

**TAIWAN STOCK EXCHANGE
CORPORATION
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2018 AND 2017**

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 parent company only balance sheets of Taiwan Stock Exchange Corporation (the “Company”) as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only 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 parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its 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 Parent Company Only Financial Statements* section of our report. We are independent of the Company 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

In our assessment, the financial condition and financial performance of the Company's subsidiary, Taiwan Depository & Clearing Corporation (TDCC, recognised as investments accounted for using equity method) has significant impact to the Company's parent company only financial statements. Thus, the Company's key audit matters include TDCC's key audit matters as follows: Financial assets - measurement of fair value of unlisted stocks without active market, accuracy of operating revenue and existence and classification of cash in bank.

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

Description

Refer to Notes 4(7) and 6(3) for accounting policy on and details of unlisted stocks without active market that was recognised in financial assets at fair value through other comprehensive income, Notes 5 and 12(3) H and I for accounting estimates and assumption uncertainty in relation to unlisted stocks without active market.

The Company and TDCC invest in stocks in Taiwan Futures Exchange (TAIFEX) and Taipei Financial Center Corp. which are financial instruments without active market, thus, the Company obtains the fair value of financial instruments by valuation techniques, and valuation methods 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 and 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.

Accuracy of operating revenue

Description

Refer to Note 4(22) for accounting policy on revenue recognition and Note 6(21) for details of “Trading fees”. Operating revenue for the year ended December 31, 2018 amounted to \$6,157,010 thousand. The Company and TDCC have various categories of operating revenue, consisting of trading 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’s operations and industry, evaluating the internal control flow of operating revenue, understanding the information environment 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, clearing funds and default damages fund

Description

Refer to Note 4(5) for accounting policy on cash equivalents and Notes 6(1)(7)(6) for details of “cash and cash equivalents”, “other current financial assets”, “settlement and clearing funds” and “default damages fund”. Cash and cash equivalents amounted to \$31,578,752 thousand, other current financial assets amounted to \$17,240,267 thousand, settlement and clearing funds amounted to \$3,416,203 thousand and default damages fund amounted to \$9,037,351 thousand for the year ended December 31, 2018.

The Company and TDCC’s cash in bank are deposited mostly in domestic banks, and recognized as cash

and cash equivalents or other current financial assets based on deposit period. 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. If securities firms default on Settlement Obligations, all price differences and expenses arising from aforementioned defaults, credit the settlement and clearing funds which is appropriated by each securities firm. In addition, the Company distributes default damages fund in proportion to exchange fee revenue in accordance with Securities and Exchange Act and related regulations, and used all to purchase time deposit.

As the amount of cash and cash equivalents, other current financial assets, settlement and clearing funds and default damages fund were significant, we consider the existence and classification of cash and cash equivalents a key audit matter.

How our audit addressed the matter

Our auditors performed the following 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 the financial assets.
3. Checking whether cash in bank which has specific purposes or limitation has been transferred to proper account items.
4. Performing counts on time deposits 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 these were significant unusual transactions.

Other matter

We did not audit the financial statements of certain investees accounted for using equity method for the years ended December 31, 2018 and 2017. The balance of these investments accounted for using equity method amounted to \$12,952,725 thousand and \$12,177,642 thousand as of December 31, 2018 and 2017 and the related other comprehensive income of \$1,392,572 thousand and \$1,181,831 thousand, constituting 34.78% and 40.99% of total comprehensive 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.

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

Management is responsible for the preparation and fair presentation of the parent company only 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s 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 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’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 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 parent company only 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's 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's 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 parent company only 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 to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the 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 to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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 26, 2019

The accompanying parent company only 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 parent company only 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
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
Current Assets					
Cash and cash equivalents	6(1)	\$ 31,578,752	33	\$ 16,941,709	21
Current financial assets at fair value	6(2)				
through profit or loss		2,414,701	2	-	-
Available-for-sale financial assets - current	12(4)	-	-	2,163,094	3
Held-to-maturity financial assets - current	12(4)	-	-	1,753,429	2
Current financial assets at amortized cost	6(4)	1,001,634	1	-	-
Accounts receivable, net	6(5) and 7	337,590	-	375,523	-
Other receivables		50,568	-	57,682	-
Other current financial assets	6(1)	17,240,267	18	14,249,750	17
Securities settlement debit	6(7)	10,245,195	11	13,698,091	17
Other current assets		3,480	-	4,591	-
Total Current Assets		62,872,187	65	49,243,869	60
Non-current Assets					
Non-current financial assets at fair value	6(3)				
through other comprehensive income		3,929,251	4	-	-
Available-for-sale financial assets - non-current	12(4)	-	-	3,495,932	4
Held-to-maturity financial assets - non-current	12(4)	-	-	4,071,607	5
Non-current financial assets at amortized cost	6(4)	3,256,107	3	-	-
Default damages fund	6(6)	9,037,351	9	8,862,329	11
Investments accounted for using equity method	6(8)	13,121,480	14	12,335,989	15
Property and equipment	6(9)	2,931,164	3	2,979,759	4
Investment property, net	6(10)	268,227	-	271,425	-
Intangible assets	6(11)	431,956	1	229,090	-
Deferred income tax assets	6(25)	16,280	-	24,648	-
Other non-current assets	6(12)	416,932	1	620,753	1
Non-current assets		33,408,748	35	32,891,532	40
TOTAL ASSET		\$ 96,280,935	100	\$ 82,135,401	100

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TAIWAN STOCK EXCHANGE CORPORATION
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017	
		AMOUNT	%	AMOUNT	%
Current Liabilities					
Securities lending and borrowing collateral payable	6(13)	\$ 28,206,367	29	\$ 13,515,655	16
Accrued expenses	7	1,011,939	1	1,095,777	1
Current income tax liabilities		391,142	1	151,801	-
Securities settlement credit	6(7)	10,245,195	11	13,698,091	17
Other current liabilities	6(14)	1,885,494	2	1,381,204	2
Total Current Liabilities		41,740,137	44	29,842,528	36
Non-current Liabilities					
Deferred income tax liabilities	6(25)	44,599	-	44,599	-
Net defined benefit liabilities – non-current	6(15)	172,625	-	178,540	1
Guarantee deposits received		58,709	-	63,218	-
Total Non-current Liabilities		275,933	-	286,357	1
Total Liabilities		42,016,070	44	30,128,885	37
Equity					
Share Capital					
Share capital - common stock	6(16)	6,938,692	7	6,938,692	8
Capital Surplus					
Capital surplus	6(17)	1,977	-	2,196	-
Retained Earnings					
Legal reserve	6(18)	5,480,537	6	5,195,112	6
Special reserve	6(18)	34,283,412	35	33,261,592	41
Unappropriated retained earnings	6(19)	4,065,842	4	3,050,933	4
Other Equity Interest					
Other equity interest	6(20)	3,494,405	4	3,557,991	4
Total Equity		54,264,865	56	52,006,516	63
TOTAL LIABILITIES AND EQUITY		\$ 96,280,935	100	\$ 82,135,401	100

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

TAIWAN STOCK EXCHANGE CORPORATION
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(21) and 7				
Trading fees		\$ 3,322,097	54	\$ 2,667,914	54
Listing fees		1,378,042	22	1,135,442	23
License fees		366,537	6	298,174	6
Market data fees		361,195	6	349,876	7
Lending and borrowing service fees		216,722	4	188,662	4
Data processing fees		205,122	3	187,662	4
Others		307,295	5	143,509	2
Total Operating Revenue		<u>6,157,010</u>	<u>100</u>	<u>4,971,239</u>	<u>100</u>
Operating expenses	6(22)				
Personnel		(1,420,010)	(23)	(1,518,362)	(31)
General and administrative	7	(2,450,454)	(40)	(2,461,974)	(49)
Total operating expenses		<u>(3,870,464)</u>	<u>(63)</u>	<u>(3,980,336)</u>	<u>(80)</u>
Operating profit		<u>2,286,546</u>	<u>37</u>	<u>990,903</u>	<u>20</u>
Non-operating income and expenses					
Share of profit of subsidiaries and associates accounted for using equity method		1,351,770	22	1,085,336	22
Interest income		300,941	5	325,022	6
Other income		269,256	4	266,174	5
Gain on disposal of investments		-	-	579,198	12
Finance costs	6(24)	(1,751)	(-)	(3,763)	(-)
Other gains and losses	6(23)	(186,351)	(3)	(161,852)	(3)
Total non-operating income and expenses		<u>1,733,865</u>	<u>28</u>	<u>2,090,115</u>	<u>42</u>
Profit before income tax		<u>4,020,411</u>	<u>65</u>	<u>3,081,018</u>	<u>62</u>
Income tax expense	6(25)	(485,340)	(8)	(226,772)	(5)
Profit for the year		<u>\$ 3,535,071</u>	<u>57</u>	<u>\$ 2,854,246</u>	<u>57</u>
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
Gains (losses) on remeasurements of defined benefit plan	6(15)	(\$ 22,850)	(-)	\$ 200,728	4
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)	433,319	7	-	-
Share of other comprehensive income of associates accounted for under equity method		58,710	1	(8,027)	(-)
Total other comprehensive income that will not be reclassified to profit or loss		<u>469,179</u>	<u>8</u>	<u>192,701</u>	<u>4</u>
Components of other comprehensive loss that will be reclassified to profit or loss					
Unrealized losses on valuation of available-for-sale financial assets	12(4)	-	(-)	(275,809)	(5)
Share of other comprehensive income of associates accounted for under equity method		-	(-)	112,291	2
Total other comprehensive loss that will be reclassified to profit or loss		<u>-</u>	<u>(-)</u>	<u>(163,518)</u>	<u>(3)</u>
Total comprehensive income for the year		<u>\$ 4,004,250</u>	<u>65</u>	<u>\$ 2,883,429</u>	<u>58</u>
Basic earnings per share (in dollars)	6(26)				
Basic earnings per share		<u>\$ 5.09</u>		<u>\$ 4.11</u>	

