

**TAIWAN STOCK EXCHANGE CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2017 AND 2016**

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

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Stock Exchange Corporation and its subsidiaries (the “Company and its subsidiaries”) as at December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants (please refer to *Other matter* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance 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.

Basis for opinion

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 (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company and its subsidiaries in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

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

Description

Refer to Note 4(8) for accounting policy on available-for-sale financial assets, Note 5 for accounting estimates and assumption uncertainty in relation to unlisted stocks without active market, and Note 6(3) for details of available-for-sale financial assets.

The Company and its subsidiaries invest in stocks in Taiwan Futures Exchange (TAIFEX) and Taipei Financial Center Corp. which are financial instruments without active market, thus, the Company and its subsidiaries obtain the fair value of financial instruments by valuation techniques, and valuation method by using cash dividend discount models and discounted cash flow method.

The fair value of abovementioned Taiwan Futures Exchange's and Taipei Financial Center Corp.'s stock is determined based on estimates involving many assumptions including compound growth rate of dividends, discount rate, discount on liquidity, etc., involves subjective judgement and high uncertainty which affect the measurement of fair value significantly. Thus, we consider the measurement of fair value of Taiwan Futures Exchange's and Taipei Financial Center Corp.'s stocks a key audit matter.

How our audit addressed the matter

Our audit procedures on the above key audit matter included assessing appropriateness of significant assumptions on compound growth rate of dividends, discount rate, discount on liquidity, etc. by:

1. Comparing compound growth rate of dividends with historical data.
2. For discount rate, checking cost assumptions on cash-generating units, and comparing with similar return on assets ratio in the market.
3. Assessing the reasonableness of discount on liquidity.
4. Checking the setting of valuation model parameters and calculation formula.
5. Evaluating management's sensitivity analysis of fair value measurement by using alternative assumptions under different prospective compound growth rate of dividends and different discount

rate, and confirming whether management has considered the probability of uncertainty in estimating fair value measurement.

Accuracy of operating revenue

Description

Refer to Note 4(23) for accounting policy on revenue recognition and Note 6(23) for details of “Trading fees”. Operating revenue for the year ended December 31, 2017 amounted to NT\$9,198,373 thousand.

The Company and its subsidiaries have variable categories in operating revenue, consisting of exchange fee revenue, securities listing fee revenue, securities settlement and account maintenance service fee revenue, securities recording service fees and payment transfer service fee revenue, etc. Each type of revenue is recognized based on the pricing method in accordance with regulations or contracts. As the operating revenue is significant, we consider the accuracy of operating revenue as a key audit matter.

How our audit addressed the matter

Our audit procedures on the above key audit matter included:

1. Understanding the Company and its subsidiaries’ operations and industry, evaluating the internal control flow of operating revenue, understanding the information environment used by management to calculate related revenue, and testing the effectiveness of internal controls.
2. Verifying the pricing method used by management to calculate each revenue and ascertaining whether it is in compliance with the related regulations or contracts.
3. Recalculating accuracy of amount for critical operating revenue classification.

Existence and classification of cash and cash equivalents

Description

Refer to Note 4(6) for accounting policy on cash equivalents and Notes 6(1)(9)(8) for details of “cash and cash equivalents”, “other current financial assets”, “settlement and clearing funds” and “compensation reserve fund”. Cash and cash equivalents amounted to NT\$20,105,876 thousand, other current financial assets amounted to NT\$18,301,155 thousand, settlement and clearing funds amounted to NT\$3,410,060 thousand and Default damages fund amounted to NT\$11,336,174 thousand as of December 31, 2017.

The Company and its subsidiaries’ cash in bank are deposited mostly in domestic banks, and recognized

as cash and cash equivalents or other current financial assets based on the term of deposit. In accordance with the “Securities and Exchange Act” and “Regulations Governing Securities Firms”, securities firms should appropriate certain amount for settlement and clearing funds in the Company and its subsidiaries. If securities firms default on Settlement Obligations, all price differences and expenses arising from aforementioned defaults will be credited against the settlement and clearing funds appropriated by each securities firm. In addition, the Company and its subsidiaries contribute to the default damages fund in accordance with Securities and Exchange Act and related regulations, which were all deposited to time deposit.

As the amounts of cash and cash equivalents, other current financial assets, settlement and clearing funds and compensation reserve fund are significant, we consider the existence and classification of cash and cash equivalents a key audit matter.

How our audit addressed the matter

Our audit procedures on the above key audit matter included:

1. Understanding the internal control workflow, and testing the effectiveness of material internal controls.
2. Sending out confirmations to financial institutions to confirm the existence, accuracy of financial assets, and verify rights and obligations of financial assets.
3. Checking whether cash in bank which has specific purposes or limitation has been transferred to proper account items.
4. Performing counts of time deposit and verifying details against accounting records.
5. Performing test of material cash collection transactions to confirm whether it was for operations purpose and determine whether there were any significant unusual transactions.

Other matter

We did not audit the financial statements of a wholly-owned consolidated subsidiary and investments accounted for under the equity method, which statements reflect total assets (including investments accounted for using equity method) of NT\$27,207,496 thousand and NT\$24,331,787, both constituting 28% of consolidated total assets as of December 31, 2017 and 2016, respectively, and operating income of NT\$4,224,520 and NT\$3,378,663 thousand, both constituting 46% of consolidated total operating income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

We have audited and expressed an unmodified opinion on the parent company only financial statements of Taiwan Stock Exchange Corporation as at and for the years ended December 31, 2017 and 2016.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company and its subsidiaries’ ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company and its subsidiaries’ financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain

professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and its subsidiaries' internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and its subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers, Taiwan

March 27, 2018

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

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Assets	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current Assets					
Cash and cash equivalents	6(1)	\$ 20,105,876	21	\$ 14,879,991	17
Financial assets at fair value through profit or loss - current	6(2)	2,201,103	2	2,105,236	2
Available-for-sale financial assets - current	6(3)	2,193,207	2	4,072,504	5
Held-to-maturity financial assets - current	6(4)	3,756,276	4	5,305,758	6
Accounts receivable, net	6(6) and 7	770,699	1	499,601	1
Other receivables		136,838	-	412,858	1
Other current financial assets	6(1)	18,301,155	19	12,396,083	14
Securities settlement debit	6(9)	13,698,091	14	11,493,736	13
Other current assets	6(7) and 8	1,296,037	1	659,462	1
Total Current Assets		<u>62,459,282</u>	<u>64</u>	<u>51,825,229</u>	<u>60</u>
Non-current Assets					
Available-for-sale financial assets - non-current	6(3)	5,097,636	5	4,768,784	5
Held-to-maturity financial assets - non-current	6(4)	12,460,683	13	12,983,404	15
Default damages fund	6(8)	11,336,174	12	11,103,029	13
Non-current financial assets at cost	6(5)	18,000	-	18,000	-
Investments accounted for using equity method	6(10)	58,393	-	57,664	-
Property and equipment	6(11)	3,786,648	4	4,216,819	5
Investment property, net	6(12)	451,480	-	333,187	-
Intangible assets	6(13)	603,842	1	624,275	1
Other non-current assets	6(14)	896,794	1	671,770	1
Total Non-current Assets		<u>34,709,650</u>	<u>36</u>	<u>34,776,932</u>	<u>40</u>
TOTAL ASSETS		<u>\$ 97,168,932</u>	<u>100</u>	<u>\$ 86,602,161</u>	<u>100</u>

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TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Liabilities and Equity	Notes	December 31, 2017		December 31, 2016	
		AMOUNT	%	AMOUNT	%
Current Liabilities					
Securities lending and borrowing collateral payable	6(15)	\$ 13,515,655	14	\$ 9,733,244	11
Accrued expenses		1,634,561	2	1,478,161	2
Current income tax liabilities		416,581	-	117,210	-
Securities settlement credit	6(9)	13,698,091	14	11,493,736	13
Other current liabilities	6(16)	2,820,526	3	1,717,262	2
Total Current Liabilities		<u>32,085,414</u>	<u>33</u>	<u>24,539,613</u>	<u>28</u>
Non-current Liabilities					
Deferred income tax liabilities	6(26)	78,606	-	76,279	-
Net defined benefit liabilities - non-current	6(17)	603,091	1	718,165	1
Guarantee deposits received		139,869	-	115,178	-
Total Non-current Liabilities		<u>821,566</u>	<u>1</u>	<u>909,622</u>	<u>1</u>
Total Liabilities		<u>32,906,980</u>	<u>34</u>	<u>25,449,235</u>	<u>29</u>
Equity Attributable to Owners of the Parent					
Share Capital					
Share capital - common stock	6(18)	6,938,692	7	6,769,456	8
Capital Surplus					
Capital surplus	6(19)	2,196	-	3,525	-
Retained Earnings					
Legal reserve	6(20)	5,195,112	5	5,079,925	6
Special reserve	6(20)	33,261,592	34	33,244,314	39
Unappropriated earnings	6(21)	3,050,933	3	1,151,870	1
Other Equity Interest					
Other equity interest	6(22)	3,557,991	4	3,721,509	4
Equity Attributable to Owners of the Parent					
		52,006,516	53	49,970,599	58
Non-controlling Interest					
		12,255,436	13	11,182,327	13
Total Equity		<u>64,261,952</u>	<u>66</u>	<u>61,152,926</u>	<u>71</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 97,168,932</u>	<u>100</u>	<u>\$ 86,602,161</u>	<u>100</u>

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

Items	Notes	Year ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(23) and 7				
Trading fees		\$ 2,667,914	29	\$ 1,937,003	26
Securities settlement service fees		1,150,728	13	944,898	13
Listing fees		1,135,442	12	1,047,745	14
Securities recording service fees		913,191	10	646,532	9
Transfer process service fees		460,980	5	411,625	6
Account maintenance service fees		388,320	4	366,237	5
Market data fees		349,876	4	349,444	5
Futures clearing service fees		321,864	3	219,345	3
Mutual fund service fees		207,942	2	176,624	2
Securities settlement service fees		189,290	2	135,591	2
Data processing fees		187,662	2	152,533	2
Others		1,225,164	14	1,030,317	13
Total Operating Revenue		<u>9,198,373</u>	<u>100</u>	<u>7,417,894</u>	<u>100</u>
Operating Expenses	6(24)				
Personnel		(2,749,096)	(30)	(2,603,565)	(35)
General and administrative	7	(3,193,343)	(35)	(3,163,303)	(43)
Total Operating Expenses		<u>(5,942,439)</u>	<u>(65)</u>	<u>(5,766,868)</u>	<u>(78)</u>
Operating Profit		<u>3,255,934</u>	<u>35</u>	<u>1,651,026</u>	<u>22</u>
Non-operating Income and Expenses					
Other income		317,102	4	238,590	3
Other expenses		(181,592)	(2)	(274,249)	(3)
Interest income		543,232	6	582,421	8
Gain on disposal of investments	6(3)	580,400	6	71,660	1
Finance costs	6(25)	(3,763)	-	(5,385)	-
Share of profit of associates accounted for using equity method	6(10)	14,861	-	14,416	-
Total Non-operating Income and Expenses		<u>1,270,240</u>	<u>14</u>	<u>627,453</u>	<u>9</u>
Profit before income tax		<u>4,526,174</u>	<u>49</u>	<u>2,278,479</u>	<u>31</u>
Income tax expense	6(26)	(663,424)	(7)	(384,516)	(5)
Profit for the year		<u>\$ 3,862,750</u>	<u>42</u>	<u>\$ 1,893,963</u>	<u>26</u>

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TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT FOR EARNINGS PER SHARE)

