 2,058,147	$ 1,789,243

A. For the years ended December 31, 2015 and 2014, the Company and its subsidiaries recognized net gain of $10,118 and $8,800 (shown as ‘other income’), respectively.

B. The Company and its subsidiaries has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	December 31, 2015	December 31, 2014
Current items:		
Beneficiary Certificate	$ 5,167,697	$ 3,235,656
Valuation adjustment of available-for-sale financial assets	215,065	364,700
Total	$ 5,382,762	$ 3,600,356
Non-current items:		
Unlisted stocks	$ 1,067,493	$ 1,068,528
Valuation adjustment of available-for-sale financial assets	3,466,372	3,263,079
Accumulated impairment	(116,876)	(116,876)
	$ 4,416,989	$ 4,214,731

A. The Company and its subsidiaries recognised $53,658 and $1,002,407 in other comprehensive income for fair value change and reclassified $13,823 and $148,019 from equity to profit or loss for the years ended December 31, 2015 and 2014, respectively.

B. The Company and its subsidiaries has no available-for-sale financial assets pledged to others.

(4) Held-to-maturity financial assets

Items	December 31, 2015	December 31, 2014
Current items:		
Financial bonds	$ 1,956,660	$ 2,601,946
Corporate bonds	700,000	1,657,401
Government bonds	350,955	-
	$ 3,007,615	$ 4,259,347
Non-current items:		
Financial bonds	$ 12,727,013	$ 12,084,299
Corporate bonds	1,059,753	1,559,028
Government bonds	512,919	870,817
	$ 14,299,685	$ 14,514,144

The Company and its subsidiaries has no held-to-maturity financial assets pledged to others.

(5) Financial assets measured at cost

Items	December 31, 2015	December 31, 2014
Unlisted stocks	$ 18,000	$ -

A. According to the intention of the Company's subsidiaries, the investment in unlisted stocks should be classified as 'available-for-sale financial assets'. However, as the unlisted stocks are not traded in active market, and no sufficient industry information of similar companies and financial information can be obtained, the fair value of the investment in the unlisted stocks cannot be measured reliably. The Company's subsidiaries classified those stocks as 'financial assets measured at cost'.

B. The Company and its subsidiaries have no financial assets measured at cost pledged to others.

(6) Accounts receivable

	December 31, 2015	December 31, 2014
Accounts receivable	$ 576,570	$ 571,417
Less: Allowance for doubtful accounts	(2,973)	(2,805)
	$ 573,597	$ 568,612

The Company and its subsidiaries does not hold any collateral as security.

(7) Other current assets

	December 31, 2015	December 31, 2014
Receipt and payment for offshore mutual funds on behalf of others	$ 96,368	$ 124,593
Payments under cross-border custody	44,327	-
Others	115,908	98,284
	$ 256,603	$ 222,877

Since August 2006, the Company's subsidiaries began to provide receipt and payment services for offshore mutual funds on behalf of others. The amount is payment received and paid on behalf of others for purchasing or redeeming offshore mutual funds.

Since November 2015, the Company's subsidiaries began to provide receipt and payment services for foreign securities under cross-border custody on behalf of others. The amount is payment received and paid on behalf of others for custody of cross-border securities.

(8) 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 6 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 Company and its subsidiaries 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 Company and its subsidiaries 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. Under regulations of the competent authority, if losses occur when the Company pays the settlement on behalf of others by Securities and Exchange Act Article 153, as reported to and approved by the competent authority, the losses will be directly offsetted against the above special reserve and the expense is not recognised.

F. Under regulation of the competent authority, if TDCC uses above special reserve in the future and receives approval from the competent authority, TDCC will directly write down the amount and will not recognise as expense.

G. In September 1996, the Competent Authority approved a common fund, the Securities Settlement Fund ("SSF"), to be used in settling defaults by securities companies. The Company and its subsidiaries established the special settlement fund ("SF") with an initial funding of $1,000,000. If the Company and its subsidiaries' DDF exceeds $1,000,000, the excess should be contributed to the SF until the contribution reaches $2,000,000. As of December 31, 2015 and 2014, the balance of the SF was $3,000,000.

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

	Years ended December 31, 2015	Years ended December 31, 2014
Balance, beginning of year (Note)	$ 7,658,598	$ 7,424,857
Contributions		
Based on the amounts of trading fees	115,209	117,760
5% of securities settlements, securities recording and custodial service fees	112,279	112,367
3% of securities lending and borrowing service fees	4,439	3,614
	7,890,525	7,658,598
Settlement fund (SF)	3,000,000	3,000,000
Balance, ending of year	$ 10,890,525	$ 10,658,598

Note: The beginning balance of SF was $3,000,000 and the DDF was $10,658,598 and $10,424,857 as of January 1, 2015 and 2014, respectively.

I. As of December 31, 2015, the DDF is invested in time deposits.

(9) Securities settlement credit (debit)

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 Company, and this account is distinguished from the others owned by the Company. Under the Securities and Exchange Law, the SSF can only be (a) invested in government bonds; (b) deposited in banks or in the postal savings system; or (c) invested in other instruments as approved by the Competent Authority. The income on the SSF, less related expenses and taxes, is distributed to the securities companies every six months.