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

TAIWAN STOCK EXCHANGE CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Retained earnings				Unrealized gain (loss)	Total equity
			Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings		
2017								
Balance at January 1, 2017		\$ 6,769,456	\$ 3,525	\$ 5,079,925	\$33,244,314	\$ 1,151,870	\$49,970,599	
Net income for 2017		-	-	-	-	2,854,246	2,854,246	
Other comprehensive income (loss) for 2017	6(19)(20)	-	-	-	-	192,701	(163,518)	
Total comprehensive income (loss)		-	-	-	-	3,046,947	29,183	
Appropriations of 2016 earnings:								
Legal reserve	6(18)	-	115,187	-	-	(115,187)	-	
Special reserve	6(18)	-	-	17,278	-	(17,278)	-	
Cash dividends	6(19)	-	-	-	-	(846,183)	(846,183)	
Stock dividends	6(19)	169,236	-	-	-	(169,236)	-	
Changes in ownership of subsidiaries		-	(1,329)	-	-	-	(1,329)	
Balance at December 31, 2017		\$ 6,938,692	\$ 2,196	\$ 5,195,112	\$33,261,592	\$ 3,050,933	\$52,006,516	
2018								
Balance at January 1, 2018		\$ 6,938,692	\$ 2,196	\$ 5,195,112	\$33,261,592	\$ 3,050,933	\$52,006,516	
Effect of retrospective application and retrospective restatement	3(1)	-	-	-	-	552,222	(559,778)	
Balance at January 1 after adjustments		6,938,692	2,196	5,195,112	33,261,592	3,603,155	51,998,960	
Net income for 2018		-	-	-	-	3,535,071	3,535,071	
Other comprehensive income (loss) for 2018	6(19)(20)	-	-	-	-	(27,013)	469,179	
Total comprehensive income		-	-	-	-	3,508,058	496,192	
Appropriations of 2017 earnings:								
Legal reserve	6(18)	-	285,425	-	-	(285,425)	-	
Special reserve	6(18)	-	-	1,021,820	-	(1,021,820)	-	
Cash dividends	6(19)	-	-	-	-	(1,734,673)	(1,734,673)	
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	(437)	-	-	(3,453)	(3,890)	
Capital surplus, other adjustments		-	218	-	-	-	218	
Balance at December 31, 2018		\$ 6,938,692	\$ 1,977	\$ 5,480,537	\$34,283,412	\$ 4,065,842	\$54,264,865	

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

TAIWAN STOCK EXCHANGE CORPORATION
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 4,020,411	\$ 3,081,018
Adjustments			
Adjustments to reconcile profit (loss)			
Losses on financial assets at fair value through profit or loss	6(23)	111,968	-
Interest income		(300,941)	(325,022)
Dividend income		(180,965)	(150,274)
Finance costs	6(24)	1,751	3,763
Depreciation (including investment property)	6(22)	323,351	389,136
Amortization	6(22)	143,379	151,985
Equity in net income of investee companies-net of cash dividends received		(735,320)	(806,960)
Reversal of expected credit impairment loss		(1,948)	-
Provision for bad debts	12	-	3,215
Loss (Gain) on disposal of property and equipment		21	(35,614)
Gain on disposal of investments	12(4)	-	(579,198)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		38,933	(144,776)
Other receivables		12	20,505
Other current assets		1,111	(1,053)
Default damages fund		(175,022)	(122,014)
Changes in operating liabilities			
Securities lending and borrowing collateral payable		14,690,712	3,782,411
Accrued expenses		(82,817)	158,377
Other current liabilities		504,290	426,236
Net defined benefit liabilities - non-current		(28,765)	27,251
Cash inflow generated from operations		18,330,161	5,878,986
Interest received		308,043	362,468
Interest paid		(2,554)	(3,855)
Income tax paid		(237,631)	(72,927)
Net cash flows from operating activities		<u>18,398,019</u>	<u>6,164,672</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in financial assets at fair value through profit or loss		(363,575)	-
Decrease in available-for-sale financial assets-net		-	2,106,013
Decrease in held-to-maturity financial assets-net		-	2,806,963
Net decrease in financial assets at amortized cost		1,565,336	-
Increase in other current financial assets		(2,990,517)	(5,411,188)
Proceed from disposal of subsidiaries		-	222,328
Acquisition of property, equipment and intangible assets	6(27)	(413,995)	(351,994)
Proceed from disposal of property and equipment		-	47,472
Increase in refundable deposits		(8)	(113)
Increase in operation guarantee deposits		-	(8,900)
Dividends received		180,965	150,274
Net cash flows used in investing activities		(2,021,794)	(439,145)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid		(1,734,673)	(846,183)
(Decrease) increase in guarantee deposits received		(4,509)	4,362
Net cash flows used in financing activities		(1,739,182)	(841,821)
Net increase in cash and cash equivalents		14,637,043	4,883,706
Cash and cash equivalents at beginning of year	6(1)	16,941,709	12,058,003
Cash and cash equivalents at end of year	6(1)	<u>\$ 31,578,752</u>	<u>\$ 16,941,709</u>

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

TAIWAN STOCK EXCHANGE CORPORATION
NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

Taiwan Stock Exchange Corporation (the Company) was established in December 1961. The main activities of the Company are providing location and facilities for trading and settlement of securities, and other services as approved by the Competent Authority.

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 FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These parent company only financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

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 the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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's financial condition and financial performance based on the Company's 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 recognize 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.

In adopting the new standards endorsed by the FSC effective from 2018, the Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9 from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the standard as of January 1, 2018 are summarized below:

Parent company only balance sheets		Effect of			
Affected items	2017 version IFRSs amount	adoption of new standards	2018 version IFRSs amount	Remark	
<u>January 1, 2018</u>					
Financial assets at fair value through profit or loss	\$ -	\$ 2,163,094	\$ 2,163,094	(2)	
Available-for-sale financial assets	5,659,026	(5,659,026)	-	(1)(2)	
Financial assets at fair value through other comprehensive income	-	3,495,932	3,495,932	(1)	
Held-to-maturity financial assets	5,825,036	(5,825,036)	-	(3)	
Financial assets at amortized cost	-	5,822,129	5,822,129	(3)(4)	
Investments accounted for using the equity method	12,335,989	(4,649)	12,331,340	(5)(6)(7)	
Total affected assets	<u>\$ 23,820,051</u>	<u>(\$ 7,556)</u>	<u>\$ 23,812,495</u>		
Unappropriated retained earnings	\$ 3,050,933	\$ 552,222	\$ 3,603,155	(1)(2)(3)(6)(7)	
Other equity interest	3,557,991	(559,778)	2,998,213	(1)(2)(5)(6)	
Total affected on equity	<u>\$ 6,608,924</u>	<u>(\$ 7,556)</u>	<u>\$ 6,601,368</u>		
Total affected on liabilities and equity	<u>\$ 6,608,924</u>	<u>(\$ 7,556)</u>	<u>\$ 6,601,368</u>		

Explanation:

- A. In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets in the amount of \$3,495,932, 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, decreasing other equity interest and increasing retained earnings in the amounts of \$3,495,932, \$416,876 and \$416,876, respectively.
- B. In accordance with IFRS 9, the Company expects to reclassify available-for-sale financial assets in the amount of \$2,163,094, by increasing financial assets at fair value through profit or loss, increasing retained earnings and decreasing other equity interest in the amounts of \$2,163,094, \$140,395 and \$140,395, respectively.
- C. In accordance with IFRS 9, the Company expects to reclassify held-to-maturity financial assets of \$5,825,036 by increasing financial assets at amortized cost in the amount of \$5,825,036.
- D. In line with the regulations under IFRS 9 on provision for impairment, financial assets at amortized cost will have to be reduced by \$2,907 and retained earnings decreased by \$2,907.
- E. In accordance with IFRS 9, the Company's subsidiaries expect to reclassify financial assets at cost, by increasing financial assets at fair value through other comprehensive income, and decreasing other equity interest. The Company recognized its share at a percentage of ownership, by decreasing investments accounted for using equity method and decreasing other equity interest in the amounts of \$2,403 and \$2,403, respectively.
- F. In accordance with IFRS 9, the Company's subsidiaries expect to reclassify available-for-sale

financial assets by increasing financial assets at fair value through profit or loss, increasing retained earnings and decreasing other equity interest. The Company recognized its share at a percentage of ownership, by increasing unappropriated retained earnings and decreasing other equity interest in the amounts of \$104 and \$104, respectively.