Items	Notes	Year ended December 31			
		2017		2016	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plan		\$ 186,188	2	(\$ 61,151)	(1)
Share of other comprehensive loss of associates accounted for using equity method	6(10)	(894)	-	(760)	-
Income tax related to components of other comprehensive (loss) income that will not be reclassified to profit or loss		(142)	-	310	-
Total other comprehensive income (loss) that will not be reclassified to profit or loss		<u>185,152</u>	<u>2</u>	<u>(61,601)</u>	<u>(1)</u>
Components of other comprehensive (loss) income that will be reclassified to profit or loss					
Unrealized (loss) gain on valuation of available-for-sale financial assets	6(3)	(53,538)	(1)	659,720	9
Total other comprehensive (loss) income that will be reclassified to profit or loss		<u>(53,538)</u>	<u>(1)</u>	<u>659,720</u>	<u>9</u>
Total comprehensive income for the year		<u>\$ 3,994,364</u>	<u>43</u>	<u>\$ 2,492,082</u>	<u>34</u>
Profit attributable to:					
Owners of the parent		\$ 2,854,246	31	\$ 1,193,373	16
Non-controlling interest		1,008,504	11	700,590	10
		<u>\$ 3,862,750</u>	<u>42</u>	<u>\$ 1,893,963</u>	<u>26</u>
Comprehensive income attributable to:					
Owners of the parent		\$ 2,883,429	31	\$ 1,711,290	23
Non-controlling interest		1,110,935	12	780,792	11
		<u>\$ 3,994,364</u>	<u>43</u>	<u>\$ 2,492,082</u>	<u>34</u>
Earnings per share (in dollars)					
Basic earnings per share	6(27)	<u>\$</u>	<u>4.11</u>	<u>\$</u>	<u>1.72</u>

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
 (EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	Equity attributable to owners of the parent								
		Share capital - common stock	Total capital surplus, additional paid-in capital	Retained Earnings			Unrealized gain or loss on available- for-sale financial assets	Total	Non-controlling interest	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings				
<u>2016</u>										
Balance at January 1, 2016		\$ 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
Appropriations of 2015 earnings:	6(21)									
Legal reserve		-	-	166,844	-	(166,844)	-	-	-	-
Special reserve		-	-	-	342,031	(342,031)	-	-	-	-
Cash dividends		-	-	-	-	(990,652)	-	(990,652)	-	(990,652)
Stock dividends		165,108	-	-	-	(165,108)	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired		-	437	-	-	-	-	437	-	437
Changes in ownership in subsidiaries		-	2,510	-	-	-	-	2,510	2,452	4,962
Changes in non-controlling interests		-	-	-	-	-	-	-	(159,976)	(159,976)
Net income for 2016		-	-	-	-	1,193,373	-	1,193,373	700,590	1,893,963
Other comprehensive income for 2016	6(22)	-	-	-	-	(45,309)	563,226	517,917	80,202	598,119
Balance at December 31, 2016		<u>\$ 6,769,456</u>	<u>\$ 3,525</u>	<u>\$ 5,079,925</u>	<u>\$ 33,244,314</u>	<u>\$ 1,151,870</u>	<u>\$ 3,721,509</u>	<u>\$ 49,970,599</u>	<u>\$ 11,182,327</u>	<u>\$ 61,152,926</u>
<u>2017</u>										
Balance at January 1, 2017		\$ 6,769,456	\$ 3,525	\$ 5,079,925	\$ 33,244,314	\$ 1,151,870	\$ 3,721,509	\$ 49,970,599	\$ 11,182,327	\$ 61,152,926
Appropriations of 2016 earnings:	6(21)									
Legal reserve		-	-	115,187	-	(115,187)	-	-	-	-
Special reserve		-	-	-	17,278	(17,278)	-	-	-	-
Cash dividends		-	-	-	-	(846,183)	-	(846,183)	-	(846,183)
Stock dividends		169,236	-	-	-	(169,236)	-	-	-	-
Changes in ownership in subsidiaries		-	(1,329)	-	-	-	-	(1,329)	(1,298)	(2,627)
Changes in non-controlling interests		-	-	-	-	-	-	-	(36,528)	(36,528)
Net income for 2017		-	-	-	-	2,854,246	-	2,854,246	1,008,504	3,862,750
Other comprehensive income for 2017	6(22)	-	-	-	-	192,701	(163,518)	29,183	102,431	131,614
Balance at December 31, 2017		<u>\$ 6,938,692</u>	<u>\$ 2,196</u>	<u>\$ 5,195,112</u>	<u>\$ 33,261,592</u>	<u>\$ 3,050,933</u>	<u>\$ 3,557,991</u>	<u>\$ 52,006,516</u>	<u>\$ 12,255,436</u>	<u>\$ 64,261,952</u>

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Notes	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 4,526,174	\$ 2,278,479
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		(543,232)	(582,421)
Dividend income		(193,686)	(181,729)
Finance costs	6(25)	3,763	5,385
Provision (reversal of provision) for bad debts		3,215	(7)
Amortization of discount or premium of debt investment		31,197	26,596
Depreciation (including investment property)	6(24)	558,850	591,335
Amortization expense	6(24)	195,039	228,433
Gain on financial assets at fair value through profit or loss		(28)	(178)
Gain on disposal of investments		(580,400)	(71,660)
(Gain) loss on disposal of property and equipment		(35,863)	3,351
Share of profit of associate accounted for using equity method		(1,623)	(1,948)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(95,839)	(46,911)
Accounts receivable		(274,313)	74,670
Other receivables		(7,483)	(19,081)
Other current assets		(636,575)	(402,867)
Default damages fund		(233,145)	(212,504)
Changes in operating liabilities			
Securities lending and borrowing collateral payable		3,782,411	834,918
Accrued expenses		158,642	11,210
Other current liabilities		1,103,264	576,384
Net defined benefit liabilities		70,972	67,994
Cash inflow generated from operations		7,831,340	3,179,449
Interest received		598,950	580,683
Interest paid		(3,855)	(5,897)
Income tax paid		(358,847)	(489,652)
Net cash flows from operating activities		<u>8,067,588</u>	<u>3,264,583</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Decrease in available-for-sale financial assets-net		2,077,307	1,689,843
Decrease (increase) in held-to-maturity financial assets-net		2,041,006	(1,008,458)
Increase in other current financial assets		(5,905,072)	(2,180,906)
Proceeds from disposal of subsidiaries		222,328	-
Acquisition of property and equipment	6(28)	(243,207)	(686,608)
Proceeds from disposal of property and equipment		47,788	4,377
Increase in intangible assets		(145,553)	(131,390)
Increase in prepayments for equipment		(255,207)	(106,449)
(Increase) decrease in refundable deposits		(5,232)	34,513
Increase in operating deposits		(8,900)	(20,000)
Increase in other non-current assets		-	(7,600)
Dividend received		193,686	181,729
Cash arising from consolidation		-	(181,446)
Net cash flows used in investing activities		<u>(1,981,056)</u>	<u>(2,412,395)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Cash dividends paid		(846,183)	(990,652)
Increase (decrease) in guarantee deposits received		24,691	(24,558)
Changes in non-controlling interests		(39,155)	(154,577)
Net cash flows used in financing activities		<u>(860,647)</u>	<u>(1,169,787)</u>
Net increase (decrease) in cash and cash equivalents		5,225,885	(317,599)
Cash and cash equivalents at beginning of year		14,879,991	15,197,590
Cash and cash equivalents at end of year		<u>\$ 20,105,876</u>	<u>\$ 14,879,991</u>

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(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 are providing location and facilities for trading and settlement of securities, and other services as approved by the Competent Authority.

On October 11, 2011, the Competent Authority authorized the Company to continue existing in its current corporate form for the next ten years until a change into a membership-type organization is approved.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 27, 2018.

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”)

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendments to IFRS 11, ‘Accounting for acquisition of interests in joint operations’	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Amendments to IAS 1, ‘Disclosure initiative’	January 1, 2016
Amendments to IAS 16 and IAS 38, ‘Clarification of acceptable methods of depreciation and amortisation’	January 1, 2016
Amendments to IAS 16 and IAS 41, ‘Agriculture: bearer plants’	January 1, 2016
Amendments to IAS 19, ‘Defined benefit plans: employee contributions’	July 1, 2014
Amendments to IAS 27, ‘Equity method in separate financial statements’	January 1, 2016
Amendments to IAS 36, ‘Recoverable amount disclosures for non-financial assets’	January 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 39, 'Novation of derivatives and continuation of hedge accounting'	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Annual improvements to IFRSs 2010-2012 cycle	July 1, 2014
Annual improvements to IFRSs 2011-2013 cycle	July 1, 2014
Annual improvements to IFRSs 2012-2014 cycle	January 1, 2016

The above standards and interpretations have no significant impact to the Company and its subsidiaries' financial condition and financial performance based on the Company and its subsidiaries' assessment.

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company and its subsidiaries' financial condition and financial performance based on the Company and its subsidiaries' assessment.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

When adopting the new standards endorsed by the FSC effective from 2018, the Company and its subsidiaries will apply the new rule under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standard as of January 1, 2018 are summarized below:

Consolidated balance sheets	2017 version	Effect of	2018 version	
Affected accounts	IFRSs amount	adoption of	IFRSs amount	Remark
<u>January 1, 2018</u>				
Financial assets at fair value through profit or loss	\$ 2,201,103	\$ 2,193,207	\$ 4,394,310	(2)
Available-for-sale financial assets	7,290,843	(7,290,843)	-	(1)(2)
Financial assets at fair value through other comprehensive income	-	5,110,508	5,110,508	(1)
Held-to-maturity financial assets	16,216,959	(16,216,959)	-	(3)
Financial assets at cost	18,000	(18,000)	-	(1)
Financial assets at amortised cost	-	16,209,613	16,209,613	(3)(4)
Total effect on assets	<u>\$ 25,726,905</u>	<u>(\$ 12,474)</u>	<u>\$ 25,714,431</u>	
Unappropriated earnings	\$ 3,050,933	\$ 552,222	\$ 3,603,155	(1)(2) (3)
Other equity interest	3,557,991	(559,778)	2,998,213	(1)(2)
Non-controlling interest	12,255,436	(4,918)	12,250,518	(1)(4)
Total effect on equity	<u>18,864,360</u>	<u>(12,474)</u>	<u>18,851,886</u>	
Total effect on liabilities and equity	<u>\$ 18,864,360</u>	<u>(\$ 12,474)</u>	<u>\$ 18,851,886</u>	

Explanation:

1. In accordance with IFRS 9, the Company and its subsidiaries expect to reclassify available-for-sale financial assets and financial assets at cost in the amount of \$5,097,636 and \$18,000, respectively, and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose, by increasing financial assets at fair value through other comprehensive income and unappropriated earnings in the amount of \$5,110,508 and \$416,876, respectively, decreasing other equity interest and non-controlling interest in the amount \$419,279 and \$2,725, respectively.
2. In accordance with IFRS 9, the Company and its subsidiaries expect to reclassify available-for-sale financial assets in the amount of \$2,193,207 by increasing financial assets at fair value through profit or loss and unappropriated earnings in the amount of \$2,193,207 and \$140,499, respectively, by decreasing other equity interest in the amount of \$140,499.
3. In accordance with IFRS 9, the Company and its subsidiaries expect to reclassify held-to-maturity financial assets in the amount of \$16,216,959 by increasing financial assets at amortized cost in the amount of \$16,216,959.
4. In line with the regulations under IFRS 9 on provision for impairment, financial assets at amortized cost will have to be reduced by \$7,346, and unappropriated earning and non-controlling interest decreased by \$5,153 and \$2,193, respectively.

(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 IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company and its subsidiaries' financial condition and financial performance result based on the Company and its subsidiaries' assessment. The quantitative impact will be disclosed when the

assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

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 consolidated financial statements. Subsidiaries are all entities controlled by the Company. The Company and its subsidiaries control 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 unrealized 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. For the years ended December 31, 2017 and 2016, the details of consolidated subsidiaries are as follows:

(a) Taiwan Depository & Clearing Corporation (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, 2017 and 2016 was 50.59%

(b) Taiwan – Ca Inc. (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. TWCA was 30.23% owned by the Company as of December 31, 2017 and 2016. Although the Company and its subsidiaries do 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 exercise significant control over TWCA.

(c) Global Link Securities Co., Ltd.