(b)The obligation of a defaulting securities Company and expenses incurred in meeting obligations are settled using the balance of the defaulting Company’s contributions to the SSF and any undistributed income thereon.

i. If the obligation of the defaulting Company 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, 2015 and 2014, the balances of the SSF were $3,444,874 and $3,405,293, 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, 2015, the Company had entered into a loan agreement with financial institutions in the amount of $11,800,000 and US$10,000,000 and provided time deposit of $2,000,000 to financial institutions as collateral for the need of Securities firms’ application of the advance settlements for finalizing the funds to the Company and emergency revolving fund due to Securities firms violation of settlement obligation or natural disaster. As of December 31, 2015, 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)Due to the Company 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 Company 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, 2015 and 2014 is as follows:

	December 31, 2015	December 31, 2014
Securities settlement credit	$ 7,422,752	$ 6,344,772
Securities settlement debit	$ 7,422,752	$ 6,344,772

(10) Investments accounted for using the equity method

	December 31, 2015	December 31, 2014
Taiwan Ratings Co. (TRC)	$ 56,373	$ 61,742

The carrying amount of the Company and its subsidiaries' interests in all individually immaterial associates and the Company and its subsidiaries' share of the operating results are summarised below:

	Taiwan Ratings Co.	
	Years ended December 31,	
	2015	2014
Share of profit (loss) of associates accounted for using equity method	$ 13,562	$ 22,076

The Company and its subsidiaries's percentage of ownership of the abovementioned shares is 39% as of December 31, 2015 and 2014.

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

(11) Property and equipment

	Land	Buildings	Computer equipment	Other equipment	Construction in progress (Note)	Total
Cost						
At January 1, 2015 (including revaluation $81,622)	$1,063,850	$438,742	$2,660,664	$478,850	$ 830,014	$5,472,120
Additions	-	-	209,640	17,351	854,750	1,081,741
Disposals	-	-	(74,651)	(26,026)	-	(100,677)
Transfer from prepayments for business facilities	-	-	106,956	-	177,000	283,956
Closing book amount	$1,063,850	$438,742	$2,902,609	$470,175	$1,861,764	$6,737,140
Accumulated depreciation						
At January 1, 2015	$ -	$165,090	$1,942,410	$183,364	$ -	$2,290,864
Depreciation	-	7,822	430,147	61,406	-	499,375
Disposals	-	-	(74,536)	(26,104)	-	(100,640)
Closing book amount	$ -	$172,912	$2,298,021	$218,666	$ -	$2,689,599
At January 1, 2015 net book amount	$1,063,850	$273,652	$ 718,254	$295,486	$ 830,014	$3,181,256
At December 31, 2015 net book amount	$1,063,850	$265,830	$ 604,588	$251,509	$1,861,764	$4,047,541

Note: Construction in progress refers to the construction of Banqiao Data Center and it will be reclassified to buildings after inspection.

	Land	Buildings	Computer equipment	Other equipment	Construction in progress (Note)	Total
Cost						
At January 1, 2014 (including revaluation $81,622)	$1,063,850	$478,581	$2,410,265	$464,008	$ 314,581	$4,731,285
Additions	-	-	174,060	53,739	515,433	743,232
Effect of first-time consolidation	-	-	630	63	-	693
Disposals	-	(39,839)	(290,419)	(58,370)	-	(388,628)
Transfer from prepayments for business facilities	-	-	366,128	19,410	-	385,538
Closing book amount	$1,063,850	$438,742	$2,660,664	$478,850	$ 830,014	$5,472,120
Accumulated depreciation						
At January 1, 2014	$ -	$196,783	$1,760,753	$177,795	$ -	$2,135,331
Depreciation	-	8,146	471,862	63,914	-	543,922
Disposals	-	(39,839)	(290,205)	(58,345)	-	(388,389)
Closing book amount	$ -	$165,090	$1,942,410	$183,364	$ -	$2,290,864
At January 1, 2014 net book amount	$1,063,850	$281,798	$ 649,512	$286,213	$ 314,581	$2,595,954
At December 31, 2014 net book amount	$1,063,850	$273,652	$ 718,254	$295,486	$ 830,014	$3,181,256

Note: Construction in progress refers to the construction of Banqiao Data Center and it will be reclassified to buildings after inspection.