G. In accordance with IFRS 9, the Company's subsidiaries expects to reclassify held-to-maturity financial assets, by increasing financial assets at amortized cost ; In line with the regulations under IFRS 9 on provision for impairment, financial assets at amortized cost and retained earnings will have to be reduced. The Company recognized its share at a percentage of ownership, by decreasing investments accounted for using equity method and decreasing unappropriated retained earnings in the amounts of \$2,246 and \$2,246, respectively.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
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's financial condition and financial performance based on the Company's 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.

In April 2018 and January 2019, the Company reported the impact arising from applying IFRS 16 at the Board of Directors' meeting.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (collectively referred

herein as the “modified retrospective approach”). On January 1, 2019, it is expected that ‘right-of-use asset’ and lease liability will be both increased by \$1,606,846.

(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 IAS 1 and IAS 8, ‘Disclosure Initiative-Definition of Material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
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 17, ‘Insurance contracts’	January 1, 2021

The above standards and interpretations have no significant impact to the Company’s financial condition and financial performance based on the Company’s assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These parent company only financial statements of the Company have been prepared in accordance with the “Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchange”. However, the Company complies with orders issued by Financial Supervisory Commission (FSC) if different from standards.

(2) Basis of preparation

A. Except for the following items, these parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December

31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11, International Accounting Standard 18 and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are 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".

(4) 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.

(5) Cash equivalents

Cash equivalents including cash on hand, deposits and other short-term investment with high liquidity that will expire within three months since acquisition and 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.

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

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these financial liabilities at fair value with any gain or loss recognized in profit or loss.
- D. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(8) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.

- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(9) Accounts receivable

Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred rendered services. The short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to receive the cash flows from the financial asset expire

(12) Operating leases

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.

(13) Investments accounted for using the equity method

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company 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.
- B. Accounting policies of subsidiaries have been adjusted were necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's 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.
- D. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or

indirectly 20 percent 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.

- E. The Company's share of its associates' 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.
- F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Company – Type Stock Exchanges," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(14) Property and equipment

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

(15) 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.

(16) Intangible assets

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

(17) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is 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. 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

(18) 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.

(19) Pensions

A. Defined contribution plans

For defined contribution plans, 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 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 plans are recognized in other comprehensive income in the period in which they arise and recorded as retained earnings.

(20) 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 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 realise the asset and settle the liability simultaneously.

(21) 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.

(22) Revenue recognition

The Company allocates transaction price to each performance obligation when the performance obligation of customer contracts were identified. Revenue is recognised when the performance obligation is satisfied, and is classified as service revenue, dividend income, interest income and rental income.

A. Service revenue

Service revenue is recognised at the end of month when the service was provided.

B. Dividend income and interest income

The Company recognises the dividend income arising from investments when the shareholders' right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

Interest income arising from financial assets is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. Interest income is calculated over time based on outstanding principle discounted by applicably effective interest rate, and is accounted for under the accrual basis. The effective interest rate is estimated by discounting the expected cash that will be received during the financial assets' expected option life, which will be equal to the rate of the net carrying amount at initial recognition.

C. Rental income

Rental income arising from operating lease is recognised in profit on a straight-line basis over the lease term.

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

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

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

The fair value of unlisted stocks held by the Company 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, 2018, the carrying amount of unlisted stocks was \$3,929,251.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Checking accounts and demand deposits	\$ 27,671,287	\$ 12,909,129
Cash equivalents		
Time deposits with maturity within three months from initial date	150,000	485,000
Commercial papers	3,757,465	2,837,997
Repo bonds	-	709,583
	<u>\$ 31,578,752</u>	<u>\$ 16,941,709</u>

A. As of December 31, 2018 and 2017, the time deposits with maturity of more than three months from initial date was \$17,240,267 and \$14,249,750, respectively, and were shown as 'other financial assets – current'.

B. The Company transacts 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. The Company has no cash and cash equivalents pledged to others.

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

<u>Items</u>	<u>December 31, 2018</u>
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	<u>\$ 2,414,701</u>

Amounts recognized in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Year ended December 31, 2018</u>
Financial assets mandatorily measured at fair value through profit or loss	
Beneficiary certificates	<u>(\$ 111,968)</u>

(3) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>December 31, 2018</u>
Non-current items:	
Equity instruments	
Unlisted stocks	\$ 1,238,528
Valuation adjustment	2,690,723
	<u>\$ 3,929,251</u>

A. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	<u>Year ended December 31, 2018</u>
Equity instruments at fair value through other comprehensive income	
Fair value change recognized in other comprehensive income	\$ <u>433,319</u>

B. Information on available-for-sale financial assets as of December 31, 2017 is provided in Note 12(4).

(4) Financial assets at amortized cost

<u>Items</u>	<u>December 31, 2018</u>
Current items:	
Financial bonds	\$ 801,062
Corporate bonds	<u>201,057</u>
	1,002,119
Less: Accumulated impairment	(485)
	<u>\$ 1,001,634</u>
Non-current items:	
Financial bonds	\$ 2,900,407
Corporate bonds	303,936
Government bonds	<u>53,238</u>
	3,257,581
Less: Accumulated impairment	(1,474)
	<u>\$ 3,256,107</u>

A. Amounts recognized in profit or loss in relation to financial assets at amortized cost are listed below:

	<u>Year ended December 31, 2018</u>
Interest income	\$ 78,882
Gain on reversal of impairment	<u>948</u>
	<u>\$ 79,830</u>

B. Information relating to credit risk of financial assets at amortized cost is provided in Note 12(2).

C. Information on held-to-maturity financial assets as of December 31, 2017 is provided in Note 12(4).

(5) Accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	\$ 337,590	\$ 378,738
Less: Allowance for doubtful accounts	<u>-</u>	(3,215)
	<u>\$ 337,590</u>	<u>\$ 375,523</u>

A. The Company does not hold any collateral as security.

B. Ageing analysis of accounts receivable and information relating to credit risk are provided in Note

12(2).

(6) 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 has contributed 5% of trading fees to the DDF within 15 days after the end of every quarter since January 1, 2010.
- C. For the preparation of financial statements in accordance with IFRSs from January 1, 2013, following the regulatory authority, the default damages reserve the Company has contributed should be reclassified to 'special reserve', which cannot be used for other purposes except for the use to cover accumulated deficit or for other uses approved by the Financial Supervisory Commission. In addition, contribution to the default damages fund was no more effective from October 30, 2012.
- D. Under regulations of the competent authority, if losses occur when the Company pay 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 no expense will be recognized.
- E. In September 1996, the Competent Authority approved a common fund, the Securities Settlement Fund ("SSF"), to be used in settling defaults by securities companies. The Company established the special settlement fund ("SF") with an initial funding of \$1,000,000. If the Company's DDF exceeds \$1,000,000, the excess should be contributed to the SF until the contribution reaches \$2,000,000. As of December 31, 2018 and 2017, the balance of the SF was \$3,000,000.

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

	<u>Years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Balance, beginning of year (Note)	\$ 5,862,329	\$ 5,740,315
Contributions		
5% on the amounts of trading fees	168,787	116,006
3% of securities lending and borrowing service fees	6,235	6,008
	<u>6,037,351</u>	<u>5,862,329</u>
Settlement fund (SF)	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 9,037,351</u>	<u>\$ 8,862,329</u>

Note: The beginning balance of SF was \$3,000,000 and the balance of DDF was \$8,862,329 and \$8,740,315 as of January 1, 2018 and 2017, respectively.

G. As of December 31, 2018, the DDF is invested in time deposits.

(7) 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, 2018 and 2017, the balances of the SSF were \$3,416,203 and \$3,410,060, respectively, and the balance of the SF was \$3,000,000. The funds are invested in time deposits pursuant to the regulation. In addition, as of December 31, 2018, the Company had entered into a loan agreement with financial institutions in the amount of \$12,800,000 and ten million U.S. dollars and provided time deposit of \$2,000,000 to financial institutions as collateral for the need

of Securities firms' application of the advance settlements for finalizing the funds to the Company and emergency revolving fund due to Securities firms violation of settlement obligation or natural disaster. As of December 31, 2015, the loan amount had not been drawn down. The foregoing time deposit was recognized as DDF of \$750,000, SF of \$550,000, and SSF of \$700,000.