- i. Global Link Securities Co., Ltd. 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. TWCA was 100% owned by the Company. However, Global Link Securities Co., Ltd. was liquidated with the resolution of Board of Directors on October 26, 2016. The liquidation became effective on December 29, 2016.

(d) Taiwan Index Plus Corporation (TIP)

- i. TIP was established on January 20, 2016, with main operations in compilation, maintenance, calculation, dissemination and authorization of domestic and foreign index.
- ii. As of December 31, 2017, the Company's shareholding ratio was 100%.

(e) Fundrich Securities Co., Ltd.

- i. Fundrich Securities Co., Ltd. was established on December 18, 2015, and obtained license of securities brokerage business authorized by the Securities and Futures Bureau, Financial Supervisory Commission on January 27, 2016. Fundrich Securities Co., Ltd. is primarily engaged in sales of funds.
- ii. Through the subsidiary, TDCC, the Company's shareholding ratio as of December 31, 2017

and 2016 was 53.07% and 51.43%, respectively.

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

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

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

F. Subsidiaries that have non-controlling interests that are material to the Company and its subsidiaries: As of December 31, 2017 and 2016, the non-controlling interest amounted to \$12,255,436 and \$11,182,327, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2017		December 31, 2016	
		Amount	Ownership (%)	Amount	Ownership (%)
TDCC and its subsidiaries	Taiwan	\$ 12,097,389	49.41%	\$ 11,034,374	49.41%

Balance sheets

	TDCC and its subsidiaries	
	December 31, 2017	December 31, 2016
Current assets	\$ 12,490,795	\$ 10,646,268
Non-current assets	14,103,259	13,097,380
Current liabilities	(1,912,864)	(1,103,693)
Non-current liabilities	(531,497)	(449,125)
Total net assets	<u>\$ 24,149,693</u>	<u>\$ 22,190,830</u>

Statements of comprehensive income

	TDCC and its subsidiaries	
	For the years ended December 31,	
	2017	2016
Revenue	\$ 4,484,691	\$ 3,570,566
Profit before income tax	2,477,808	1,708,389
Income tax expense	(425,850)	(296,936)
Profit for the year	2,051,958	1,411,453
Other comprehensive income, net of tax	206,586	163,376
Total comprehensive income for the year	<u>\$ 2,258,544</u>	<u>\$ 1,574,829</u>
Dividends paid to non-controlling interest	<u>\$ 261,254</u>	<u>\$ 254,882</u>

Statements of cash flows

	TDCC and its subsidiaries	
	For the years ended December 31,	
	2017	2016
Net cash provided by operating activities	\$ 2,145,765	\$ 1,503,943
Net cash used in investing activities	(1,605,948)	(1,037,362)
Net cash used in financing activities	(279,393)	(357,141)
Increase in cash and cash equivalents	260,424	109,440
Cash and cash equivalents, beginning of year	2,762,652	2,653,212
Cash and cash equivalents, end of year	<u>\$ 3,023,076</u>	<u>\$ 2,762,652</u>

(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 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 recognized 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 realized, 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 realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following 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 include 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. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(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 recognized and derecognized using settlement date accounting.
- C. Financial assets at fair value through profit or loss are initially recognized 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 recognized 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 recognized and derecognized using settlement date accounting.
- C. Available-for-sale financial assets are initially recognized 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 recognized 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 have 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 recognized and derecognized using settlement date accounting.
- C. Held-to-maturity financial assets are initially recognized at fair value on the trade date plus transaction costs and subsequently measured at amortized cost using the effective interest method,

less provision for impairment. Amortization of a premium or a discount on such assets is recognized in profit or loss.

(10) Accounts receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized 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 amortized 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 recognized 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 recognized, the recognized impairment loss will reverse to be recognized in profit or loss by adjusting allowance account. However, the reversal shall not make the book value of the financial assets greater than the amortized 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 recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized 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 recognized in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized 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 derecognise a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Operating 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 incentives received from the lessor) are recognized 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 have 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 recognized at cost.

B. The Company and its subsidiaries share of its subsidiaries' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

(15) Property and equipment

A. Property and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Land is not depreciated and computer equipment is depreciated using the fixed percentage on declining balance 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. 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 amortized on a straight-line basis.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method. The amount recognized 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 assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized 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 amortized historical cost would have been if the impairment had not been recognized.

B. The recoverable amounts of goodwill that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized 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 derecognized 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 plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

B. Defined benefit plan

- (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 recognized 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 net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.
- (b) Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings
- (c) Past service costs are recognized immediately in profit or loss

(21) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized 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 recognized, 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 recognized amounts and there is an intention to settle on a net basis or realize 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 resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(23) Revenue recognition

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

(24) Operating segments

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Company and its subsidiaries 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:

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, 2017, the carrying amount of unlisted stocks was \$5,097,636.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Checking accounts and demand deposits	\$ 13,758,362	\$ 8,253,955
Cash equivalents		
Time deposits which expire within three months from initial date	2,799,934	2,339,003
Commercial papers	2,837,997	3,947,033
Repo bonds	709,583	340,000
	<u>\$ 20,105,876</u>	<u>\$ 14,879,991</u>

A. As of December 31, 2017 and 2016, the time deposits with maturity of more than three months from initial date were \$18,301,155 and \$12,396,083, respectively, and were shown as ‘other financial assets – current’.

B. The Company and its subsidiaries associate 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’ cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

<u>Items</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial assets held for trading		
Beneficiary certificates	<u>\$ 2,201,103</u>	<u>\$ 2,105,236</u>

A. For the years ended December 31, 2017 and 2016, the Company and its subsidiaries recognized net gain of \$4,975 and \$5,240 (shown as ‘other income’), respectively.

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

(3) Available-for-sale financial assets

Items	December 31, 2017	December 31, 2016
Current items:		
Beneficiary certificate	\$ 2,052,607	\$ 3,549,514
Valuation adjustment of available-for-sale financial assets	140,600	522,990
	\$ 2,193,207	\$ 4,072,504
Non-current items:		
Unlisted stocks	\$ 1,367,493	\$ 1,067,493
Valuation adjustment of available-for-sale financial assets	4,147,019	3,818,167
Accumulated impairment	(416,876)	(116,876)
	\$ 5,097,636	\$ 4,768,784

A. The Company and its subsidiaries recognized decrease of \$53,538 and increase of \$659,720 in other comprehensive income for fair value change and reclassified net gain of \$580,400 and \$71,660 from equity to profit or loss for the years ended December 31, 2017 and 2016, respectively.

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

(4) Held-to-maturity financial assets

Items	December 31, 2017	December 31, 2016
Current items:		
Financial bonds	\$ 3,454,864	\$ 4,854,841
Corporate bonds	301,412	450,917
	\$ 3,756,276	\$ 5,305,758
Non-current items:		
Financial bonds	\$ 11,451,559	\$ 11,715,197
Corporate bonds	505,161	759,705
Government bonds	503,963	508,502
	\$ 12,460,683	\$ 12,983,404

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

(5) Financial assets measured at cost

Items	December 31, 2017	December 31, 2016
Unlisted stocks	\$ 18,000	\$ 18,000

A. The aforementioned unlisted stocks held by the Company's subsidiaries, whose fair value cannot be reliably measured, are measured at amortized cost. The range of the estimated fair value was significant and cannot be reasonably evaluated. Therefore, the management of the Company's subsidiaries considered it cannot be evaluated reliably.

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

(6) Accounts receivable

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	\$ 773,939	\$ 501,184
Less: Allowance for bad debts	(3,240)	(1,583)
	<u>\$ 770,699</u>	<u>\$ 499,601</u>

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

(7) Other current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Payments under cross-border custody	\$ 532,296	\$ 146,787
Receipt and payment for bills and bonds on behalf of others	290,829	-
Receipt and payment for mutual funds on behalf of others	273,183	297,062
Others	199,729	215,613
	<u>\$ 1,296,037</u>	<u>\$ 659,462</u>

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 pertains to payments received and paid on behalf of others for custody of cross-border securities.

The Company's subsidiaries provide receipt and payment services for bills and bonds on behalf of others. The amount pertains to payments received and paid on behalf of others for redemption of bills and repayment of bonds.

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

(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 have 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 have 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. However, in accordance with the Competent Authority No. 0980026755 bulletin (June 2009) the Company and its subsidiaries have contributed 5% of trading fees to the DDF within 15 days after the end of every quarter since January 1, 2010.
- 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 recognized.
- 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 be recognized 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, 2017 and 2016, the balance of the SF was \$3,000,000.

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

	<u>For the years end</u>
	<u>2017</u>
Balance, beginning of year (Note)	\$ 8,103,029
Contributions	
Based on the amounts of trading fees	116,006
5% of securities settlements, securities recording and custodial service fees	111,131
3% of securities lending and borrowing service fees	<u>6,008</u>
	8,336,174
Settlement fund (SF)	<u>3,000,000</u>
Balance, end of year	<u>\$ 11,336,174</u>

Note: The beginning balance of SF was \$3,000,000 and the DDF was \$11,103,029 and \$10,890,525 as of January 1, 2017 and 2016, respectively.

I. As of December 31, 2017, 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, 2017 and 2016, the balances of the SSF were \$3,410,060 and \$3,374,881, 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, 2017, the Company had entered into a loan agreement with financial institutions in the amount of \$12,800,000 and

US\$10,000,000 and provided time deposit of \$2,000,000 to financial institutions as collateral for the need of Securities firms' application of the advance settlements for finalizing the funds to the Company and emergency revolving fund due to Securities firms violation of settlement obligation or natural disaster. As of December 31, 2017, 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) As 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, 2017 and 2016 is as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Securities settlement credit	\$ 13,698,091	\$ 11,493,736
Securities settlement debit	\$ 13,698,091	\$ 11,493,736

(10) Investments accounted for using the equity method

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Taiwan Ratings Co. (TRC)	\$ 58,393	\$ 57,664

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 summarized below:

	<u>Taiwan Ratings Co.</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Share of profit of associates accounted for using equity method	\$ 14,861	\$ 14,416
Share of other comprehensive loss of associates accounted for using equity method	(\$ 894)	(\$ 760)

The Company and its subsidiaries percentage of ownership of the abovementioned shares is 39% as of December 31, 2017 and 2016.