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

Buildings	
-Main buildings	55 years
-Subordinate buildings	5 years ~ 15 years
Computer equipment	3 years ~ 5 years
Other equipment	3 years ~ 15 years

(12) Investment property

	Land		Buildings		Total	
Cost						
At January 1, 2015 (December 31, 2015)	$	126,139	$	199,233	$	325,372
Accumulated depreciation						
At January 1, 2015	$	-	$	52,150	$	52,150
Depreciation		-		3,562		3,562
Closing book amount	$	-	$	55,712	$	55,712
At January 1, 2015 net book amount	$	126,139	$	147,083	$	273,222
At December 31, 2015 net book amount	$	126,139	$	143,521	$	269,660

	Land		Buildings		Total	
Cost						
At January 1, 2014 (December 31, 2014)	$	126,139	$	199,233	$	325,372
Accumulated depreciation						
At January 1, 2014	$	-	$	48,587	$	48,587
Depreciation		-		3,563		3,563
Closing book amount	$	-	$	52,150	$	52,150
At January 1, 2014 net book amount	$	126,139	$	150,646	$	276,785
At December 31, 2014 net book amount	$	126,139	$	147,083	$	273,222

A. Rental income from investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31,			
	2015		2014	
Rental income from investment property	$	17,499	$	14,723
Direct operating expenses arising from the investment property that generated rental income during the period	$	3,562	$	3,563

B. The fair value of the investment property held by the Company as of December 31, 2015 and 2014, was $638,082 and $619,566, 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 which is categorised within Level 3 in the fail value hierarchy.

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

(13) Intangible assets

	Goodwill	Software	Total
Cost			
At January 1, 2015	$ 237,545	$ 1,093,593	$ 1,331,138
Additions	-	65,551	65,551
Disposals	-	(59,073)	(59,073)
Transfer from prepayments for business facilities	-	69,001	69,001
Closing book amount	$ 237,545	$ 1,169,072	$ 1,406,617
Accumulated amortisation			
At January 1, 2015	$ -	$ 626,122	$ 626,122
Amortisation	-	217,151	217,151
Disposals	-	(59,073)	(59,073)
Closing net book amount	$ -	$ 784,200	$ 784,200
At January 1, 2015 net book amount	$ 237,545	$ 467,471	$ 705,016
At December 31, 2015 net book amount	$ 237,545	$ 384,872	$ 622,417

	Goodwill	Software	Total
Cost			
At January 1, 2014	$ 169,083	$ 939,628	$ 1,108,711
Additions	-	104,361	104,361
Effect of first-time consolidation	68,462	1,270	69,732
Disposals	-	(70,260)	(70,260)
Transfer from prepayments for business facilities	-	118,594	118,594
Closing book amount	$ 237,545	$ 1,093,593	$ 1,331,138
Accumulated amortisation			
At January 1, 2014	$ -	$ 516,735	$ 516,735
Amortisation	-	179,647	179,647
Disposals	-	(70,260)	(70,260)
Closing net book amount	$ -	$ 626,122	$ 626,122
At January 1, 2014 net book amount	$ 169,083	$ 422,893	$ 591,976
At December 31, 2014 net book amount	$ 237,545	$ 467,471	$ 705,016

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

(14) Other non-current assets

	December 31, 2015	December 31, 2014
Operations guarantee deposits	$ 430,900	$ 322,200
Refundable deposits and other assets	251,375	198,023
Prepayments for equipment	172,488	247,666
	$ 854,763	$ 767,889

A. As at December 31, 2015 and 2014, the Company deposited time deposits and financial bonds amounting to $330,900 and $322,200, respectively, in the Central Bank of China as guaranty bond.

B. As of December 31, 2015, 國際通公司 deposited time deposits amounting to $50,000 in Cathay United Bank as guaranty bond.

C. As of December 31, 2015, 基富通公司 deposited time deposits amounting to $50,000 in the bank designated by Securities and Futures Bureau, based on the Regulations Governing Securities Firms and other laws.

(15) 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, 2015 and 2014, the Company has received collaterals as follows:

	December 31, 2015	December 31, 2014
Cash (Note A)	$ 8,898,326	$ 5,176,954
Bank draft (Note B)	$ 6,828,983	$ 2,521,381
Securities (Note B and Bond C)	$ 52,017,926	$ 60,918,057

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 collateral.

Note C: Securities are revalued according to their closing prices at December 31, 2015 and 2014.

(16) Other current liabilities

	December 31, 2015	December 31, 2014
Temporary receipt at offering price	$ 412,232	$ -
Advance receipts	356,018	384,624
Receipts under custody	145,435	129,378
Temporary receipts for close down brokers	-	13,798
Deposits received for borrowing securities collateral	80,000	-
Others	150,339	115,890
	$ 1,144,024	$ 643,690

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. Receipt on behalf of others is caused by the payment received and paid by the subsidiaries on behalf of other for purchasing or redeeming offshore mutual funds and for custody of cross-border securities starting from August 2006 and November 2015 for such services, respectively.