- (d) 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, 2018 and 2017 is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Securities settlement debit	\$ 10,245,195	\$ 13,698,091
Securities settlement credit	<u>\$ 10,245,195</u>	<u>\$ 13,698,091</u>

(8) Investments accounted for using the equity method

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries:		
Taiwan Depository & Clearing Corporation (TDCC)	\$ 12,822,045	\$ 12,052,304
Taiwan-Ca. Inc. (TWCA)	102,900	95,401
Taiwan Index Plus Corporation	<u>168,755</u>	<u>158,347</u>
	13,093,700	12,306,052
Associate:		
Taiwan Ratings Co. (TRC)	<u>27,780</u>	<u>29,937</u>
	<u>\$ 13,121,480</u>	<u>\$ 12,335,989</u>

A. Subsidiaries

Please refer to Note 4(3) of consolidated financial statements for the information on subsidiaries. Share of profit (loss) of subsidiaries, Taiwan Depository & Clearing Corporation (TDCC) and Taiwan-Ca Inc. (TWCA), accounted for using equity method were recognized based on the financial statements audited by other independent accountants.

B. Associates

The Company's share of the operating results in all individually immaterial associates are summarized below:

	Taiwan Ratings Co.	
	Years ended December 31,	
	2018	2017
Share of profit of associates accounted for using equity method	\$ 7,612	\$ 7,619
Share of other comprehensive loss of associates accounted for using equity method.	(\$ 379)	(\$ 458)

The Company's percentage of ownership in the above associate is both 19.99% as of December 31, 2018 and 2017.

Recognition of the share in profit is based on the financial statements audited by other independent accountants.

(9) Property and equipment

	Land	Buildings	Computer equipment	Other equipment	Rental assets	Total
<u>Cost</u>						
At January 1, 2018 (including revaluation of \$836)	\$ 692,004	\$ 1,003,633	\$ 581,396	\$ 1,240,451	\$ 267,099	\$ 3,784,583
Additions	-	-	38,766	72,659	-	111,425
Disposals	-	-	(406,981)	(12,031)	-	(419,012)
Transfer (Note)	-	-	158,804	832	518	160,154
Closing book amount	<u>\$ 692,004</u>	<u>\$ 1,003,633</u>	<u>\$ 371,985</u>	<u>\$ 1,301,911</u>	<u>\$ 267,617</u>	<u>\$ 3,637,150</u>
<u>Accumulated depreciation</u>						
At January 1, 2018	\$ -	\$ 40,768	\$ 428,125	\$ 297,821	\$ 38,110	\$ 804,824
Depreciation	-	17,922	138,891	129,914	33,426	320,153
Disposals	-	-	(406,960)	(12,031)	-	(418,991)
Closing book amount	<u>\$ -</u>	<u>\$ 58,690</u>	<u>\$ 160,056</u>	<u>\$ 415,704</u>	<u>\$ 71,536</u>	<u>\$ 705,986</u>
At January 1, 2018 net book amount	<u>\$ 692,004</u>	<u>\$ 962,865</u>	<u>\$ 153,271</u>	<u>\$ 942,630</u>	<u>\$ 228,989</u>	<u>\$ 2,979,759</u>
At December 31, 2018 net book amount	<u>\$ 692,004</u>	<u>\$ 944,943</u>	<u>\$ 211,929</u>	<u>\$ 886,207</u>	<u>\$ 196,081</u>	<u>\$ 2,931,164</u>

	<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 \$37,084)	\$765,949	\$1,125,752	\$1,163,074	\$1,474,818	\$ 80,751	\$4,610,344
Additions	-	-	14,948	30,920	-	45,868
Disposals	(2,352)	-	(612,942)	(80,463)	-	(695,757)
Transfer (Note)	(71,593)	(122,119)	16,316	(184,824)	186,348	(175,872)
Closing book amount (including revaluation of \$836)	<u>\$692,004</u>	<u>\$1,003,633</u>	<u>\$ 581,396</u>	<u>\$1,240,451</u>	<u>\$267,099</u>	<u>\$3,784,583</u>
<u>Accumulated depreciation</u>						
At January 1, 2017	\$ -	\$ 91,958	\$ 835,460	\$ 238,593	\$ 5,888	\$1,171,899
Depreciation	-	19,193	205,607	130,185	32,222	387,207
Disposals	-	-	(612,942)	(70,957)	-	(683,899)
Transfer (Note)	-	(70,383)	-	-	-	(70,383)
Closing book amount	<u>\$ -</u>	<u>\$ 40,768</u>	<u>\$ 428,125</u>	<u>\$ 297,821</u>	<u>\$ 38,110</u>	<u>\$ 804,824</u>
At January 1, 2017 net book amount	<u>\$765,949</u>	<u>\$1,033,794</u>	<u>\$ 327,614</u>	<u>\$1,236,225</u>	<u>\$ 74,863</u>	<u>\$3,438,445</u>
At December 31, 2017 net book amount	<u>\$692,004</u>	<u>\$ 962,865</u>	<u>\$ 153,271</u>	<u>\$ 942,630</u>	<u>\$228,989</u>	<u>\$2,979,759</u>

Note: Transfer is including prepayments for equipment transferred from other non-current assets and property and equipment transferred to investment property.

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

Buildings	55 years
Computer equipment	3 years ~ 5 years
Other equipment	3 years ~ 10 years
Rental assets	3 years ~ 8 years

(10) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2018	\$ 195,187	\$ 179,111	\$ 374,298
(At December 31, 2018) (including revaluation of \$80,786)			
<u>Accumulated depreciation</u>			
At January 1, 2018	\$ -	\$ 102,873	\$ 102,873
Depreciation	-	3,198	3,198
Closing book amount	<u>\$ -</u>	<u>\$ 106,071</u>	<u>\$ 106,071</u>
At January 1, 2018 net book amount	<u>\$ 195,187</u>	<u>\$ 76,238</u>	<u>\$ 271,425</u>
At December 31, 2018 net book amount	<u>\$ 195,187</u>	<u>\$ 73,040</u>	<u>\$ 268,227</u>
	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Cost</u>			
At January 1, 2017	\$ 123,594	\$ 56,995	\$ 180,589
(including revaluation of \$44,538)			
Transfer in property and equipment	71,593	122,116	193,709
At December 31, 2017	<u>\$ 195,187</u>	<u>\$ 179,111</u>	<u>\$ 374,298</u>
(including revaluation of \$80,786)			
<u>Accumulated depreciation</u>			
At January 1, 2017	\$ -	\$ 30,564	\$ 30,564
Depreciation	-	1,926	1,926
Transfer in property and equipment	-	70,383	70,383
Closing book amount	<u>\$ -</u>	<u>\$ 102,873</u>	<u>\$ 102,873</u>
At January 1, 2017 net book amount	<u>\$ 123,594</u>	<u>\$ 26,431</u>	<u>\$ 150,025</u>
At December 31, 2017 net book amount	<u>\$ 195,187</u>	<u>\$ 76,238</u>	<u>\$ 271,425</u>

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

	Years ended December 31,	
	2018	2017
Rental income from investment property	\$ 24,187	\$ 13,850
Direct operating expenses arising from the investment property that generated rental income during the year (depreciation expense)	\$ 2,381	\$ 1,018

B. The fair value of the investment property held by the Company as of December 31, 2018 and 2017 was \$729,482 and \$776,814, respectively. The above assets are compared with similar transaction information traded in markets and have been applied appropriate correction after estimation, and comparative method 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.

(11) Intangible assets

	Years ended December 31,	
	2018	2017
<u>Cost</u>		
At January 1	\$ 527,972	\$ 805,143
Additions	61,286	50,919
Disposals	(178,985)	(357,143)
Transfer from prepayments for equipment	284,959	29,053
Closing book amount	\$ 695,232	\$ 527,972
<u>Accumulated amortization</u>		
At January 1	\$ 298,882	\$ 504,040
Amortization	143,379	151,985
Disposals	(178,985)	(357,143)
Closing net book amount	\$ 263,276	\$ 298,882
At January 1 net book amount	\$ 229,090	\$ 301,103
At December 31 net book amount	\$ 431,956	\$ 229,090

Intangible assets pertain to computer software which are stated at historical cost and amortized on a straight-line basis over their estimated useful life of 3 years.

(12) Other non-current assets

	December 31, 2018	December 31, 2017
Operations guarantee deposits	\$ 347,400	\$ 347,400
Refundable deposits	30,271	30,263
Prepayments for equipment and intangible assets	39,261	243,090
	\$ 416,932	\$ 620,753

As at December 31, 2018 and 2017, the Company deposited time deposits and financial bonds both

amounting to \$347,400 in the Central Bank of China as guaranty bond.

(13) Securities lending and borrowing collateral payable

The Company has provided securities lending and borrowing services since June 2003. The borrower is required to deposit collaterals based on certain percentages (the stipulated collateral ratio) of borrowed securities daily market prices to the Company. In addition, individual collateral maintenance ratio of each transaction will be calculated on a daily basis, and further collateral will be required if the maintenance ratio is below the collateral ratio. As at December 31, 2018 and 2017, the Company has received collaterals as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash (Note A)	\$ 28,206,367	\$ 13,515,655
Bank draft (Note B)	\$ 8,068,219	\$ 6,907,958
Securities (Note C)	\$ 40,779,397	\$ 42,211,620

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, 2018 and 2017.