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

(11) Property and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Computer equipment</u>	<u>Other equipment</u>	<u>Rental assets</u>	<u>Total</u>
<u>Cost</u>						
At January 1, 2017 (including revaluation of \$81,622)	\$ 1,012,833	\$ 1,389,621	\$ 2,915,409	\$ 1,576,509	\$ 80,751	\$ 6,975,123
Additions	-	490	174,371	66,196	-	241,057
Disposals	(2,352)	-	(665,841)	(129,799)	-	(797,992)
Transfer	(71,593)	(122,116)	16,316	(184,824)	186,348	(175,869)
At December 31, 2017 (including revaluation of \$45,374)	<u>\$ 938,888</u>	<u>\$ 1,267,995</u>	<u>\$ 2,440,255</u>	<u>\$ 1,328,082</u>	<u>\$ 267,099</u>	<u>\$ 6,242,319</u>
<u>Accumulated depreciation</u>						
At January 1, 2017	\$ -	\$ 175,787	\$ 2,275,889	\$ 300,740	\$ 5,888	\$ 2,758,304
Depreciation	-	24,717	351,077	145,800	32,223	553,817
Disposals	-	-	(665,779)	(120,288)	-	(786,067)
Transfer	-	(70,383)	-	-	-	(70,383)
At December 31, 2017	<u>\$ -</u>	<u>\$ 130,121</u>	<u>\$ 1,961,187</u>	<u>\$ 326,252</u>	<u>\$ 38,111</u>	<u>\$ 2,455,671</u>
At January 1, 2017 net book amount	<u>\$ 1,012,833</u>	<u>\$ 1,213,834</u>	<u>\$ 639,520</u>	<u>\$ 1,275,769</u>	<u>\$ 74,863</u>	<u>\$ 4,216,819</u>
At December 31, 2017 net book amount	<u>\$ 938,888</u>	<u>\$ 1,137,874</u>	<u>\$ 479,068</u>	<u>\$ 1,001,830</u>	<u>\$ 228,988</u>	<u>\$ 3,786,648</u>

	<u>Land</u>	<u>Buildings</u>	<u>Computer equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Rental assets</u>	<u>Total</u>
<u>Cost</u>							
At January 1, 2016 (including revaluation of \$81,622)	\$1,063,850	\$ 438,742	\$2,902,609	\$ 470,175	\$1,861,764	\$ -	\$6,737,140
Additions	-	31,581	279,595	233,714	141,718	-	686,608
Disposals	-	-	(460,834)	(49,933)	-	-	(510,767)
Transfer	(51,017)	919,298	194,039	922,553	(2,003,482)	80,751	62,142
At December 31, 2016	<u>\$1,012,833</u>	<u>\$1,389,621</u>	<u>\$2,915,409</u>	<u>\$1,576,509</u>	<u>\$ -</u>	<u>\$ 80,751</u>	<u>\$6,975,123</u>
<u>Accumulated depreciation</u>							
At January 1, 2016	\$ -	\$ 172,912	\$2,298,021	\$ 218,666	\$ -	\$ -	\$2,689,599
Depreciation	-	18,195	437,537	125,962	-	5,888	587,582
Disposals	-	-	(459,669)	(43,888)	-	-	(503,557)
Transfer	-	(15,320)	-	-	-	-	(15,320)
At December 31, 2016	<u>\$ -</u>	<u>\$ 175,787</u>	<u>\$2,275,889</u>	<u>\$ 300,740</u>	<u>\$ -</u>	<u>\$ 5,888</u>	<u>\$2,758,304</u>
At January 1, 2016 net book amount	<u>\$1,063,850</u>	<u>\$ 265,830</u>	<u>\$ 604,588</u>	<u>\$ 251,509</u>	<u>\$1,861,764</u>	<u>\$ -</u>	<u>\$4,047,541</u>
At December 31, 2016 net book amount	<u>\$1,012,833</u>	<u>\$1,213,834</u>	<u>\$ 639,520</u>	<u>\$1,275,769</u>	<u>\$ -</u>	<u>\$ 74,863</u>	<u>\$4,216,819</u>

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

Buildings	55 years
Computer equipment	3 years ~ 5 years
Other equipment	3 years ~ 15 years

(12) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2017	\$ 177,156	\$ 230,816	\$ 407,972
Transfer in	71,593	122,116	193,709
At December 31, 2017	<u>\$ 248,749</u>	<u>\$ 352,932</u>	<u>\$ 601,681</u>
(including revaluation of \$36,248)			
<u>Accumulated depreciation</u>			
At January 1, 2017	\$ -	\$ 74,785	\$ 74,785
Depreciation	-	5,033	5,033
Transfer in	-	70,383	70,383
At December 31, 2017	<u>\$ -</u>	<u>\$ 150,201</u>	<u>\$ 150,201</u>
At January 1, 2017 net book amount	<u>\$ 177,156</u>	<u>\$ 156,031</u>	<u>\$ 333,187</u>
At December 31, 2017 net book amount	<u>\$ 248,749</u>	<u>\$ 202,731</u>	<u>\$ 451,480</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2016	\$ 126,139	\$ 199,233	\$ 325,372
Transfer in	51,017	31,583	82,600
At December 31, 2016	<u>\$ 177,156</u>	<u>\$ 230,816</u>	<u>\$ 407,972</u>
<u>Accumulated depreciation</u>			
At January 1, 2016	\$ -	\$ 55,712	\$ 55,712
Depreciation	-	3,753	3,753
Transfer in	-	15,320	15,320
At December 31, 2016	<u>\$ -</u>	<u>\$ 74,785</u>	<u>\$ 74,785</u>
At January 1, 2016 net book amount	<u>\$ 126,139</u>	<u>\$ 143,521</u>	<u>\$ 269,660</u>
At December 31, 2016 net book amount	<u>\$ 177,156</u>	<u>\$ 156,031</u>	<u>\$ 333,187</u>

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

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Rental income from investment property	<u>\$ 21,390</u>	<u>\$ 17,882</u>
Direct operating expenses arising from the investment property that generated rental income during the year	<u>\$ 2,676</u>	<u>\$ 3,753</u>

B. The fair value of the investment property held by the Company and its subsidiaries as of December 31, 2017 and 2016 was \$1,156,123 and \$754,177, 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 categorized within Level 3 in the fair 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

	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>				
At January 1, 2017	\$ 237,545	\$ 1,309,546	\$ 1,721	\$ 1,548,812
Additions	-	144,700	853	145,553
Disposals	-	(638,981)	-	(638,981)
Transfer from prepayments for business facilities	-	29,053	-	29,053
At December 31, 2017	<u>\$ 237,545</u>	<u>\$ 844,318</u>	<u>\$ 2,574</u>	<u>\$ 1,084,437</u>
<u>Accumulated amortization</u>				
At January 1, 2017	\$ -	\$ 924,053	\$ 484	\$ 924,537
Amortization	-	193,941	1,098	195,039
Disposals	-	(638,981)	-	(638,981)
At December 31, 2017	<u>\$ -</u>	<u>\$ 479,013</u>	<u>\$ 1,582</u>	<u>\$ 480,595</u>
At January 1, 2017 net book amount	<u>\$ 237,545</u>	<u>\$ 385,493</u>	<u>\$ 1,237</u>	<u>\$ 624,275</u>
At December 31, 2017 net book amount	<u>\$ 237,545</u>	<u>\$ 365,305</u>	<u>\$ 992</u>	<u>\$ 603,842</u>

<u>Cost</u>	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
At January 1, 2016	\$ 237,545	\$ 1,169,072	\$ -	\$ 1,406,617
Additions	-	129,669	1,721	131,390
Disposals	-	(88,614)	-	(88,614)
Transfer from prepayments for business facilities	-	99,419	-	99,419
At December 31, 2016	<u>\$ 237,545</u>	<u>\$ 1,309,546</u>	<u>\$ 1,721</u>	<u>\$ 1,548,812</u>
<u>Accumulated amortization</u>				
At January 1, 2016	\$ -	\$ 784,200	\$ -	\$ 784,200
Amortization	-	227,949	484	228,433
Disposals	-	(88,096)	-	(88,096)
At December 31, 2016	<u>\$ -</u>	<u>\$ 924,053</u>	<u>\$ 484</u>	<u>\$ 924,537</u>
At January 1, 2016 net book amount	<u>\$ 237,545</u>	<u>\$ 384,872</u>	<u>\$ -</u>	<u>\$ 622,417</u>
At December 31, 2016 net book amount	<u>\$ 237,545</u>	<u>\$ 385,493</u>	<u>\$ 1,237</u>	<u>\$ 624,275</u>

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

(14) Other non-current assets

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Operations guarantee deposits	\$ 417,400	\$ 408,500
Refundable deposits and other assets	236,304	228,494
Prepayments for equipment	243,090	34,776
	<u>\$ 896,794</u>	<u>\$ 671,770</u>

A. As at December 31, 2017 and 2016, the Company deposited time deposits and financial bonds amounting to \$347,400 and \$338,500, respectively, in the Central Bank of China as guaranty bond.

B. As of December 31, 2017 and 2016, Fundrich Securities Co., Ltd. deposited time deposits amounting to \$70,000 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, 2017 and 2016, the Company has received collaterals as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash (Note A)	\$ 13,515,655	\$ 9,733,244
Bank draft (Note B)	\$ 6,907,958	\$ 7,944,397
Securities (Note B and C)	\$ 42,211,620	\$ 35,614,198

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, 2017 and 2016.

(16) Other current liabilities

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Receipts under custody (Note A)	\$ 1,095,345	\$ 448,479
Security borrowing performance bond payable (Note B)	844,849	562,775
Advance receipts (Note C)	461,827	397,868
Temporary receipt at offering price	157,670	-
Deposits received for borrowing securities collateral	90,000	100,000
Others	170,835	208,140
	<u>\$ 2,820,526</u>	<u>\$ 1,717,262</u>

Note A: Receipt on behalf of others pertains to payments received and paid by the subsidiaries on behalf of others for purchasing or redeeming offshore and domestic mutual funds and for custody of cross-border securities starting from August 2006, July 2016 and November 2015 for such services, respectively.

Note B: Beginning on February 1, 2016, aiming to meet the demand of market participants and to facilitate market mobility, dealers are allowed to borrow securities from clients except for lending securities to clients. The dealers can also borrow securities from or lend securities to other dealers or securities financial institutes. Where the dealer borrows securities from its client, the dealer should distribute certain percentage of the total amount of borrowed securities on monthly basis as performance bond and such performance bond should be paid to the Company.

Note C: Advance receipts refer to prepaid (presold) warrant listing payment, system construction service fee received in advance, internet user authorization service fee received in advance and others.

(17) Pensions

A. Defined benefit plans

The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 4,758,257	\$ 4,731,560
Fair value of plan assets	(4,155,166)	(4,013,395)
Net defined benefit liability	<u>\$ 603,091</u>	<u>\$ 718,165</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	\$ 4,731,560	\$ 4,013,395	\$ 718,165
Current service cost	321,817	-	321,817
Interest (expense) income	<u>58,214</u>	<u>50,958</u>	<u>7,256</u>
	<u>5,111,591</u>	<u>4,064,353</u>	<u>1,047,238</u>
Remeasurements:			
Return on plan assets (Note)	-	(12,451)	12,451
Change in demographic assumptions	(320)	-	(320)
Change in financial assumptions	(120,993)	-	(120,993)
Experience adjustments	<u>(77,326)</u>	<u>-</u>	<u>(77,326)</u>
	<u>(198,639)</u>	<u>(12,451)</u>	<u>(186,188)</u>
Pension fund contribution	-	255,678	(255,678)
Paid pension	<u>(154,695)</u>	<u>(152,414)</u>	<u>(2,281)</u>
Balance at December 31	<u>\$ 4,758,257</u>	<u>\$ 4,155,166</u>	<u>\$ 603,091</u>

	Present value of defined <u>benefit obligations</u>	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	\$ 4,507,830	\$ 3,918,500	\$ 589,330
Current service cost	310,418	-	310,418
Past service cost	27,900	-	27,900
Interest (expense) income	<u>60,875</u>	<u>54,654</u>	<u>6,221</u>
	<u>4,907,023</u>	<u>3,973,154</u>	<u>933,869</u>
Remeasurements:			
Return on plan assets (Note)	-	(21,695)	21,695
Change in demographic assumptions	(834)	-	(834)
Change in financial assumptions	123,765	-	123,765
Experience adjustments	<u>(83,475)</u>	<u>-</u>	<u>(83,475)</u>
	<u>39,456</u>	<u>(21,695)</u>	<u>61,151</u>
Pension fund contribution	-	241,240	(241,240)
Paid pension	(190,320)	(182,605)	(7,715)
Settlement	(27,900)	-	(27,900)
Personnel consolidation effects	<u>3,301</u>	<u>3,301</u>	<u>-</u>
Balance at December 31	<u>\$ 4,731,560</u>	<u>\$ 4,013,395</u>	<u>\$ 718,165</u>

Note: Excluding amounts included in interest income or expense.

- (b) Based on the Company and its subsidiaries' 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 contribute 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 IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2017 and 2016 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

As of December 31, 2017 and 2016, the Company's and subsidiaries' Funds that were administered by employees' retirement fund committee were bank deposits.

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

	For the years ended December 31,	
	2017	2016
Discount rate	1%~1.625%	1.25%~1.38%
Future salary increases	2%~3%	2%~3.75%

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:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>	<u>Increase 0.25%</u>	<u>Decrease 0.25%</u>
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	<u>(\$ 107,433)</u>	<u>\$ 111,154</u>	<u>\$ 86,554</u>	<u>(\$ 81,168)</u>
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	<u>(\$ 113,966)</u>	<u>\$ 118,084</u>	<u>\$ 99,545</u>	<u>(\$ 94,786)</u>

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating 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 for the year ending December 31, 2018 are \$263,338.