(17) Pensions

A.Defined benefit plans

The amounts recognised in the balance sheet are as follows:

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	$ 4,507,830	$ 4,317,844
Fair value of plan assets	(3,918,500)	(3,809,419)
Net defined benefit liability	$ 589,330	$ 508,425

(a)Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 4,317,844	$ 3,809,419	508,425
Current service cost	318,918	-	318,918
Interest (expense) revenue	76,917	70,408	6,509
	4,713,679	3,879,827	833,852
Remeasurements:			
Return on plan asset (Note)	-	8,204	(8,204)
Change in demographic assumptions	(77)	-	(77)
Change in financial assumptions	127,587	-	127,587
Experience adjustments	(111,599)	-	(111,599)
	15,911	8,204	7,707
Pension fund contribution	-	249,505	(249,505)
Paid Pension	(221,760)	(219,036)	(2,724)
Balance at December 31	$ 4,507,830	$ 3,918,500	$ 589,330

Note: Excluding amounts included in interest income or expense

	Present value of defined benefit obligations	Fair value of plan asset	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	$ 4,166,024	$ 3,695,283	$ 470,741
Current service cost	347,809	-	347,809
Past service cost	34,326	-	34,326
Interest (expense) revenue	73,919	70,937	2,982
	4,622,078	3,766,220	855,858
Remeasurements:			
Return on plan asset (Note)	-	8,276	(8,276)
Change in demographic assumptions	(72)	-	(72)
Experience adjustments	(29,024)	-	(29,024)
	(29,096)	8,276	(37,372)
Pension fund contribution	-	266,891	(266,891)
Paid Pension	(240,812)	(231,968)	(8,844)
Settlement	(34,326)	-	(34,326)
Balance at December 31	$ 4,317,844	$ 3,809,419	$ 508,425

Note: Excluding amounts included in interest income or expense.

(b)Based on the Company and its subsidiaries's internal regulations for employee hiring and management, both the Company and its subsidiaries and its employees contribute monthly to the workers' pension fund and employees' retirement fund, respectively. The Company and its subsidiaries 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 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.

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

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

(d)The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan that was administered by the independent retirement fund committee in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its 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. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

As of December 31, 2015, the Company's and subsidiaries' Funds that were administered by employees' retirement fund committee were bank deposits. As of December 31, the Funds were bank deposits and ETF.

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

	Years ended December 31,	
	2015	2014
Discount rate	1.25%~1.875%	1.75%~2.00%
Future salary increases	1.50%~3.75%	2.00%~3.75%
Employee turnover rate	0.52%	0.52%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2015				
Effect on present value of defined benefit obligation	($ 112,346)	$ 116,503	$ 94,955	($ 87,335)
December 31, 2014				
Effect on present value of defined benefit obligation	($ 111,257)	$ 115,421	$ 102,522	($ 98,722)

The sensitivity analysis above is based on other conditions are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

(f)Expected contributions to the defined benefit pension plans of the Company and its subsidiaries in the year ended December 31, 2015 are $270,485.

B.Defined contribution plans

(a)Effective July 1, 2005, the Company and its subsidiaries 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 Company and its subsidiaries contributes monthly an amount 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 Company and its subsidiaries for the years ended December 31, 2015 and 2014 were $89,246 and $60,385, respectively.

(18) Share capital

A. In accordance with the resolution adopted at the stockholders' meeting on June 11, 2014, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 15,715 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 24, 2015, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 16,108 thousand shares. The registration of this capital increase was approved by the Competent Authority.

C. As of December 31, 2015, the Company's authorized, issued and outstanding common stock consisted of 6,604,348 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.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus 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. However, captial surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) 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 Company and its subsidiaries 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.

(21) 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 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 2015 and 2014 were $1.5 (in dollars) per share and $1.25 (in dollars) per share, respectively, and the stock dividends for 2015 and 2014 were $0.25 (in dollars) per share for both years.

(22) Other equity items

	Unrealised profit/loss of available-for-sale financial assets
January 1, 2015	$ 3,166,348
Unrealised valuation profit/loss of available-for-sale financial assets	(8,065)
December 31, 2015	$ 3,158,283

	Unrealised profit/loss of available-for-sale financial assets
January 1, 2014	$ 2,203,277
Unrealised valuation profit/loss of available-for-sale financial assets	963,071
December 31, 2014	$ 3,166,348

(23) 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%.

(24) Expenses by nature

	Year ended December 31, 2015		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salaries	$ 63,260	$ 2,046,571	$ 2,109,831
Insurance	$ 450	$ 124,582	$ 125,032
Pension	$ -	$ 411,764	$ 411,764
Others	$ 1,074	$ 21,339	$ 22,413
Depreciation	$ 10,946	$ 491,991	$ 502,937
Amortization	$ 2,244	$ 214,907	$ 217,151
	Year ended December 31, 2014		
	Operating costs	Operating expenses	Total
Employee benefit expense			
Salaries	$ 58,852	$ 2,021,400	$ 2,080,252
Insurance	$ 504	$ 123,822	$ 124,326
Pension	$ -	$ 445,631	$ 445,631
Others	$ 840	$ 20,569	$ 21,409
Depreciation	$ 11,962	$ 535,523	$ 547,485
Amortization	$ 2,190	$ 177,457	$ 179,647

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute bonus to the employees that account for 1%~12%. The Board of Directors is authorised to determine the allocation ratio and rules.

However, in accordance with the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the profit of the current year distributable, in a fixed amount or a ratio of profits; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. The Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on January 26, 2016. According to the amended articles, a ratio of profit of the current year distributable, after covering accumulated losses, shall be distributed as employees' compensation. The ratio shall be 1% to 12% for employees' compensation. The amended articles will be resolved in the shareholders' meeting in 2016.