(14) Other current liabilities

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Security borrowing performance bond payable (Note A)	\$ 1,431,549	\$ 844,849
Contract liabilities	321,809	-
Deposits received for borrowing securities collateral	110,000	90,000
Temporary receipt at offering price	-	157,670
Advance receipts (Note B)	-	261,570
Others	22,136	27,115
	<u>\$ 1,885,494</u>	<u>\$ 1,381,204</u>

Note A: In order to meet the requirement of market participants and improve the liquidity of whole market, securities firm can lend out marketable securities to customers or other security firms, and securities finance enterprises can also borrow marketable securities from customers or other security firms, and securities finance enterprises. If marketable security is borrowed from customer, the security firm should appropriate; Securities firm performance guarantee in proportion to total amount of borrowed marketable securities, and aforementioned performance guarantee should reserve in the Company.

Note B: Contract liabilities and advance receipts refer to (put) warrant listing fees received.

(15) Pensions

A. Defined benefit plan

As of December 31, 2018 and 2017, amounts recognised based on actuarial report are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 2,544,800	\$ 2,611,041
Fair value of plan assets	(2,372,175)	(2,432,501)
Net defined benefit liability	<u>\$ 172,625</u>	<u>\$ 178,540</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 2,611,041	\$ 2,432,501	\$ 178,540
Current service cost	149,052	-	149,052
Interest (expense) income	28,540	27,348	1,192
	<u>2,788,633</u>	<u>2,459,849</u>	<u>328,784</u>
Remeasurements:			
Return on plan assets (Note)	-	34,472	(34,472)
Change in financial assumptions	6,429	-	6,429
Experience adjustments	50,893	-	50,893
	<u>57,322</u>	<u>34,472</u>	<u>22,850</u>
Pension fund contribution	-	174,366	(174,366)
Paid pension	(301,155)	(296,512)	(4,643)
Balance at December 31	<u>\$ 2,544,800</u>	<u>\$ 2,372,175</u>	<u>\$ 172,625</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 2,762,112	\$ 2,410,095	\$ 352,017
Current service cost	164,711	-	164,711
Interest (expense) income	33,974	30,464	3,510
	<u>2,960,797</u>	<u>2,440,559</u>	<u>520,238</u>
Remeasurements:			
Return on plan assets (Note)	-	(4,943)	4,943
Change in financial assumptions	(169,568)	-	(169,568)
Experience adjustments	(36,103)	-	(36,103)
	<u>(205,671)</u>	<u>(4,943)</u>	<u>(200,728)</u>
Pension fund contribution	-	140,294	(140,294)
Paid pension	(144,085)	(143,409)	(676)
Balance at December 31	<u>\$ 2,611,041</u>	<u>\$ 2,432,501</u>	<u>\$ 178,540</u>

Note: Excluding amounts included in interest income or expense.

- (b) Based on the Company's internal regulations for employee hiring and management, both the Company and its employees contribute monthly to the workers' pension fund and employees' retirement fund, respectively. The Company contributes based on certain percentages of salary expenses to a common retirement fund. These funds are administered by the independent pension fund committee and employees' retirement fund committee, respectively. The contributed amounts are deposited to the Bank of Taiwan 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) 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 earnings is less than aforementioned rates, government shall make payment for the deficit after being 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, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- As of December 31, 2018 and 2017, the Company's fund that was administered by employees' retirement fund committee was bank deposits.

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

	2018	2017
Discount rate	1%	1.125%
Future salary increases	3%	3%

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</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	<u>(\$ 55,186)</u>	<u>\$ 57,134</u>	<u>\$ 54,215</u>	<u>(\$ 52,643)</u>
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	<u>(\$ 58,068)</u>	<u>\$ 60,125</u>	<u>\$ 57,261</u>	<u>(\$ 55,593)</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.

- (e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amounts to \$179,597.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. Employees receive the pension based on the law and each pension act. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were \$78,836 and \$75,898, respectively.

(16) Share capital

- A. 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.
- B. As of December 31, 2018, the Company’s authorized capital and paid-in capital were both \$6,938,692 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.
- C. 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.

(17) Capital reserve

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.

(18) Legal reserve / Special reserve

- A. According to the R.O.C. Company Law, the annual net income should be used initially to cover any accumulated deficit; thereafter 10% of the annual net income should be set aside as legal reserve until it has reached 100% of contributed capital. Legal reserve shall be exclusively used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership and shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.
- B. Special reserve, as required by regulations of the Securities and Futures Bureau (SFB), of at most 80% of the annual net income was determined by the Competent Authority; pursuant to regulations of the Competent Authority, the Company has transferred default damages fund to special reserve in preparation of financial statements since 2013 in accordance with IFRSs. The special reserve as resolved by the stockholders can only be used, upon the Competent Authority's approval, to offset deficit or transferred to capital.

(19) Unappropriated retained earnings

	<u>2018</u>	<u>2017</u>
At January 1	\$ 3,050,933	\$ 1,151,870
Effect of retrospective application and retrospective restatement	<u>552,222</u>	<u>-</u>
Balance at January 1 after adjustments	<u>3,603,155</u>	<u>1,151,870</u>
Profit for the year	3,535,071	2,854,246
(Losses) gains on remeasurements of defined benefit	(22,850)	200,728
Losses on remeasurements of defined benefit plans, subsidiaries and associates accounted for using equity method	(4,163)	(8,027)
Legal reserve	(285,425)	(115,187)
Special reserve	(1,021,820)	(17,278)
Cash dividends	(1,734,673)	(846,183)
Stock dividend	-	(169,236)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>(3,453)</u>	<u>-</u>
At December 31	<u>\$ 4,065,842</u>	<u>\$ 3,050,933</u>

- 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 \$2.5 (in dollars) per share and \$1.25 (in dollars) per share, respectively, and the stock

dividends for 2017 and 2016 were \$0 (in dollars) per share and \$0.25 (in dollars) per share, respectively.

(20) Other equity items

	2018		
	Unrealized gains (losses) on available-for-sale financial assets	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Total
January 1	\$ 3,557,991	\$ -	\$ 3,557,991
Effects of retrospective application and retrospective restatement	(3,557,991)	2,998,213	(559,778)
Balance at January 1 after adjustments	-	2,998,213	2,998,213
Revaluation	-	433,319	433,319
Revaluation - subsidiaries	-	62,873	62,873
December 31	<u>\$ -</u>	<u>\$ 3,494,405</u>	<u>\$ 3,494,405</u>

	2017	
	Unrealized gains (losses) on available-for-sale financial assets	
January 1	\$	3,721,509
Unrealized losses on valuation of available-for-sale financial assets	(163,518)
December 31	<u>\$</u>	<u>3,557,991</u>

(21) 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 to make cash contributions to the DDF. Effective December 1, 2011, as approved by the Board of Directors of the Company and the Competent Authority per No. 1000058644 bulletin (November 29, 2011), the rate (0.000065 per dollar) has been reduced by 20%.

(22) Expenses by nature

	Operating expenses	
	Years ended December 31,	
	2018	2017
Employee benefit expense		
Salaries	\$ 1,179,438	\$ 1,261,165
Insurance	74,428	70,909
Pension	229,080	244,119
Others	11,492	13,078
	<u>\$ 1,494,438</u>	<u>\$ 1,589,271</u>
Depreciation	<u>\$ 323,351</u>	<u>\$ 389,133</u>
Amortization	<u>\$ 143,379</u>	<u>\$ 151,985</u>

A. Under the Company's Articles of Incorporation, the Company shall 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, 2018 and 2017, employees' compensation was accrued at \$130,368 and \$126,468, respectively. The aforementioned amounts were recognized in salary expenses. Employees' compensation for 2018 was accrued based on distributable profit of current year for the year ended December 31, 2018, and actual distribution amount of employees' compensation is resolved by the Board of Directors.

C. As of December 31, 2018 and 2017, the Company had 648 and 639 employees, respectively.

(23) Other gains and losses

	Years ended December 31,	
	2018	2017
Losses on financial assets at fair value through profit or loss	(\$ 111,968)	\$ -
Foreign exchange gains (losses)	16,978	(82,240)
Others	(91,361)	(79,612)
	<u>(\$ 186,351)</u>	<u>(\$ 161,852)</u>

(24) Finance costs

	Years ended December 31,	
	2018	2017
Interest expense		
-Securities lending and borrowing collateral	<u>\$ 1,751</u>	<u>\$ 3,763</u>

(25) Income tax

A. Income tax expense

(a) Components of income tax expense

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	\$ 501,125	\$ 223,396
Tax on undistributed surplus earnings	503	18
Prior year income tax (over) under estimation	(24,656)	6,914
Total current tax	<u>476,972</u>	<u>230,328</u>
Deferred tax:		
Origination and reversal of temporary differences	12,718	(3,556)
Impact of change in tax rate	(4,350)	-
Total deferred tax	<u>8,368</u>	<u>(3,556)</u>
Income tax expense	<u>\$ 485,340</u>	<u>\$ 226,772</u>

(b) Details of income tax expense and accounting profit

	Years ended December 31,	
	2018	2017
Tax calculated based on profit before tax and statutory tax rate	\$ 804,082	\$ 523,773
Tax on undistributed surplus earnings	503	18
Effect from permanent differences of income tax	(293,668)	(297,099)
Impact of change in tax rate	(4,350)	-
Deferred tax assets over (under) estimation	3,429	(6,834)
Prior year income tax (over) under estimation	(24,656)	6,914
Income tax expense	<u>\$ 485,340</u>	<u>\$ 226,772</u>