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its subsidiaries have 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 contribute 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 the defined contribution pension plans of the Company and its subsidiaries for the years ended December 31, 2017 and 2016 were \$114,880 and \$101,878, respectively.

(18) Share capital

- A. In accordance with the resolution adopted at the stockholders’ meeting on June 22, 2016, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 16,511 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 15, 2017, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 16,924 thousand shares. The registration of this capital increase was approved by the Competent Authority.
- C. As of December 31, 2017, the Company’s authorized, issued and outstanding common stock consisted of 6,938,692 thousand shares at \$10 (in 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, capital 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. 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 2017 and 2016 were \$1.25 (in dollars) per share and \$1.5 (in dollars) per share, respectively, and the stock dividends for 2017 and 2016 were \$0.25 (in dollars) per share for both years.

(22) Other equity items

	<u>Unrealized profit/loss on available- for-sale financial assets</u>
January 1, 2017	\$ 3,721,509
Unrealized valuation profit/loss on available-for-sale financial assets	(163,518)
December 31, 2017	<u>\$ 3,557,991</u>
	<u>Unrealized profit/loss on available- for-sale financial assets</u>
January 1, 2016	\$ 3,158,283
Unrealized valuation profit/loss on available-for-sale financial assets	563,226
December 31, 2016	<u>\$ 3,721,509</u>

(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

	<u>Operating expenses</u>	
	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Employee benefit expense		
Salaries	\$ 2,274,921	\$ 2,129,984
Insurance	128,683	124,376
Pension	443,953	446,417
Others	33,468	27,069
Total	<u>\$ 2,881,025</u>	<u>\$ 2,727,846</u>
Depreciation	<u>\$ 558,850</u>	<u>\$ 591,335</u>
Amortization	<u>\$ 195,039</u>	<u>\$ 228,433</u>

A. According to the Articles of Incorporation of the Company, the Company should distribute 1~12% of annual profit as employees' compensation for each accounting year. However, the distribution shall be firstly reserved to offset accumulated deficit if there is any.

B. For the years ended December 31, 2017 and 2016, employees' compensation was accrued at \$126,468 and \$117,850, respectively. The aforementioned amounts were recognized in salary expenses. Employees' compensation of 2017 was accrued based on profit of current year distributable for the year ended December 31, 2017, and actual distribution amount of employees' compensation is resolved by the Board of Directors.

(25) Finance costs

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Interest expense		
-Securities lending and borrowing collateral	\$ 3,763	\$ 5,385

(26) Income tax

A. Income tax expense

(a) Components of income tax expense

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Current tax:		
Current tax on profits for the year	\$ 663,994	\$ 402,700
Tax on undistributed surplus earnings	70	-
Prior year income tax overestimation	(248)	(819)
Total current tax	<u>663,816</u>	<u>401,881</u>
Deferred tax:		
Origination and reversal of temporary differences	(392)	(17,365)
Income tax expense	<u>\$ 663,424</u>	<u>\$ 384,516</u>

(b) Details of income tax expense and accounting profit

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Tax calculated based on profit before tax and statutory tax rate	\$ 953,656	\$ 516,323
Tax on undistributed surplus earnings	70	-
Tax effect of permanent differences	(299,188)	(142,021)
Taxable loss not recognised	9,134	11,033
Prior year income tax overestimation	(248)	(819)
Tax expense	<u>\$ 663,424</u>	<u>\$ 384,516</u>

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

	For the year ended December 31, 2017		
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	\$ 1,656	\$ 52	\$ 1,708
Unused expenses of employee compensated absences	9,946	11,400	21,346
Unrealised exchange loss	19,922	(9,004)	10,918
Others	1,127	129	1,256
	<u>\$ 32,651</u>	<u>\$ 2,577</u>	<u>\$ 35,228</u>
-Deferred tax liabilities:			
Goodwill	\$ 31,680	\$ 2,327	\$ 34,007
Reserve for land value increment tax	44,599	-	44,599
	<u>\$ 76,279</u>	<u>\$ 2,327</u>	<u>\$ 78,606</u>

	For the year ended December 31, 2016		
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	\$ 1,604	\$ 52	\$ 1,656
Unused expenses of employee compensated absences	16,214	(6,268)	9,946
Unrealised exchange loss	-	19,922	19,922
Others	2,880	(1,753)	1,127
	<u>\$ 20,698</u>	<u>\$ 11,953</u>	<u>\$ 32,651</u>
-Deferred tax liabilities:			
Goodwill	\$ 29,351	\$ 2,329	\$ 31,680
Reserve for land value increment tax	44,599	-	44,599
Unrealised exchange gain	7,949	(7,949)	-
	<u>\$ 81,899</u>	<u>(\$ 5,620)</u>	<u>\$ 76,279</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Deductible temporary differences	\$ 503,607	\$ 440,285

D. The Company's income tax returns though 2014 have been assessed and approved by the Tax Authority.

E. As of December 31, 2017 and 2016, the unappropriated earnings generated in and after 1998.

F. With the abolishment of imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

G. As of December 31, 2016, the balance of the imputation tax credit account was \$172,500. The creditable tax rate was 20.48% for the year ended December 31, 2016.

(27) Earnings per share

	<u>For the year ended December 31, 2017</u>		
	<u>Amount after tax</u>	<u>Outstanding shares at the end of the year (in thousands)</u>	<u>Earnings per share (in dollars)</u>
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	\$ 2,854,246	693,869	\$ 4.11
	<u>For the year ended December 31, 2016</u>		
	<u>Amount after tax</u>	<u>Outstanding shares at the end of the year (in thousands)</u>	<u>Earnings per share (in dollars)</u>
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	\$ 1,193,373	693,869	\$ 1.72

(28) Non-cash transaction

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Purchase of property and equipment	\$ 241,057	\$ 686,608
Add: Opening balance of payable on property and equipment	2,150	2,150
Less: Ending balance of payable on property and equipment	-	(2,150)
Cash paid during the period	\$ 243,207	\$ 686,608

7. RELATED PARTY TRANSACTIONS

(1) Name of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Yuanta Securities Co., Ltd. (YUANTA)	Corporate Directors
Bank of Taiwan Co., Ltd.	//
Land Bank of Taiwan Co., Ltd.	//
Taiwan Sugar Corporation	//
Mega International Commercial Bank Co., Ltd.	//
CDIB Capital Group (Note A)	//
Taiwan Cement Corporation	//
Fubon Securities Co., Ltd.	//
SinoPac Securities Corporation	//
Taiwan Power Company (Note B)	//
YFY Inc. (Note B)	//
Taiwan Ratings Co., Ltd.	Associate
Taipei Financial Center Corporation (TFCC)	Other related party
Taiwan Futures Exchange Corporation (TAIFEX)	//
First Commercial Bank, Ltd.	//
JihSun Securities Co., Ltd.	//
Chang Hwa Commercial Bank Co., Ltd. (Note C)	//
Chiloo Industries, Inc. (Note C)	//
Taipei Exchange Corporation (TPEX)	//

Note A : China Development Industrial Bank has changed company name to CDIB Capital Group since April 2017.

Note B : As the term of the company as corporate director has expired, the company was not anymore a related party since July 2016.

Note C : As the term of the company as supervisor has expired, the company was not anymore a related party since July 2016.

Significant related party transactions

	For the years ended December 31,	
	2017	2016
A. Trading fees:		
Corporate Directors		
YUANTA	\$ 341,442	\$ 233,144
Others	343,106	288,312
Other related party	92,683	2,478
	<u>\$ 777,231</u>	<u>\$ 523,934</u>
B. Listing fees:		
Corporate Directors		
YUANTA	\$ 158,820	\$ 115,054
Others	121,866	120,816
Other related party	27,225	450
	<u>\$ 307,911</u>	<u>\$ 236,320</u>
C. Securities recording service fees:		
Corporate Directors		
YUANTA	\$ 120,502	\$ 80,166
Others	147,080	93,327
	<u>\$ 267,582</u>	<u>\$ 173,493</u>
D. Transfer process service fees:		
Corporate Directors	\$ 104,554	\$ 85,875
Other related party	2	7
	<u>\$ 104,556</u>	<u>\$ 85,882</u>
E. Future clearing fees:		
Other related parties		
TAIFEX	\$ 321,864	\$ 219,345
F. Securities settlement service fees:		
Other related parties		
TPEX	\$ 189,290	\$ 135,591
G. Data processing service fees:		
Other related parties		
TPEX	\$ 183,675	\$ 148,535

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
H. License fees:		
(recorded as operating revenue-others)		
Other related parties		
TAIFEX	\$ 249,329	\$ 187,420
Corporate Directors	1,530	-
	<u>\$ 250,859</u>	<u>\$ 187,420</u>
I. Rental and administrative expenses		
(recorded as general and administrative expenses):		
Other related parties		
TFCC	\$ 183,631	\$ 191,168
Corporate Directors	-	22,614
	<u>\$ 183,631</u>	<u>\$ 213,782</u>
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
J. Receivables from related parties:		
Other related parties		
TAIFEX	\$ 58,246	\$ 35,604
Others	37,546	17,338
Corporate Directors		
YUANTA	22,153	32,064
Others	31,438	31,042
	<u>\$ 149,383</u>	<u>\$ 116,048</u>

(2) Key management compensation

	<u>For the years ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Salaries and other short-term employee benefits	\$ 103,538	\$ 95,486
Pensions	9,554	9,189
	<u>\$ 113,092</u>	<u>\$ 104,675</u>

8. PLEDGED ASSETS

As of December 31, 2017 and 2016, 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 and its subsidiaries had applied for payment on behalf of others and applied for credit limit with banks.

Assets	Book value		Purpose
	December 31, 2017	December 31, 2016	
Other current liabilities			
-Other time deposit	\$ -	\$ 1,980	Performance bond

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As at December 31, 2017 and 2016, the Company and its subsidiaries leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Not later than one year	\$ 324,992	\$ 307,790
Later than one year but not later than five years	581,876	770,074
	<u>\$ 906,868</u>	<u>\$ 1,077,864</u>

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Computer equipment and other equipment	\$ 408,916	\$ 223,629

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company and its subsidiaries' 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 and its subsidiaries' 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) approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	December 31, 2017			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Held-to-maturity financial assets	<u>\$ 16,216,959</u>	<u>\$ -</u>	<u>\$ 16,337,939</u>	<u>\$ -</u>
		December 31, 2016		
	December 31, 2016			
	<u>Book value</u>	<u>Fair value</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Held-to-maturity financial assets	<u>\$ 18,289,162</u>	<u>\$ -</u>	<u>\$ 18,388,725</u>	<u>\$ -</u>

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' 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' 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' overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company and its subsidiaries' 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' Financial Department identifies and evaluates a variety of financial instruments, the procedure of the transaction, and transaction parties. Moreover, the Financial Department regularly proposes recommendations and reviews the business performance. The internal auditor is in charge of conducting the audit of the business function.

C. Significant financial risks and degrees of financial risks

(a) Market risk

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

Foreign exchange risk

Foreign exchange risk refers to impact from value changes to assets and liabilities denominated

in foreign currencies. The Company provides services for securities borrowing and lending transactions, and according to regulations, specific security borrowers can deposit cash denominated in United States Dollars, Japanese Yen and European Union as collateral. The Company and its subsidiaries had their own funds partly constituted by foreign currency assets.