B.For the years ended December 31, 2015 and 2014, employees' compensation (bonus) was accrued at $118,632 and $118,596, respectively. The aforementioned amounts were recognised in salary expenses. Employees' compensation of 2015 was accrued based on profit of current year distributable for the year ended December 31, 2015, and actual distribution amount of employees' compensation is resolved by the Board of Directors.

The amount of employees' bonus for 2014 was accrued based on the percentage as prescribed by the Company's Articles of Incorporation after taking into account the historical employees' bonus distribution experience, surplus reserve and other factors. However, the employees' bonus as resolved by the shareholders was lower than the amount recognised in the 2014 financial statements. The difference of $15,095 had been adjusted in the statement of comprehensive income for 2015.

(25) Finance costs

	Years ended December 31, 2015	2014
Interest expense		
-Securities lending and borrowing collateral	$ 7,080	$ 10,204

(26) Income tax

A.Income tax expense

(a)Components of income tax expense

	Years ended December 31, 2015	2014
Current tax:		
Current tax on profits for the period	$ 508,138	$ 500,861
Tax on undistributed earnings	-	18,745
Adjustments in respect of prior years	7,744	56,485
Total current tax	515,882	576,091
Deferred tax:		
Origination and reversal of temporary differences	(3,375)	12,179
Income tax expense	$ 512,507	$ 588,270

(b)Detail of income tax expense and accounting profit

	Years ended December 31,	
	2015	2014
Tax calculated based on profit before tax and statutory tax rate	$ 655,470	$ 687,740
Tax effect of permanent difference	(150,707)	(174,700)
Additional 10% tax on undistributed earnings	-	18,745
Under provision of prior's year income tax	7,744	56,485
Tax expense	$ 512,507	$ 588,270

B.Amounts of deferred tax assets or liabilities as a result of temporary difference is as follows:

	Year ended December 31, 2015		
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	$ 1,603	$ 1	$ 1,604
Unused expenses of employee compensated absences	15,946	268	16,214
Others	73	2,508	2,581
	$ 17,622	$ 2,777	$ 20,399
-Deferred tax liabilities:			
Goodwill	$ 29,036	$ 315	$ 29,351
Reserve for land value increment tax	44,599	-	44,599
Unrealised exchange gain	10,875	(2,926)	7,949
	$ 84,510	($ 2,611)	$ 81,899

	Year ended December 31, 2014		
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	$ 1,554	$ 49	$ 1,603
Unused expenses of employee compensated absences	15,554	392	15,946
Others	72	1	73
	$ 17,180	$ 442	$ 17,622
-Deferred tax liabilities:			
Default damages reserve	$ 1,621,373	($ 1,621,373)	$ -
Goodwill	38,889	(9,853)	29,036
Reserve for land value increment tax	44,599	-	44,599
Unrealised exchange gain	-	10,875	10,875
	$ 1,704,861	($ 1,620,351)	$ 84,510

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

	December 31, 2015	December 31, 2014
Deductible temporary differences	$ 350,840	$ 261,237

D.The Company's income tax returns though 2013 have been assessed and approved by the Tax Authority.

E.As of December 31, 2015 and 2014, the unappropriated earnings generated in and after 1998.

F.Imputation System

	December 31, 2015	December 31, 2014
Imputation tax credit account	$ 183,845	$ 24,631

The creditable tax rate was 11% for 2014 and is estimated to be 14.31% for 2015, according to the current income tax law.

(27) Earnings per share

	Year ended December 31, 2015		
	Amount after tax	Outstanding shares at the end of the year (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary Shareholders of the parent	$ 1,699,021	660,435	$ 2.57

	Year ended December 31, 2014		
	Amount after tax	Outstanding shares at the end of the year (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary Shareholders of the parent	$ 1,843,904	660,435	$ 2.79

(28) 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 that TDCC acquire all shares of TICC, totaling 30 million shares at acquisition date, in the amount of $283,800 thousand based on $9.46 per share at the business acquisition date. TDCC will pay within one month from the acquisition date.

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

The business combination was resolved and the acquisition date was set as March 17, 2014 during the interim shareholders' meeting of both companies on February 6, 2014.

A. Fair value of the identifiable assets acquired and liabilities assumed

		Amount
Current assets		
Cash and cash equivalents	$	213,365
Other financial assets-other		301
Other current assets		13
Non-current assets		
Property and equipment		693
Intangible assets		1,270
Current liabilities		
Accrued expenses	(	295)
Other current liabilities	(	9)
	$	215,338

B. Goodwill arising from consolidation

		Amount
Consideration of acquisition	$	283,800
Less: fair value of identifiable net asset received	(	215,338)
Goodwill arising from consolidation	$	68,462

The total of goodwill arising from consolidation less amount of imputation credit is expected to be $11,639 thousand and is amortised evenly over 5 years as a deduction to taxable income.