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

	Year ended December 31, 2018		
	January 1	Recognized in profit or loss	December 31
-Deferred tax assets:			
Employees' welfare	\$ 1,123	(\$ 324)	\$ 799
Unused expenses of employee compensated absences	12,534	(6,681)	5,853
Unrealized exchange loss	10,916	(1,288)	9,628
Others	75	(75)	-
	<u>\$ 24,648</u>	<u>(\$ 8,368)</u>	<u>\$ 16,280</u>
-Deferred tax liabilities:			
Reserve for land value increment tax	\$ 44,599	\$ -	\$ 44,599

	Year ended December 31, 2017		
	January 1	Recognized in profit or loss	December 31
-Deferred tax assets:			
Employees' welfare	\$ 1,096	\$ 27	\$ 1,123
Unused expenses of employee compensated absences	-	12,534	12,534
Unrealized exchange loss	19,922	(9,006)	10,916
Others	74	1	75
	<u>\$ 21,092</u>	<u>\$ 3,556</u>	<u>\$ 24,648</u>
-Deferred tax liabilities:			
Reserve for land value increment tax	\$ 44,599	\$ -	\$ 44,599

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

	December 31, 2018	December 31, 2017
Deductible temporary differences	\$ 168,016	\$ 152,680

D. The Company's income tax returns through 2015 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(26) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Outstanding shares at the end of the year (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net income	\$ 3,535,071	693,869	\$ 5.09
	Year ended December 31, 2017		
	Amount after tax	Outstanding shares at the end of the year (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Net income	\$ 2,854,246	693,869	\$ 4.11

(27) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2018	2017
Additions and transfers from property and equipment	\$ 271,579	\$ 63,708
Additions and transfers from intangible assets	346,245	79,972
Less: Opening balance of prepayments for equipment and intangible assets	(243,090)	(34,776)
Add: Ending balance of prepayments for equipment and intangible assets	39,261	243,090
Cash paid during the year	<u>\$ 413,995</u>	<u>\$ 351,994</u>

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 Director
Bank of Taiwan Co., Ltd.	"
Land Bank of Taiwan Co., Ltd.	"
CDIB Capital Group (Note)	"
Taiwan Cement Corporation	"
Fubon Securities Co., Ltd.	"
SinoPac Securities Corporation	"
Taiwan Depository & Clearing Corporation (TDCC)	Subsidiary
Taipei Financial Center Corporation (TFCC)	Other related party
Taiwan Futures Exchange Corporation (TAIFEX)	"
Jih Sun Securities Co., Ltd.	"
Taipei Exchange Corporation (TPEX)	"

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

(2) Significant related party transactions

	Years ended December 31,	
	2018	2017
A. Trading fees:		
Corporate Directors		
YUANTA	\$ 410,668	\$ 341,442
Others	410,779	343,106
Other related party	115,464	92,683
	<u>\$ 936,911</u>	<u>\$ 777,231</u>

	Years ended December 31,	
	2018	2017
B. Listing fees:		
Corporate Directors		
YUANTA	\$ 229,010	\$ 158,820
Others	144,291	121,416
Other related party	28,350	27,225
	<u>\$ 401,651</u>	<u>\$ 307,461</u>
C. Data processing fees:		
Other related parties		
TPEX	\$ 200,650	\$ 183,675
D. License fees:		
Other related parties		
TAIFEX	\$ 317,334	\$ 249,329
Others	630	300
Corporate Directors	1,050	1,530
	<u>\$ 319,014</u>	<u>\$ 251,159</u>
E. Securities settlement service fees (recorded as general and administrative expenses):		
Subsidiary		
TDCC	\$ 660,172	\$ 531,217
F. Rental and administrative expense (recorded as general and administrative expenses):		
Other related parties		
TFCC	\$ 183,753	\$ 183,631
	<u>December 31, 2018</u>	<u>December 31, 2017</u>
G. Accounts receivable:		
Corporate Directors		
YUANTA	\$ 31,617	\$ 36,500
Others	28,192	36,513
Other related parties	50,469	56,176
	<u>\$ 110,278</u>	<u>\$ 129,189</u>
H. Payable for securities settlement services: (recorded as accrued expenses)		
Subsidiary		
TDCC	\$ 44,237	\$ 52,516

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Salaries and other short-term employee benefits	\$ 29,322	\$ 30,095
Pensions	3,341	3,432
	<u>\$ 32,663</u>	<u>\$ 33,527</u>

8. PLEDGED ASSETS

Please refer to Notes 6(7) and 6(12) for the information on time certificates and operation guarantee funds pledged as collateral for the settlement prices the Company had applied for payment on behalf of others and applied for credit limit with banks.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As of December 31, 2018 and 2017, the Company leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements are as follows:

	December 31, 2018		December 31, 2017	
	Rental expenses	Administrative expenses	Rental expenses	Administrative expenses
Not later than one year	\$ 191,312	\$ 26,993	\$ 189,356	\$ 26,817
Later than one year but not later than five years	200,437	24,373	387,270	51,046
	<u>\$ 391,749</u>	<u>\$ 51,366</u>	<u>\$ 576,626</u>	<u>\$ 77,863</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:

	December 31, 2018	December 31, 2017
Computer equipment and other equipment	<u>\$ 33,451</u>	<u>\$ 296,213</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives of capital management:

- A. Ensure to continue operating and to continue to contribute returns for shareholders.
- B. Support stability and growth of the Company.
- C. Offer capital to improve risk management ability.

(2) Financial instruments

A. Fair value information of financial instruments

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss	\$ 2,414,701	\$ -
Financial assets measured at fair value through profit or loss	3,929,251	-
Available-for-sale financial assets	-	5,659,026
Held-to-maturity financial assets	-	5,825,036
Financial assets at amortized cost (Note)	<u>72,747,464</u>	<u>54,185,084</u>
	<u>\$ 79,091,416</u>	<u>\$ 65,669,146</u>
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note)	<u>\$ 39,522,210</u>	<u>\$ 28,372,741</u>

Note: Financial assets at amortized cost is including cash and cash equivalent, financial assets at amortized cost, accounts receivable, other receivables, other financial assets, securities settlement debit and default damages fund. Financial liabilities at amortized cost is including securities lending and borrowing collateral payable, accrued expenses, securities settlement credit and guarantee deposits received.

B. Financial risk management policies

- (a) The targets of financial risk management are to manage the following financial risks: market risk (including foreign exchange risk and securities price risk), credit price risk and liquidity risk.
- (b) The Company has mechanism to control all financial risks the Company is exposed to. Except for market risk that is controlled by external factors, other risks can be controlled internally or eliminated and the target is to minimize the risks to zero. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.
- (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's Financial Department identifies and evaluates a variety of financial instruments, the procedure of the transaction, and transaction parties. Moreover, the Company regularly proposes recommendation reports and reviews the business performance. The internal auditor is in charge of conducting the audit of the business function.

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 Euros as collateral. The Company had its own funds partly constituted in foreign currency.

December 31, 2018					
(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Book Value (NTD)	Sensitivity analysis	
	Amount (In Thousands)			Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	22,667	30.715	\$ 696,217	1%	\$ 6,962
RMB:NTD	43,484	4.472	194,460	1%	1,945
JPY:NTD	50,243,192	0.2782	13,977,656	1%	139,777
EUR:NTD	347,515	35.20	12,232,528	1%	122,325
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	2,729	30.72	83,821	1%	838
JPY:NTD	50,243,133	0.2782	13,977,640	1%	139,776
EUR:NTD	347,511	35.20	12,232,387	1%	122,324
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
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	66,517	29.76	\$ 1,979,546	1%	\$ 19,795
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	12,247,586	0.2642	3,764,212	1%	37,642
EUR:NTD	190,181	35.57	6,764,738	1%	67,647

The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017 amounted to \$16,978 and (\$82,240), 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 and investment in money market. As of December 31, 2018 and 2017, the financial assets at amortised cost and held-to-maturity that belongs to fixed-rate product were \$4,257,741 and \$5,825,036, 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 is exposed to risk of net value of funds arising from investment in money market. If the net value of funds had increased/decreased by 1% for the years ended December 31, 2018 and 2017, profit or loss, net of tax due from fair value movement of financial assets at fair value through profit or loss for the year would increase/decrease by \$3,048 and \$0, respectively, and other comprehensive income due from fair value movement of available-for-sale financial assets for the year would increase/decrease by \$0 and \$8,116, respectively.

Price risk of other equity interest

The price risk of other equity interest of equity instruments is arising from financial assets classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income for the year ended December 31, 2018. The price risk of other equity interest of equity instruments is arising from investments classified as available-for-sale financial assets, including beneficiary certificates and unlisted stocks but excluding money market fund for the year ended December 31, 2017.