December 31, 2017					
(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Book Value (NTD)	Sensitivity analysis	
	Amount (In thousands)			Degree of variation	Effect on profit or loss (NTD)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	66,519	29.76	\$ 1,979,605	1%	\$ 19,796
RMB:NTD	77,320	4.565	352,966	1%	3,530
JPY:NTD	14,247,603	0.2642	3,764,217	1%	37,642
EUR:NTD	190,182	35.57	6,764,774	1%	67,648
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	48,885	29.76	1,454,818	1%	14,548
JPY:NTD	14,247,586	0.2642	3,764,212	1%	37,642
EUR:NTD	190,181	35.57	6,764,738	1%	67,647
December 31, 2016					
(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Book Value (NTD)	Sensitivity analysis	
	Amount (In thousands)			Degree of variation	Effect on profit or loss (NTD)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	27,409	32.25	\$ 883,940	1%	\$ 8,839
RMB:NTD	415,230	4.641	1,927,082	1%	19,271
JPY:NTD	7,859,884	0.2756	2,166,184	1%	21,662
EUR:NTD	131,921	33.90	4,472,122	1%	44,721
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	12,652	32.25	408,027	1%	4,080
JPY:NTD	7,859,870	0.2756	2,166,180	1%	21,662
EUR:NTD	131,921	33.90	4,472,122	1%	44,721

The total exchange loss arising from significant foreign exchange variation on the monetary items held by the Company and its subsidiaries for the years ended December 31, 2017 and 2016 amounted to \$82,255 and \$163,785, respectively.

Interest rate risk

Interest rate risk 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, 2017 and 2016, the financial assets held-to-maturity that belongs to fixed-rate product was \$16,216,959 and \$18,289,162, 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 are 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, 2017 and 2016, profit/loss for the year would have increased/decreased by \$22,011 and \$21,052, respectively, due to changes in fair value of financial assets at fair value through profit or loss. For the years ended December 31, 2017 and 2016, other comprehensive income for the year would have increased/decreased by \$8,116 and \$10,600 due to changes in fair value of available-for-sale financial assets, respectively.

Price risk of other equity interest

The price risk of other equity interest of equity instruments is from investment in available-for-sale financial assets, including beneficiary certificates except for money market funds and unlisted stocks.

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' related regulations on capital usage, and the Company and its subsidiaries choose appropriate investment objects, sets maximum amount for prudent investment and related limitation, and prepare summary of investment gain/ loss and capital usage reports regularly. Equity investment has to be approved by the Company and its subsidiaries' Board of Directors before initialization.

Except for money market funds, sensitivity analysis of price risk of beneficiary certificates 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, 2017 and 2016, other comprehensive income for the year would have increased/decreased by \$13,816 and \$30,125 due to changes in fair value of available-for-sale financial assets. The Company's unlisted stocks are susceptible to market price risk arising from uncertainties about future values of the investment objectives. The fair value level of these unlisted stocks belong to level 3. The sensitivity analysis is provided in Notes 12(3)H and 12(3)I.

(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' accounts receivable are mostly security dealers, listed companies and other security related organizations with good credit quality; therefore, credit risk of accounts receivable is considered 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 estimate them to maintain the capability to pay. As of December 31, 2017 and 2016, accounts receivable that were neither past due nor impaired was \$757,947 and \$488,772, respectively.

- ii. Accounts receivable that were past due but not impaired

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Less than 6 months	\$ 12,752	\$ 9,414

- iii. Accounts receivable that were impaired

As of December 31, 2017 and 2016, the Company and its subsidiaries' accounts receivable that were impaired amounted to \$3,240 and \$1,583, respectively.

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

	<u>2017</u>	<u>2016</u>
At January 1	\$ 1,583	\$ 2,973
Provision (reversal) for bad debts	3,215 (7)
Write-offs	(1,558)	(1,383)
At December 31	<u>\$ 3,240</u>	<u>\$ 1,583</u>

Financial credit risk

The Company and its subsidiaries' 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 and its subsidiaries might cause the Company and its subsidiaries' losses. However, the Company and its subsidiaries control such risk by setting transaction ceiling and assessing their credit condition strictly. Thus, the Company and its subsidiaries expect no significant credit risk would arise.

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

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

The credit quality of financial assets owned by the Company and its subsidiaries is classified as Group 1.

(c)Liquidity risk

Liquidity risk refers to responsibilities that the Company and its subsidiaries are unable to repay financial debts with cash or other financial assets. The Company and its subsidiaries apply expected cash flow approach to manage liquidity risk, and ensure 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 categorized by the maturity date and amount undiscounted at maturity date is as follows:

	December 31, 2017				
	Less than 6 months	Between 6 months and 1 year		Over 1 year	Total
Securities lending and borrowing collateral payable	\$ 13,515,655	\$ -	\$ -	\$ -	\$ 13,515,655
Accrued expenses	1,547,537	87,024	-	-	1,634,561
Deposits received	-	-	139,869	-	139,869
	<u>\$ 15,063,192</u>	<u>\$ 87,024</u>	<u>\$ 139,869</u>	<u>\$ -</u>	<u>\$ 15,290,085</u>
	December 31, 2016				
	Less than 6 months	Between 6 months and 1 year		Over 1 year	Total
Securities lending and borrowing collateral payable	\$ 9,733,244	\$ -	\$ -	\$ -	\$ 9,733,244
Accrued expenses	1,332,705	145,456	-	-	1,478,161
Deposits received	-	-	115,178	-	115,178
	<u>\$ 11,065,949</u>	<u>\$ 145,456</u>	<u>\$ 115,178</u>	<u>\$ -</u>	<u>\$ 11,326,583</u>

(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, 2017 and 2016 is as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,201,103	\$ -	\$ -	\$ 2,201,103
Available-for-sale financial assets:				
Beneficiary certificates	2,193,207	-	-	2,193,207
Unlisted (OTC) stocks	-	-	5,097,636	5,097,636
	<u>\$ 4,394,310</u>	<u>\$ -</u>	<u>\$ 5,097,636</u>	<u>\$ 9,491,946</u>

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value				
through profit or loss				
Beneficiary certificates	\$ 2,105,236	\$ -	\$ -	\$ 2,105,236
Available-for-sale financial				
assets:				
Beneficiary certificates	4,072,504	-	-	4,072,504
Unlisted (OTC) stocks	-	-	4,768,784	4,768,784
	<u>\$ 6,177,740</u>	<u>\$ -</u>	<u>\$ 4,768,784</u>	<u>\$ 10,946,524</u>

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:

	<u>Closed-end fund</u>	<u>Open-end fund</u>
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, 2017 and 2016, there was no transfer between Level 1 and

Level 2.

F. For the years ended December 31, 2017 and 2016, there was no transfer into or out from Level 3.

G. Financial segment and commission appraisers are in charge of valuation procedures for fair value measurements being categorized 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, 2017	Valuation technique	Significant unobservable input		Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 2,843,673	Discounted cash dividend method	Dividend growth rate	1.5%	The higher the dividend growth rate, the higher the fair value.
	2,253,963	Discounted cash flow method	Discount rate	4.51%	The lower the discount rate, the higher the fair value.
	Fair value at December 31, 2016	Valuation technique	Significant unobservable input		Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 2,449,417	Discounted cash dividend method	Dividend growth rate	1%	The higher the dividend growth rate, the higher the fair value.
	2,319,367	Discounted cash flow method	Discount rate	5.68%	The lower the discount rate, the higher the fair value.

I. The Company and its subsidiaries have 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 different 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, 2017			
			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 growth rate	±1%	\$ -	\$ -	\$ 270,619	\$ 191,599
Equity instrument	Discount rate	±1%	\$ -	\$ -	\$ 629,735	\$ 472,091
			December 31, 2016			
			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 growth rate	±1%	\$ -	\$ -	\$ 162,899	\$ 124,013
Equity instrument	Discount rate	±1%	\$ -	\$ -	\$ 820,921	\$ 531,628

J. Changes belonging to level 3 financial instruments as of December 31, 2017 and 2016 are as follows:

	Available-for-sale financial assets
January 1, 2017	\$ 4,768,784
Gains recognised in other comprehensive income	328,852
December 31, 2017	\$ 5,097,636
	Available-for-sale financial assets
January 1, 2016	\$ 4,416,989
Gains recognised in other comprehensive income	351,795
December 31, 2016	\$ 4,768,784

(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

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

BALANCE SHEETS

DECEMBER 31, 2017 AND 2016

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

ASSETS	December 31, 2017		December 31, 2016		LIABILITIES AND STOCKHOLDER'S EQUITY	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 316,200	27	\$ 12,686	1	Accounts payable	\$ 6,604	1	\$ -	-
Accounts receivable	119,200	10	79,970	7	Accrued expenses	86,833	7	76,782	6
Other current assets	<u>31,570</u>	<u>3</u>	<u>37,503</u>	<u>3</u>	Income tax payable	46,596	4	20,024	2
Total current assets	<u>466,970</u>	<u>40</u>	<u>130,159</u>	<u>11</u>	Other current liabilities	<u>43,093</u>	<u>4</u>	<u>179,967</u>	<u>15</u>
						<u>183,126</u>	<u>16</u>	<u>276,773</u>	<u>23</u>
NON-CURRENT ASSETS					NON-CURRENT LIABILITIES				
Property and equipment	13,614	1	12,427	1	Guarantee deposits received	-	-	900	-
Refundable deposits	97,460	9	96,829	8	Accrued pension liability	<u>41,183</u>	<u>3</u>	<u>33,521</u>	<u>3</u>
Intangible assets	58,352	5	41,379	4	Total non-current liabilities	<u>41,183</u>	<u>3</u>	<u>34,421</u>	<u>3</u>
Other assets	<u>526,238</u>	<u>45</u>	<u>898,937</u>	<u>76</u>	Total liabilities	<u>224,309</u>	<u>19</u>	<u>311,194</u>	<u>26</u>
Total non-current assets	<u>695,664</u>	<u>60</u>	<u>1,049,572</u>	<u>89</u>	EQUITY				
					Appropriated working capital	500,000	43	500,000	43
					Retained earnings	<u>438,325</u>	<u>38</u>	<u>368,537</u>	<u>31</u>
					Total equity	<u>938,325</u>	<u>81</u>	<u>868,537</u>	<u>74</u>
					TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY				
TOTAL ASSETS	<u>\$ 1,162,634</u>	<u>100</u>	<u>\$ 1,179,731</u>	<u>100</u>		<u>\$ 1,162,634</u>	<u>100</u>	<u>\$ 1,179,731</u>	<u>100</u>

B. Statements of comprehensive income

TAIWAN DEPOSITORY & CLEARING CORPORATION -
DEPOSITORY AND CLEARING OF SHORT-TERM BILLS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	For the years ended December 31,			
	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUES				
Bills clearing and settlement	\$ 833,534	98	\$ 731,967	98
Others	13,606	2	14,715	2
Total operating revenues	<u>847,140</u>	<u>100</u>	<u>746,682</u>	<u>100</u>
OPERATING EXPENSES				
Personnel	(140,191)	(16)	(135,070)	(18)
General and administrative	(182,996)	(22)	(172,098)	(23)
Total operating expenses	<u>(323,187)</u>	<u>(38)</u>	<u>(307,168)</u>	<u>(41)</u>
OPERATING INCOME	<u>523,953</u>	<u>62</u>	<u>439,514</u>	<u>59</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,228	-	4,510	-
Other expenses	(79)	-	(4)	-
Total non-operating income and expenses	<u>4,149</u>	<u>-</u>	<u>4,506</u>	<u>-</u>
INCOME BEFORE INCOME TAX	528,102	62	444,020	59
INCOME TAX EXPENSE	<u>(89,777)</u>	<u>(11)</u>	<u>(75,483)</u>	<u>(10)</u>
NET INCOME	<u>\$ 438,325</u>	<u>51</u>	<u>\$ 368,537</u>	<u>49</u>

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 \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in

capital or more: None.

H. Receivables from related parties reaching \$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: Please refer to note 7 on the parent company only financial statement.