C. Net cash outflow of acquisition

		Amount
Consideration paid in cash	$	283,800
Less: balance of cash and cash equivalents received	(	213,365)
	$	70,435

D. Effect on operating results from business combination

TDCC and TISS were both local providers of electrical voting platform services and had different electrical voting platform system before merger. After the business combination, the voting platform of TDCC will provide electrical voting for shareholders of listed companies, and all employees of TISS will be terminated. Starting from the date of acquisition, the impact of operation results from TISS to the Company and its subsidiaries operating revenue and profit before tax for 2014 was not significant. Had TISS been consolidated from January 1, 2014, the impact of operating results from TISS to the Company and its subsidiaries' operating revenue and profit before tax for 2014 were also not significant.

(29) Non-cash transaction

	Years ended December 31, 2015	Years ended December 31, 2014
Purchase of property and equipment	$ 1,081,741	$ 743,232
Add: opening balance of payable on property and equipment	705	3,948
Less: ending balance of payable on property and equipment	(2,150)	(705)
Cash paid during the period	$ 1,080,296	$ 746,475

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

	Years ended December 31, 2015	Years ended December 31, 2014
A.Trading fees:		
Corporate Directors	$ 440,607	$ 495,726
B.Revenue from securities listing fees:		
Other related parties	$ 450	$ 450
Corporate Directors	181,055	178,223
	$ 181,505	$ 178,673
C.Securities recording service fees:		
Corporate Directors	$ 141,659	$ 162,719
D.Securities settlement service fees: (recorded as operating revenue-expenses):		
Other related parties	$ 158,156	$ 176,352
E.Future settlement fees: (recorded as operating revenue-expenses):		
Other related parties	$ 142,954	$ 135,718
F.License fees (recorded as operating revenue-others):		
Other related parties	$ 195,001	$ 149,362
Corporate Directors	630	630
	$ 195,631	$ 149,992
G.Rental and administrative expense (recorded as operating expenses):		
Other related parties	$ 185,331	$ 180,571
Corporate Directors	24,033	13,400
	$ 209,364	$ 193,971

	December 31, 2015	December 31, 2014
H.Receivables from related parties:		
Corporate Directors	$ 50,631	$ 46,313
Other related parties	69,289	76,731
	$ 119,920	$ 123,044

(2) Key management compensation

	Years ended December 31,	
	2015	2014
Salaries and other short-term employee benefits	$ 74,522	$ 76,714
Pensions	7,600	7,909
	$ 82,122	$ 84,623

8. PLEDGED ASSETS

As of December 31, 2015 and 2014, the Company's subsidiary, Taiwan-Ca. Inc., pledged the following as collateral. Please refer to Notes 6(8) and 6(14) for the information on certificates of time deposits and operation guarantee funds pledged as collateral for the settlement prices the Company had applied for payment on behalf of others and applied for credit limit with banks.

	Book value		
Assets	December 31, 2015	December 31, 2014	Purpose
Other current liabilities			
-Other time deposit	$ 1,980	$ 3,410	Performance bond

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A.As at December 31, 2015 and 2014, the Company leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements are as follows:

	December 31, 2015	December 31, 2014
Not later than one year	$ 306,655	$ 304,425
Later than one year but not later than five years	858,402	925,137
Over five years	-	188,241
	$ 1,165,057	$ 1,417,803

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

	December 31, 2015	December 31, 2014
Computer equipment and other equipment	$ 383,851	$ 627,999
Information centre construction	298,210	597,749
	$ 682,061	$ 1,225,748

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Company's subsidiary, Taiwan Index Plus Corporation was approved to establish on January 20, 2016, and the subsidiary is primarily engaged in compilation, maintenance and dissemination of domestic and foreign index.

12. OTHERS

(1) Capital management

The Company and its subsidiaries'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

Except those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable - net, other receivables, other financial assets, default damages fund, securities settlement debit, securities lending and borrowing collateral payable, accrued expenses and securities settlement credit) short-term loans, notes payable, accounts payable and other payables) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	December 31, 2015			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets:				
Held-to-maturity financial assets	$17,307,300	$ -	$17,399,863	$ -

	December 31, 2014	
	Book value	Fair value
Financial assets:		
Held-to-maturity financial assets	$ 18,773,491	$ 18,898,937

The methods and assumptions of fair value measurement are as follows:

Held-to-maturity financial assets: if there is a quoted price in an active market, the fair value is based on the market price; if there is no quoted market price available, the fair value is determined by using valuation techniques or counterparty quotes.

B.Financial instruments

The objectives and procedure of financial risk control

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

<u>Foreign exchange risk</u>

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 and Japanese Yen as collateral. Because the Company saves all collateral denominated in foreign currency, the foreign exchange risk is rather insignificant. Furthermore, the Company and its subsidiaries has RMB time deposits invested using its partial own funds.