The market risk of holding equity security includes 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's related regulations on capital usage, and the Company chooses appropriate investment objects, sets maximum amount for prudent investment and related limitation, and prepares summary of investment gain/ loss and capital usage reports regularly. Equity investment has to be approved by the Company's 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 year ended December 31, 2018, profit or loss, net of tax due from fair value movement of financial assets at fair value through profit or loss for the year would increase/decrease by \$21,099. If the price of equity

instruments had increased/ decreased by 1% for the year ended December 31, 2017, other comprehensive income due from fair value movement of available-for-sale financial assets for the year would increase/decrease by \$13,515.

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

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is cash and cash equivalents, other financial assets and accounts receivable that counterparties could not repay in full based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost.
- ii. Most of the Company's counterparties of accounts receivable are securities firms, listed companies and other security peripheral organisations which have high credit quality, so it expects that credit risk of accounts receivable is remote.
- iii. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- iv. If the credit rating grade of an investment target degrades two scales, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) Default or delinquency in interest or principal repayments;
 - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The credit quality information of financial assets is as follows:

Cash and cash equivalents

The Company transacts 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, therefore, the Company recognises the impairment provision for 12 months expected credit losses. No loss allowance was provided by the Company for the year ended December 31, 2018.

Accounts receivable

- (i) The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- (ii) The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the loss rate

methodology is as follows:

	<u>Group 1</u>	<u>Group 2</u>	<u>Total</u>
<u>December 31, 2018</u>			
Expected loss rate	0%	100%	
Total book value	\$ 337,590	\$ -	\$ 337,590
Loss allowance	\$ -	\$ -	\$ -

(iii) Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>December 31, 2018</u>
January 1_IAS 39	\$ 3,215
Adjustments under new standards	-
January 1_IFRS 9	3,215
Write-offs	(2,215)
Reversal of impairment loss	(1,000)
December 31	<u>\$ -</u>

(iv) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Not past due	\$ 329,899	\$ 364,786
Up to 30 days	5,258	4,933
31 to 90 days	1,146	5,009
91 to 180 days	1,287	795
Over 180 days	-	3,215
	<u>\$ 337,590</u>	<u>\$ 378,738</u>

Other financial assets

The Company transacts 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, therefore, the Company recognises the impairment provision for 12 months expected credit losses. No loss allowance was provided by the Company for the year ended December 31, 2018.

Debt instruments at amortised cost

(i) The Company's investments in debt instruments at amortised cost all were issued by banks which have high credit quality or companies which have been rated as investment grades, and they all were classified as Group 1. Because the probability of default is remote, therefore, the Company recognises the impairment provision for 12 months expected credit losses.

<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
Impaired	twD

(ii) Movements in loss allowance for investments in debt instruments carried at amortised cost are as follows:

	2018		
	12 months	Lifetime	
		Significant increase in credit risk	Impairment of credit
January 1_IAS 39	\$ -	\$ -	\$ -
Adjustments under new standards	2,907	-	-
January 1_IFRS 9	2,907	-	-
Reversal of impairment loss	(948)	-	-
December 31	\$ 1,959	\$ -	\$ -

(c) Liquidity risk

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

The Company's non-derivative financial liabilities all are maturing within 1 year, excluding quarantine deposits received maturing over 1 year.

(3) Fair value estimation

A. 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's investment in beneficiary certificates 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. The fair value of the Company's investment in bank debentures, bonds and government bonds is included in Level 2.

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

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, net, other receivables, other financial assets, default damages fund, securities settlement debit, securities lending and borrowing collateral payable, accrued expenses and securities settlement credit) approximate to their fair values.

	December 31, 2018			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortized cost	\$ 4,257,741	\$ -	\$ 4,313,993	\$ -
	December 31, 2017			
	Book value	Fair value		
		Level 1	Level 2	Level 3
Financial assets:				
Held-to-maturity financial assets	\$ 5,825,036	\$ -	\$ 5,887,424	\$ -

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

Financial assets at amortized cost and 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.

C. 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 as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,414,701	\$ -	\$ -	\$ 2,414,701
Financial assets at fair value through other comprehensive income				
Unlisted (OTC) stocks	-	-	3,929,251	3,929,251
	<u>\$ 2,414,701</u>	<u>\$ -</u>	<u>\$ 3,929,251</u>	<u>\$ 6,343,952</u>

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Recurring fair value measurements				
Available-for-sale financial assets:				
Beneficiary certificates	\$ 2,163,094	\$ -	\$ -	\$ 2,163,094
Unlisted (OTC) stocks	<u>-</u>	<u>-</u>	<u>3,495,932</u>	<u>3,495,932</u>
	<u>\$ 2,163,094</u>	<u>\$ -</u>	<u>\$ 3,495,932</u>	<u>\$ 5,659,026</u>

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

- (a) The instruments the Company 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 balance sheet date.
- (c) When assessing non-standard and low-complexity financial instruments. The Company adopts 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's 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's 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 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, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

G. Financial segment and commissioned 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, 2018	Valuation technique	Significant unobservable input		Relationship of inputs to fair value
Unlisted (OTC) shares					
Taiwan Futures Exchanges Corporation	\$ 1,339,038	Discount cash dividend method	Dividend growth rate	1.75%	The higher the dividend growth rate, the higher the fair value
			Discount rate (Note)	7.38%	The lower the discount rate, the higher the fair value
Taipei Financial Center Corporation	2,590,213	Discount cash dividend method	Discount rate (Note)	4.12%	The lower the discount rate, the higher the fair value
	Fair value at December 31, 2017	Valuation technique	Significant unobservable input		Relationship of inputs to fair value
Unlisted (OTC) shares					
Taiwan Futures Exchanges Corporation	\$ 1,241,969	Discount cash dividend method	Dividend growth rate	1.5%	The higher the dividend growth rate, the higher the fair value
			Discount rate (Note)	7.38%	The lower the discount rate, the higher the fair value
Taipei Financial Center Corporation	2,253,963	Discounted cash flow method	Discount rate (Note)	4.51%	The lower the discount rate, the higher the fair value

Note: Discount rate is estimated taking into consideration the capital cost structure and operational risk of Taiwan Futures Exchange (TAIFEX) and Taipei Financial Center Corp., respectively.

I. The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation

models or assumptions may result in 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, 2018			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable Change	Favourable Change	Unfavourable Change
Financial assets						
Taiwan Futures Exchanges Corporation	Dividend growth rate	±1%	\$ -	\$ -	\$ 146,499	\$ 102,399
Corporation	Discount rate	±1%	\$ -	\$ -	\$ 138,815	\$ 97,054
Taipei Financial Center Corporation	Discount rate	±1%	\$ -	\$ -	\$ 680,046	\$ 511,502

			December 31, 2017			
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable Change	Favourable Change	Unfavourable Change
Financial assets						
Taiwan Futures Exchanges Corporation	Dividend growth rate	±1%	\$ -	\$ -	\$ 118,192	\$ 83,681
Corporation	Discount rate	±1%	\$ -	\$ -	\$ 111,731	\$ 79,111
Taipei Financial Center Corporation	Discount rate	±1%	\$ -	\$ -	\$ 629,735	\$ 472,091

J. Changes belonging to level 3 financial instruments for the years ended December 31, 2018 and 2017 are as follows:

	Equity instrument
January 1, 2018	\$ 3,495,932
Gains recognized in other comprehensive income	433,319
December 31, 2018	\$ 3,929,251
	<u>Available-for-sale financial assets</u>
January 1, 2017	\$ 3,389,146
Gains recognized in other comprehensive income	106,786
December 31, 2017	\$ 3,495,932

(4) Effects on initial application of IFRS 9, 'Financial instruments'

A. Summary of significant accounting policies adopted in 2017:

(a) Available-for-sale financial assets

- i. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using settlement date accounting.
- iii. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(b) Held-to-maturity financial assets

- i. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.
- ii. On a regular way purchase or sale basis, held-to-maturity financial assets are recognised and derecognized using settlement date accounting.
- iii. Held-to-maturity financial assets are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

(c) 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 amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(d) Impairment of financial assets

- i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

- (i) Significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments;
 - (ii) 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;
 - (iii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) 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 amortised cost if no recognition occurred at the reversal date.

(ii) 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.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, IFRS 9, were as follows:

	Measured at fair value through profit or loss	Available-for- -sale - equity Measured at fair value through other comprehensive income - equity	Held-to maturity Measured at amortised cost	Effects	
				Retained earnings	Other equity
IAS39	\$ -	\$ 5,659,026	\$ 5,825,036	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	2,163,094	(2,163,094)	-	557,271	(557,271)
Impairment loss adjustment	-	-	(2,907)	(2,907)	-
IFRS9	<u>\$ 2,163,094</u>	<u>\$ 3,495,932</u>	<u>\$ 5,822,129</u>	<u>\$ 554,364</u>	<u>(\$ 557,271)</u>

C. The significant accounts as of December 31, 2017 and for the year ended December 31, 2017 are as follows:

(a) Available-for-sale financial assets

Items	December 31, 2017
Current items:	
Beneficiary certificate	\$ 2,022,699
Valuation adjustment of available-for-sale financial assets	140,395
	<u>\$ 2,163,094</u>
Non-current items:	
Unlisted stocks	\$ 1,238,528
Valuation adjustment of available-for-sale financial assets	2,674,280
Accumulated impairment	(416,876)
	<u>\$ 3,495,932</u>

- i. The Company recognised (\$275,809) in other comprehensive income (loss) for fair value change and reclassified \$579,198 from equity to profit or loss for the year ended December 31, 2017.
- ii. The Company has no available-for-sale financial assets pledged to others.