(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:

	For the year ended December 31, 2017		
	<u>Stock exchange</u>	<u>Stock custodian</u>	<u>Total</u>
Revenue from external customers	\$ 4,971,239	\$ 3,922,134	\$ 8,893,373
Inter-segment revenue	-	562,557	562,557
Total segment revenue	<u>\$ 4,971,239</u>	<u>\$ 4,484,691</u>	<u>\$ 9,455,930</u>
Segment income before tax	<u>\$ 3,081,018</u>	<u>\$ 2,477,808</u>	<u>\$ 5,558,826</u>

	For the year ended December 31, 2016		
	<u>Stock exchange</u>	<u>Stock custodian</u>	<u>Total</u>
Revenue from external customers	\$ 4,041,828	\$ 3,118,901	\$ 7,160,729
Inter-segment revenue	-	451,665	451,665
Total segment revenue	<u>\$ 4,041,828</u>	<u>\$ 3,570,566</u>	<u>\$ 7,612,394</u>
Segment income before tax	<u>\$ 1,270,218</u>	<u>\$ 1,708,389</u>	<u>\$ 2,978,607</u>

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

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

A reconciliation of reportable segment revenue and operating revenue and reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2017 and 2016 is provided as follows:

Revenue	For the years ended December 31,	
	2017	2016
Reportable segments revenue	\$ 9,455,930	\$ 7,612,394
Other segments revenue	305,000	257,165
Elimination of revenue among segments	(562,557)	(451,665)
Operating revenue	<u>\$ 9,198,373</u>	<u>\$ 7,417,894</u>
Profit (loss)	For the years ended December 31,	
	2017	2016
Reportable segments profit and loss	\$ 5,558,826	\$ 2,978,607
Other segments profit and loss	13,163	(43,053)
Elimination of profit and loss among segments	(1,045,815)	(657,075)
Profit before tax and continued operation	<u>\$ 4,526,174</u>	<u>\$ 2,278,479</u>

(4) Information on product

The Company and its subsidiaries' 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 are rendered by the Company and its subsidiaries is Taiwan.

(6) Major customer information

The Company and its subsidiaries have no customer with sales exceeding 10% of the consolidated revenue.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
 Holding of marketable securities at the end of the period (not including subsidiaries and associates)

December 31, 2017

Table 1

Expressed in thousands of NTD
 (Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017			Footnote
				Number of shares (in thousands)	Book value	Fair value	
	Beneficiary Certificates						
Taiwan Depository & Clearing Corporation	Mega Diamond Bond Fund	None	Financial instrument at fair value through profit or loss-current	40,111	\$ 500,012	\$ 500,012	None
"	FSITC Taiwan Money Market Fund	"	Financial instrument at fair value through profit or loss-current	32,880	500,010	500,010	"
"	Yuanta De-Li Money Market Fund	"	Financial instrument at fair value through profit or loss-current	15,425	250,006	250,006	"
"	Hua Nan Kirin Money Market Fund	"	Financial instrument at fair value through profit or loss-current	33,596	400,003	400,003	"
"	Capital Money Market Fund	"	Financial instrument at fair value through profit or loss-current	15,587	250,006	250,006	"
"	Franklin Templeton Sinoam Money Market Fund	"	Financial instrument at fair value through profit or loss-current	24,336	250,008	250,008	"
Fundrich Securities Co., Ltd.	Franklin Templeton Sinoam Money Market Fund	"	Financial instrument at fair value through profit or loss-current	1,607	20,031	20,031	"
Taiwan-Ca Inc.	Capital Money Market Fund	"	Financial instrument at fair value through profit or loss-current	1,123	18,019	18,019	"
"	UPAMC James Bond Fund	"	Financial instrument at fair value through profit or loss-current	783	13,008	13,008	"
			Total financial instrument at fair value through profit or loss-current		\$ 2,201,103	\$ 2,201,103	
	Beneficiary Certificates						
Taiwan Stock Exchange Corporation	Sinopac TWD Money Market Fund	None	Available-for-sale financial assets - current	58,619	\$ 811,614	\$ 811,614	None
"	Fubon Taiwan Strategy 1 ETF Private Equity Fund	"	Available-for-sale financial assets - current	3,209	50,000	50,000	"
"	SinoPac Strategies Fund No.1	"	Available-for-sale financial assets - current	46,989	588,297	588,297	"
"	Fubon Taiwan Strategy 2 ETF Private Equity Fund	"	Available-for-sale financial assets - current	9,925	150,357	150,357	"
"	Cathay Non-Finance Non-Electronics Sub-index Fund	"	Available-for-sale financial assets - current	25,000	286,500	286,500	"
"	Fubon TWSE Corporate Governance 100 ETF	"	Available-for-sale financial assets - current	559	11,650	11,650	"
"	Yuanta/P-shares Taiwan Top 50 ETF	"	Available-for-sale financial assets - current	2,457	201,842	201,842	"
"	Sinopac TAIEX ETF	"	Available-for-sale financial assets - current	644	34,100	34,100	"
"	Mega Taiwan Blue Chip 30 ETF	"	Available-for-sale financial assets - current	1,356	28,734	28,734	"
Taiwan Depository & Clearing Corporation	Yuanta/P-shares Taiwan Top 50 ETF	"	Available-for-sale financial assets - current	285	23,413	23,413	"
"	Yuanta/P-shares Taiwan Dividend Plus ETF	"	Available-for-sale financial assets - current	268	6,700	6,700	"
			Total available-for-sale financial assets - current		\$ 2,193,207	\$ 2,193,207	
	Stock						
Taiwan Stock Exchange Corporation	Taiwan Futures Exchange Corporation	None	Available-for-sale financial assets - non-current	15,759	\$ 1,241,969	\$ 1,241,969	None
"	Taipei Financial Center Corporation	"	Available-for-sale financial assets - non-current	83,853	2,253,963	2,253,963	"

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017			Footnote
				Number of shares (in thousands)	Book value	Fair value	
	Stock						
Taiwan Depository & Clearing Corporation	Taiwan Futures Exchange Corporation	None	Available-for-sale financial assets - non-current	20,324	\$ 1,601,704	\$ 1,601,704	None
			Total available-for-sale financial assets - non-current		\$ 5,097,636	\$ 5,097,636	
	Financial bonds						
Taiwan Stock Exchange Corporation	Yuanta Subordinated Bank Debentures 100-1	None	Held-to-maturity financial assets - current	-	\$ 200,000	\$ 201,075	None
"	Yuanta Subordinated Bank Debentures 100-2	"	Held-to-maturity financial assets - current	-	150,000	151,128	"
"	Taipei Fubon Subordinated Debentures 100-2	"	Held-to-maturity financial assets - current	-	200,000	201,268	"
"	Taipei Fubon Subordinated Debentures 100-3	"	Held-to-maturity financial assets - current	-	302,372	302,645	"
"	Bank SinoPac 100-1 Subordinate Financial Bond G11087	"	Held-to-maturity financial assets - current	-	200,000	200,490	"
"	Bank SinoPac 100-2 Subordinate Financial Bond	"	Held-to-maturity financial assets - current	-	150,000	151,138	"
"	Bank SinoPac 100-3 Subordinate Financial Bond	"	Held-to-maturity financial assets - current	-	199,999	201,797	"
"	E. Sun Bank 100-1 Subordinate Classes Financial Bond	"	Held-to-maturity financial assets - current	-	100,000	100,436	"
"	E. Sun Bank 100-2 Subordinate Classes Financial Bond G102AF	"	Held-to-maturity financial assets - current	-	100,000	100,899	"
"	Tcb-Bank 100-2 Subordinate Financial Debentures-B (G12420)	"	Held-to-maturity financial assets - current	-	100,000	100,593	"
Taiwan Depository & Clearing Corporation	100 Taipei Fubon Bank 3	"	Held-to-maturity financial assets - current	-	200,000	201,594	"
"	100 Land Bank of Taiwan 2	"	Held-to-maturity financial assets - current	-	200,000	201,588	"
"	Chinatrust Commercial Bank 1st Unsecured Subordinate Financial Debentures- A Issue in 2011	"	Held-to-maturity financial assets - current	-	401,366	401,658	"
"	Cathay United Bank 1st Subordinate Financial Debentures -A Issue in 2012	"	Held-to-maturity financial assets - current	-	200,133	201,435	"
"	MEGA Bank 1st Subordinated Financial Debentures Issue in 2011	"	Held-to-maturity financial assets - current	-	200,110	200,491	"
"	Taiwan Cooperative Bank 100 1B	"	Held-to-maturity financial assets - current	-	200,076	200,201	"
"	MEGA Bank 2nd Subordinated Financial Debentures Issue in 2011	"	Held-to-maturity financial assets - current	-	200,297	201,470	"
"	Taiwan Cooperative Bank 2Nd Unsecured Subordinate Financial Debentures-B Issue in 2011	"	Held-to-maturity financial assets - current	-	50,100	50,177	"
"	Sinopac Bank 2nd Unsecured Subordinate Financial Debentures-A Issue in 2011	"	Held-to-maturity financial assets - current	-	100,411	100,410	"
					3,454,864	3,470,493	
	Corporate bonds						
Taiwan Stock Exchange Corporation	CPC Corporation, Taiwan 97-1 Unsecured C (97 CPC Corporation 1C)	None	Held-to-maturity financial assets - current	-	51,058	50,986	None
Taiwan Depository & Clearing Corporation	Taipower 100 1A Corporate Bond	"	Held-to-maturity financial assets - current	-	100,084	100,320	"
"	CPC Corporation, Taiwan 102 1st class 2A bond	"	Held-to-maturity financial assets - current	-	50,028	50,421	"
"	CPC Corporation 1st secured corporate Bonds-B Issue in 2011	"	Held-to-maturity financial assets - current	-	100,242	100,764	"
					301,412	302,491	
			Total held-to-maturity financial assets - current		\$ 3,756,276	\$ 3,772,984	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017			Footnote
				Number of shares (in thousands)	Book value	Fair value	
	Financial bonds						
Taiwan Stock Exchange Corporation	Land Bank 101-3 Subordinate Classes Financial Bond (G12717)	None	Held-to-maturity financial assets - non-current	-	\$ 200,000	\$ 202,246	None
"	Land Bank 4th Financial Bond-Tranche B Issue in 2012 (G12719)	"	Held-to-maturity financial assets - non-current	-	203,626	204,910	"
"	CTBC Bank 3rd Unsecured Subordinate Financial Debentures-Tranche A Issue in 2015	"	Held-to-maturity financial assets - non-current	-	200,000	207,578	"
"	Taipei Fubon Subordinated Bank Bond 102-1	"	Held-to-maturity financial assets - non-current	-	200,000	203,291	"
"	Taishin International Bank 3rd Financial Bond-Tranche A Issue in 2015 (G19983)	"	Held-to-maturity financial assets - non-current	-	105,400	105,404	"
"	SinoPac Bank 103-2 Subordinate Financial Debentures (G11096)	"	Held-to-maturity financial assets - non-current	-	101,082	101,296	"
"	SinoPac Bank 101-1 Subordinate Financial Debentures-B	"	Held-to-maturity financial assets - non-current	-	200,892	204,832	"
"	SinoPac Bank 101-1 Subordinate Financial Debentures-A	"	Held-to-maturity financial assets - non-current	-	200,000	202,249	"
"	E. Sun Bank 101-1 Subordinate Classes Financial Bond	"	Held-to-maturity financial assets - non-current	-	202,169	202,144	"
"	Mega International 103-1 Financial bonds G11836	"	Held-to-maturity financial assets - non-current	-	304,785	307,370	"
"	Tcb-Bank 102-1 Subordinate Financial Debentures-B (G12425)	"	Held-to-maturity financial assets - non-current	-	200,000	202,476	"
"	Cathay Bank 102-1 Financial bonds (G179C1)	"	Held-to-maturity financial assets - non-current	-	307,062	309,649	"
"	Hua Nan Bank 99-1 Subordinate Classes Financial Bond (G189AB)	"	Held-to-maturity financial assets - non-current	-	500,000	511,293	"
"	Shin Kong 101-1 Financial bonds-B (G11649)	"	Held-to-maturity financial assets - non-current	-	202,651	205,213	"
"	Taiwan Agribank 101-1 Subordinate Classes Financial Bond (G13103)	"	Held-to-maturity financial assets - non-current	-	100,000	101,272	"
"	Taiwan Agribank 101-1 Subordinate Classes Financial Bond-B (G13104)	"	Held-to-maturity financial assets - non-current	-	100,000	102,765	"
"	Taipei Agribank 101-1 Financial Bond-B (G13104-1)	"	Held-to-maturity financial assets - non-current	-	202,604	205,530	"
"	Deutsche Bank Aktiengesellschaft Acting Through Its Singapore Branch as Issuer	"	Held-to-maturity financial assets - non-current	-	182,600	179,530	"
Taiwan Depository & Clearing Corporation	101 Taipei Fubon Bank 1	"	Held-to-maturity financial assets - non-current	-	200,000	199,996	"
"	Cathay United Bank 1st Subordinate Financial Debentures -A Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	199,995	"
"	Land Bank of Taiwan 2nd Subordinate Financial Debentures Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	200,280	"
"	101 First Bank 1	"	Held-to-maturity financial assets - non-current	-	200,000	200,372	"
"	Hua Nan Commercial Bank the First Subordinate Financial Debentures Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	201,804	"
"	The Shanghai Commercial & Savings Bank Ltd 1st Unsecured Subordinate Financial Debentures-Issue in 2012	"	Held-to-maturity financial assets - non-current	-	50,049	50,020	"
"	The Shanghai Commercial & Savings Bank Ltd 4th Unsecured Subordinate Financial Debentures A Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	201,749	"
"	101 Land Bank of Taiwan 1	"	Held-to-maturity financial assets - non-current	-	100,225	100,188	"
"	Shanghai Commercial 101-2 Subordinate Classes Financial Bond	"	Held-to-maturity financial assets - non-current	-	400,874	403,804	"
"	102 Taipei Fubon Bank 1A	"	Held-to-maturity financial assets - non-current	-	200,000	199,994	"