(Foreign currency: functional currency)	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD)	Sensitivity analysis: Degree of variation	Sensitivity analysis: Effect on profit or loss (NTD)
	December 31, 2015				
Financial assets					
Monetary items					
USD:NTD	48,208	32.83	$ 1,582,669	1%	$ 15,827
RMB:NTD	362,508	4.995	1,810,727	1%	18,107
JPY:NTD	15,259,113	0.273	4,165,738	1%	41,657
Financial liabilities					
Monetary items					
USD:NTD	34,571	32.83	1,134,966	1%	11,350
JPY:NTD	15,259,113	0.273	4,165,738	1%	41,657

(Foreign currency: functional currency)	Foreign Currency Amount (In thousands)	Exchange Rate	Book Value (NTD)	Sensitivity analysis: Degree of variation	Sensitivity analysis: Effect on profit or loss (NTD)
	December 31, 2014				
Financial assets					
Monetary items					
USD:NTD	99,631	31.65	$ 3,153,321	1%	31,533
RMB:NTD	361,603	5.092	1,841,282	1%	18,413
Financial liabilities					
Monetary items					
USD:NTD	87,824	31.65	2,779,630	1%	27,796

The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company and its subsidiaries for the years ended December 31, 2015 and 2014, amounted ($16,426) and $59,384, respectively.

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, 2015 and 2014, the financial assets held-to-maturity that belongs to fixed-rate product was $17,307,300 and $18,773,491, 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.

The Company and its subsidiaries 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, 2015 and 2014, profit/ loss for the year would have increased/decreased by $20,581 and $17,892, 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 Company and its subsidiaries's related regulations on capital usage, and the Company and its subsidiaries 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 Company and its subsidiaries'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, 2015 and 2014, shareholders' equity at end of the year would have increased/decreased by $97,998 and $78,151, 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 Company and its subsidiaries'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 Company and its subsidiaries still estimates them to maintain the capability to pay. As of December 31, 2015 and 2014, accounts receivable that were neither past due nor impaired was $567,835 and $566,186, 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:

	December 31, 2015	December 31, 2014
Less than 6 months	$ 5,762	$ 2,426

iii. Accounts receivable that were impaired

As of December 31, 2015 and 2014, the Company and its subsidiaries's accounts receivable that were impaired amounted to $2,973 and $2,805, respectively.

Movements on the Company and its subsidiaries's provision for impairment of accounts receivable are as follows:

	2015	2014
At January 1	$ 2,805	$ 1,383
Provision for bad debt	168	1,422
At December 31	$ 2,973	$ 2,805

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.

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

Credit quality of financial assets is classfied as follows:

	December 31, 2015		
	Group 1	Group 2	Group 3
Government bonds	$ 863,874	$ -	$ -
Corporate bonds	1,759,753	-	-
Financial bonds	14,683,673	-	-
	$ 17,307,300	$ -	$ -

	December 31, 2014		
	Group 1	Group 2	Group 3
Government bonds	$ 870,817	$ -	$ -
Corporate bonds	3,216,429	-	-
Financial bonds	14,686,245	-	-
	$ 18,773,491	$ -	$ -

(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, 2015			
	Less than 6 months	Between 6 months and 1 year	Over 1 years	Total
Securities lending and borrowing collateral payable	$ 8,898,326	$ -	$ -	$ 8,898,326
Accrued expenses	1,382,040	92,921	-	1,474,961
Deposits received	-	-	136,646	136,646
	$10,280,366	$ 92,921	$ 136,646	$10,509,933

	December 31, 2014			
	Less than 6 months	Between 6 months and 1 year	Over 1 years	Total
Securities lending and borrowing collateral payable	$ 5,176,954	$ -	$ -	$ 5,176,954
Accrued expenses	1,344,188	92,296	-	1,436,484
Deposits received	-	-	92,748	92,748
	$ 6,521,142	$ 92,296	$ 92,748	$ 6,706,186

(3) Fair value information

A. Details of the fair value of the Company and its subsidiaries’ financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Company and its subsidiaries’ investment property measured at cost are provided in Note 6(12).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Company and its subsidiaries' investment in is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company and its subsidiaries' investment in unlisted stocks is included in Level 3.

The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 2,058,147	$ -	$ -	$ 2,058,147
Available-for-sale financial assets:				
Beneficiary certificates	5,382,762	-	-	5,382,762
Unlisted (OTC) stocks	-	-	4,416,989	4,416,989
	$ 7,440,909	$ -	$ 4,416,989	$11,857,898

December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	$ 1,789,243	$ -	$ -	$ 1,789,243
Available-for-sale financial assets:				
Beneficiary certificates	3,600,356	-	-	3,600,356
Unlisted (OTC) stocks	-	-	4,214,731	4,214,731
	$ 5,389,599	$ -	$ 4,214,731	$ 9,604,330

D. The methods and assumptions the Company and its subsidiaries used to measure fair value are as follows:

(a) The instruments the Company and its subsidiaries used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Closed-end fund	Open-end fund
Market quoted price	Closing price	Net asset value

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

(c) When assessing non-standard and low-complexity financial instruments. The Company and its subsidiaries adopt valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company and its subsidiaries' financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company and its subsidiaries' management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the years ended December 31, 2015 and 2014, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2015 and 2014, there was no transfer into or out from Level 3.

G. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input		Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 2,107,684	Market comparable companies	Dividend yield	4.88%	The lower the dividend yield, the higher the fair value
	2,309,305	Discounted cash flow method and cost method	Discount rate	6%	The higher the discount rate, the lower the fair value

I. The Company and its subsidiaries has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in difference measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

			December 31, 2015			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Dividend yield Discount rate	±1%	$ -	$ -	$ 284,768	$ 188,687

			December 31, 2014			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Dividend yield Discount rate	±1%	$ -	$ -	$ 277,885	$ 181,251

J. Changes belonging to level 3 financial instruments as of December 31, 2015 and 2014 are as follows:

		Available-for-sale financial assets
January 1, 2015	$	4,214,731
Gains recognised in other comprehensive income		210,670
Sold in the period	(	8,412)
December 31, 2015	$	4,416,989

		Available-for-sale financial assets
January 1, 2014	$	3,288,637
Gains recognised in other comprehensive income		926,094
December 31, 2014	$	4,214,731

(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:

A.Balance sheets

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	December 31, 2015 Amount	%	December 31, 2014 Amount	%	LIABILITIES AND STOCKHOLDER'S EQUITY	December 31, 2015 Amount	%	December 31, 2014 Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	$ 3,337	-	$ 3,340	-	Accrued expenses	$ 83,545	8	$ 73,087	8
Accounts receivable	80,908	8	77,245	8	Income tax payable	12,888	1	9,867	1
Others current assets	26,669	3	14,703	2	Other current liabilities	67,478	7	23,376	3
Total current assets	110,914	11	95,288	10		163,911	16	106,330	12
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Property and equipment	4,076	-	5,331	1	Guarantee deposits received	900	-	-	-
Refundable deposits	96,217	10	95,625	10	Accrued pension liability	27,860	3	18,091	2
Intangible assets	2,340	-	4,966	1	Total non-current liabilities	28,760	3	18,091	2
Other assets	794,340	79	720,373	78	Total liabilities	192,671	19	124,421	14
Total non-current assets	896,973	89	826,295	90	EQUITY				
					Appropriated working capital	500,000	50	500,000	54
					Retained earning	315,216	31	297,162	32
					Total equity	815,216	81	797,162	86
TOTAL ASSETS	$1,007,887	100	$ 921,583	100	TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$1,007,887	100	$ 921,583	100

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, 2015 AND 2014
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Years ended December 31,			
	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES				
Bills clearing and settlement	$ 654,068	98	$ 620,904	98
Others	14,709	2	14,705	2
Total operating revenues	668,777	100	635,609	100
OPERATING EXPENSES				
Personnel	(129,174)	(19)	(132,214)	(21)
General and administrative	(164,857)	(25)	(150,573)	(24)
Total operating expenses	(294,031)	(44)	(282,787)	(45)
OPERATING GAIN	374,746	56	352,822	55
NON-OPERATING INCOME AND EXPENSES				
Interest income	5,032	1	5,204	1
Other expenses	-	-	-	-
Total non-operating income and expenses	5,032	1	5,204	1
INCOME BEFORE INCOME TAX	379,778	57	358,026	56
INCOME TAX EXPENSE	(64,562)	(10)	(60,864)	(9)
NET INCOME	$ 315,216	47	$ 297,162	47

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates): Please refer to table 1.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 2.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: None.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: None.

(2) Information on investees

Names, locations and other information of investee companies: Please refer to table 3.

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:

Year ended December 31, 2015	Stock exchange	Stock custodian	Total
Revenue from external customers	$ 4,512,518	$ 3,104,784	$ 7,617,302
Inter-segment revenue	-	543,179	543,179
Total segment revenue	$ 4,512,518	$ 3,647,963	$ 8,160,481
Segment income before tax	$ 1,874,210	$ 1,959,066	$ 3,833,276

Year ended December 31, 2014	Stock exchange	Stock custodian	Total
Revenue from external customers	$ 4,401,748	$ 3,028,424	$ 7,430,172
Inter-segment revenue	-	558,902	558,902
Total segment revenue	$ 4,401,748	$ 3,587,326	$ 7,989,074
Segment income before tax	$ 2,046,519	$ 1,955,442	$ 4,001,961

(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, 2015 and 2014 is provided as follows:

Revenue	Years ended December 31, 2015	2014
Reportable segments revenue	$ 8,160,481	$ 7,989,074
Other segments revenue	274,412	245,843
Elimination of revenue among segments	(543,179)	(558,902)
Operating revenue	$ 7,891,714	$ 7,676,015

Profit (loss)	Years ended December 31, 2015	2014
Reportable segments profit and loss	$ 3,833,276	$ 4,001,961
Other segments profit and loss	24,719	43,567
Elimination of profit and loss among segments	(824,891)	(812,863)
Profit before tax and continued operation	$ 3,033,104	$ 3,232,665

(4) Information on product

The Company and its subsidiaries's product information agrees with operating revenue information in comprehensive statements of income. Details are provided in the comprehensive statements of income.

(5) Geographical information

The major location where services render by the Company and its subsidiaries is Taiwan.

(6) Major customer information

The Company and its subsidiaries has not major customer which is defined as sales of a single external customer exceeding 10% of the consolidated revenue.