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017			Footnote
				Number of shares (in thousands)	Book value	Fair value	
	Financial bonds						
Taiwan Depository & Clearing Corporation	Taiwan Cooperative Bank 102 1B	None	Held-to-maturity financial assets - non-current	-	\$ 49,748	\$ 49,887	None
"	Taiwan Cooperative Bank 102 2A	"	Held-to-maturity financial assets - non-current	-	200,000	200,000	"
"	102 Land Bank of Taiwan 1	"	Held-to-maturity financial assets - non-current	-	200,000	200,000	"
"	Taiwan Business Bank 1st Unsecured Subordinate Financial Debentures - Issue in 2013	"	Held-to-maturity financial assets - non-current	-	301,201	305,823	"
"	Bank SinoPac 2nd Unsecured Subordinate Financial Debentures Issue in 2014	"	Held-to-maturity financial assets - non-current	-	302,597	303,775	"
"	101 E.Sun Bank 2	"	Held-to-maturity financial assets - non-current	-	202,440	202,427	"
"	102 Cathay United Bank 1B	"	Held-to-maturity financial assets - non-current	-	203,150	202,306	"
"	101 Taiwan Cooperative Bank 2B	"	Held-to-maturity financial assets - non-current	-	202,646	203,355	"
"	103 MEGA Bank 2	"	Held-to-maturity financial assets - non-current	-	202,773	203,323	"
"	103 MEGA Bank 1	"	Held-to-maturity financial assets - non-current	-	203,222	204,057	"
"	101 Cathay United Bank 2	"	Held-to-maturity financial assets - non-current	-	204,093	204,050	"
"	105 Taiwan Cooperative Bank 1A	"	Held-to-maturity financial assets - non-current	-	200,000	199,998	"
"	105 Chang Hwa Commercial Bank 1A	"	Held-to-maturity financial assets - non-current	-	497,357	496,958	"
"	101 Land Bank of Taiwan 4B	"	Held-to-maturity financial assets - non-current	-	405,785	401,912	"
"	101 Shanghai Commercial Bank 3B	"	Held-to-maturity financial assets - non-current	-	204,602	203,768	"
"	105 Taiwan Business Bank 2	"	Held-to-maturity financial assets - non-current	-	200,000	199,734	"
"	106 Shanghai Commercial Bank 1	"	Held-to-maturity financial assets - non-current	-	200,000	199,994	"
"	Bank Sinopac 1nd Unsecured Subordinate Financial Debentures-B Issue in 2012	"	Held-to-maturity financial assets - non-current	-	201,804	200,889	"
"	Bank Sinopac 1st Unsecured Subordinate Financial Debenture Issue in 2014	"	Held-to-maturity financial assets - non-current	-	100,899	101,549	"
"	106 Taiwan Business Bank 1	"	Held-to-maturity financial assets - non-current	-	200,000	199,996	"
"	106 Chang Hwa Commercial Bank 1A	"	Held-to-maturity financial assets - non-current	-	200,000	199,996	"
"	First Commercial Bank 1st Issue B Tranche Subordinate Financial Debentures Issue in 2012	"	Held-to-maturity financial assets - non-current	-	202,182	202,185	"
"	106 Cathay United Bank 2A	"	Held-to-maturity financial assets - non-current	-	200,000	199,995	"
"	104 Shanghai Commercial Bank 1	"	Held-to-maturity financial assets - non-current	-	103,041	103,044	"
"	106 Shanghai Commercial Bank 2	"	Held-to-maturity financial assets - non-current	-	200,000	199,999	"
"	106 Taipei Fubon Bank 3	"	Held-to-maturity financial assets - non-current	-	200,000	199,997	"
"	106 Taiwan Cooperative Bank 1A	"	Held-to-maturity financial assets - non-current	-	200,000	199,997	"
					<u>11,451,559</u>	<u>11,506,264</u>	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2017			Footnote
				Number of shares (in thousands)	Book value	Fair value	
	Corporate bonds						
Taiwan Stock Exchange Corporation	CPC Corporation 101-2 Secured C (B71872)	None	Held-to-maturity financial assets - non-current	-	\$ 101,259	\$ 102,302	None
"	Taiwan Power Company 4th Unsecured Corporate Bond-B Issue in 2011 (B903UK)	"	Held-to-maturity financial assets - non-current	-	102,777	103,052	"
"	Taiwan Power Company 5th Unsecured Corporate Bond-B Issue in 2012 (B903V3)	"	Held-to-maturity financial assets - non-current	-	101,125	102,430	"
Taiwan Depository & Clearing Corporation	Taipower 106 1A Corporate Bond	"	Held-to-maturity financial assets - non-current	-	200,000	201,891	"
					<u>505,161</u>	<u>509,675</u>	
	Government bonds						
Taiwan Stock Exchange Corporation	Taiwan Government Bond A097105	None	Held-to-maturity financial assets - non-current	-	53,575	58,137	None
Taiwan Depository & Clearing Corporation	92 Jia 3 Bond	"	Held-to-maturity financial assets - non-current	-	243,207	272,498	"
"	88 Yi 1 Bond	"	Held-to-maturity financial assets - non-current	-	102,217	106,792	"
"	90 Jia 7 Bond	"	Held-to-maturity financial assets - non-current	-	104,964	111,589	"
					<u>503,963</u>	<u>549,016</u>	
			Total held-to-maturity financial assets - non-current		<u>\$ 12,460,683</u>	<u>\$ 12,564,955</u>	
	Stock						
Taiwan Depository & Clearing Corporation	Taiwan Mobile Payment Co., Ltd.	None	Financial assets at cost - non-current	1,200	\$ 12,000	\$ 12,000	None
Taiwan-Ca Inc.	Taiwan Mobile Payment Co., Ltd.	"	Financial assets at cost - non-current	600	6,000	6,000	"
			Total financial assets at cost - non-current		<u>\$ 18,000</u>	<u>\$ 18,000</u>	

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2017

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2017		Addition		Disposal			Balance as at December 31, 2017		Note	
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)		Amount
Taiwan Stock Exchange Corporation	Fubon Taiwan Strategy 1 ETF Private Equity Fund	Available-for-sale financial assets - current			48,454	\$ 537,620	3,209	\$ 50,000	(48,454)	\$ 749,576	\$ (537,620)	\$ 211,956	3,209	\$ 50,000	Note
"	Fubon Taiwan Strategy 2 ETF Private Equity Fund	Available-for-sale financial assets - current			35,617	450,000	13,301	200,000	(38,993)	577,482	(500,000)	77,482	9,925	150,357	Note
"	Yuanta/P-shares Taiwan Top 50 ETF	Available-for-sale financial assets - current			1,899	129,895	3,889	304,647	(3,331)	262,858	(235,654)	27,204	2,457	201,842	Note
"	Taipei Fubon Subordinated Bank Debentures 100-3 (G107B6)	Held-to-maturity financial assets - current			-	-	-	303,299	-	-	-	-	-	302,372	Note
Taiwan Depository & Clearing Corporation	Mega Diamond Bond Fund	Financial instrument at fair value through profit or loss-current			37,848	470,008	351,869	4,379,975	(349,606)	4,351,127	(4,349,976)	1,151	40,111	500,012	Note
"	FSITC Taiwan Money Market Fund	Financial instrument at fair value through profit or loss-current			33,009	500,010	394,274	5,984,481	(394,403)	5,986,135	(5,984,481)	1,654	32,880	500,010	Note
"	Franklin Templeton Sinoam Money Market Fund	Financial instrument at fair value through profit or loss-current			19,545	200,004	307,119	3,148,980	(302,328)	3,099,849	(3,098,980)	869	24,336	250,007	Note
"	Hua Nan Kirin Money Market Fund	Financial instrument at fair value through profit or loss-current			42,141	500,009	206,289	2,451,500	(214,834)	2,551,935	(2,551,500)	435	33,596	400,004	Note
"	Yuanta De- Bao Money Market Fund	Financial instrument at fair value through profit or loss-current			20,994	250,004	-	500,000	(20,994)	750,192	(750,000)	192	-	-	Note
"	Sinopac TWD Money Market Fund	Financial instrument at fair value through profit or loss-current			4,567	63,005	53,394	737,000	(57,961)	800,167	(800,000)	167	-	-	Note
"		Financial instrument at fair value through profit or loss-current			-	-	66,543	1,066,967	(50,956)	817,088	(816,967)	121	15,587	250,006	Note
"	Yuanta De-Li Money Market Fund	Financial instrument at fair value through profit or loss-current			-	-	31,782	514,998	(16,357)	265,099	(264,998)	101	15,425	250,006	Note

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES

Information on investees

Year ended December 31, 2017

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2017			Book value	Net profit (loss) of the investee for the year ended December 31, 2017	Investment income (loss) recognised by the Company for the year ended December 31, 2017	Footnote
				Balance as at December 31, 2017	Balance as at December 31, 2016	Number of shares (in thousands)	Ownership (%)					
Taiwan Stock Exchange Corporation	Taiwan Depository & Clearing Corporation (TDCC)	11F, No. 363, Fusing N. Rd., Taipei City	Custodian of securities and other services	\$ 583,107	\$ 583,107	182,796	50.59%	\$ 12,052,304	\$ 2,095,603	\$ 1,060,171	-	
"	Taiwan-Ca Inc. (TWCA)	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	87,720	87,720	7,203	30.23%	95,401	32,342	9,777	-	
"	Taiwan Index Plus Corporation	11F.-1, No.36, Songren Rd., Taipei City	Index compilation, maintenance and dissemination	150,000	150,000	15,000	100.00%	158,347	7,769	7,769	-	
"	Taiwan Ratings Corporation	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	15,045	15,045	1,399	19.99%	29,937	38,113	7,619	-	
Taiwan Depository & Clearing Corporation	Fundrich Securitites Co., Ltd.	8F, No. 365, Fusing N. Rd., Songshan Dis., Taipei City	Sales of funds	409,404	180,000	31,842	53.07%	368,872	(91,372)	-	-	
"	Taiwan-Ca Inc. (TWCA)	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	9,700	9,700	4,309	18.08%	55,297	32,342	-	-	
"	Taiwan Ratings Corporation	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	13,300	13,300	1,330	19.00%	28,454	38,113	-	-	
Taiwan- Ca Inc.	Taiwan Ratings Corporation	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	4	4	1	0.01%	2	38,113	-	-	