(b) Held-to-maturity financial assets

Items	December 31, 2017
Current items:	
Financial bonds	\$ 1,702,371
Corporate bonds	51,058
	<u>\$ 1,753,429</u>
Non-current items:	
Financial bonds	\$ 3,712,871
Corporate bonds	305,161
Government bonds	53,575
	<u>\$ 4,071,607</u>

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

D. Credit risk information on December 31, 2017 and for the year ended December 2017 are as follows:

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

(a) 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 still estimates them to maintain capability to pay. As of December 31, 2017, accounts receivable that were neither past due nor impaired were \$364,786.

(b) 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>
Less than 6 months	<u>\$ 10,737</u>

(c) Accounts receivable that were impaired

As of December 31, 2017, the Company's accounts receivable that were impaired amounted to \$3,215.

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

	<u>Year ended December 31, 2017</u>	
At January 1	\$	1,558
Provision (reversal) for bad debts		3,215
Write-offs	(1,558)
At December 31	\$	<u>3,215</u>

Financial credit risk

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

The Company's internal and external credit risk ratings are as follows:

<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
Impairment of loss	twD

The credit quality of financial assets held by the Company are classified as Group 1.

(5) Effects on initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

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.

B. There is no significant impact to the current balance sheets and comprehensive income statements if the Company continues adopting above accounting policies.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

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 and 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.

(2) Information on investees

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

14. SEGMENT INFORMATION

Not applicable.

TAIWAN STOCK EXCHANGE CORPORATION
Holding of marketable securities at the end of the period (not including subsidiaries and associates)
December 31, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

	the securities issuer	General ledger account	As of December 31, 2018		Footnote	
			(in thousands)	Fair value		
Beneficiary Certificates						
Sinopac TWD Money Market Fund	None	Financial assets at fair value through profit or loss - current	21,926	\$ 304,838	\$ 304,838	None
Sinopac TAIEX ETF	"	Financial assets at fair value through profit or loss - current	1,913	91,212	91,212	"
Fubon TWSE Corporate Governance 100 ETF	"	Financial assets at fair value through profit or loss - current	1,767	34,156	34,156	"
Mega Taiwan Blue Chip 30 ETF	"	Financial assets at fair value through profit or loss - current	1,111	21,554	21,554	"
Caduey Korea/Taiwan IT premier ETF	"	Financial assets at fair value through profit or loss - current	1,220	20,337	20,337	"
FSITC Taiwan Industry Elite 30 ETF	"	Financial assets at fair value through profit or loss - current	993	17,328	17,328	"
Fubon Taiwan Strategy 1 ETF Private Equity Fund	"	Financial assets at fair value through profit or loss - current	12,983	193,192	193,192	"
Fubon Taiwan Strategy 2 ETF Private Equity Fund	"	Financial assets at fair value through profit or loss - current	22,963	334,348	334,348	"
SinoPac Strategies Fund No. 1	"	Financial assets at fair value through profit or loss - current	46,989	562,453	562,453	"
Caduey Non-Finance Non-Electronics Sub-index Fund	"	Financial assets at fair value through profit or loss - current	25,000	283,000	283,000	"
Yuanta/P-shares Taiwan Top 50 ETF	"	Financial assets at fair value through profit or loss - current	7,315	552,283	552,283	"
		Total financial assets at fair value through profit or loss - current		\$ 2,414,701	\$ 2,414,701	
Stock						
Taiwan Futures Exchange Corporation	None	Financial assets at fair value through other comprehensive income - non-current	16,705	\$ 1,339,038	\$ 1,339,038	None
Taipei Financial Center Corporation	"	Financial assets at fair value through other comprehensive income - non-current	83,853	2,590,213	2,590,213	"
		Total financial assets at fair value through other comprehensive income - non-current		\$ 3,929,251	\$ 3,929,251	
Financial bonds						
E. Sun Bank 101-1 Subordinate Classes Financial Bond	None	Financial assets at amortised cost - current	-	\$ 200,461	\$ 200,632	None
SinoPac Bank 101-1 Subordinate Financial Debentures-A	"	Financial assets at amortised cost - current	-	199,817	201,119	"
Taiwan Agribank 101-1 Subordinate Classes Financial Bond (G13103)	"	Financial assets at amortised cost - current	-	99,972	100,653	"
Laud Bank 101-3 Subordinate Classes Financial Bond (G12717)	"	Financial assets at amortised cost - current	-	199,934	201,201	"
SinoPac Bank 103-2 Subordinate Financial Debentures (G11096)	"	Financial assets at amortised cost - current	-	100,443	100,757	"
				\$ 800,627	\$ 804,362	
Corporate bonds						
Taipower 101-3 Corporate Bond (B903U1Y)	None	Financial assets at amortised cost - current	-	\$ 100,452	\$ 100,525	None
Taipower 101-5A Corporate Bond (B903V2)	"	Financial assets at amortised cost - current	-	100,555	100,629	"
				201,007	201,154	
		Total financial assets at amortised cost - current		\$ 1,001,634	\$ 1,005,516	

As of December 31, 2018

the securities

Marketable securities

	the securities issuer	General ledger account	As of December 31, 2018		Footnote
			(in thousands)	Fair value	
			Book value		
Financial bonds					
Tcb-Bank 102-1 Subordinate Financial Debentures-B (G12425)	None	Financial assets at amortised cost - non-current	\$ 199,902	\$ 201,741	None
Deutsche Bank Aktiengesellschaft Acting Through Its Singapore Branch as Issuer	"	Financial assets at amortised cost - non-current	-	180,211	"
Taipei Fubon Subordinated Bank Bond 102-1	"	Financial assets at amortised cost - non-current	-	202,397	"
Hua Nan Bank 99-1 Subordinate Classes Financial Bond (G189AB)	"	Financial assets at amortised cost - non-current	-	499,755	"
Mega International 103-1 Financial bonds G11836	"	Financial assets at amortised cost - non-current	-	303,161	"
CTBC Bank 3rd Unsecured Subordinate Financial Debentures-Tranche A Issue in 2015	"	Financial assets at amortised cost - non-current	-	199,902	"
SinoPac Bank 101-1 Subordinate Financial Debentures-B	"	Financial assets at amortised cost - non-current	-	200,519	"
Taiwan Agribank 101-1 Subordinate Classes Financial Bond-B (G13104)	"	Financial assets at amortised cost - non-current	-	99,972	"
Taipei Agribank 101-1 Financial Bond-B (G13104-1)	"	Financial assets at amortised cost - non-current	-	202,006	"
Land Bank 4th Financial Bond-Tranche B Issue in 2012 (G12719)	"	Financial assets at amortised cost - non-current	-	202,832	"
Shin Kong 101-1 Financial bonds-B (G11649)	"	Financial assets at amortised cost - non-current	-	202,051	"
Cathay Bank 102-1 Financial bonds (G179C1)	"	Financial assets at amortised cost - non-current	-	305,583	"
Taishin International Bank 3rd Financial Bond-Tranche A Issue in 2015 (G19983)	"	Financial assets at amortised cost - non-current	-	104,605	"
			\$ 2,899,014	\$ 2,943,580	
Corporate bonds					
Taiwan Power Company 4th Unsecured Corporate Bond-B Issue in 2011 (B903UK)	None	Financial assets at amortised cost - non-current	-	102,029	None
CPC Corporation 101-2 Secured C (B71872)	"	Financial assets at amortised cost - non-current	-	100,968	"
Taiwan Power Company 5th Unsecured Corporate Bond-B Issue in 2012 (B903V3)	"	Financial assets at amortised cost - non-current	-	100,871	"
			\$ 303,868	\$ 306,977	
Government bonds					
Taiwan Government Bond A097105	None	Financial assets at amortised cost - non-current	-	53,225	None
		Total financial assets at amortised cost - non-current	\$ 3,256,107	\$ 3,308,477	

TAIWAN STOCK EXCHANGE CORPORATION

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, 2018

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 2

	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2018		Addition		Disposal		Balance as at December 31, 2018		
				Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	
Marketable securities												
Sinopac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	58,619	\$ 811,614	-	\$ -	36,693	\$ 509,008	-	21,926	\$ 304,838
Yuanta/P-shares Taiwan Top 50 ETF	Financial assets at fair value through profit or loss - current	-	-	2,457	201,842	4,858	395,073	-	-	-	7,315	552,283

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

TAIWAN STOCK EXCHANGE CORPORATION

Information on investees

Year ended December 31, 2018

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, 2018	Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income (loss) recognised by the Company for the year ended December 31, 2018	Footnote
				December 31, 2018	December 31, 2017					
Taiwan Stock Exchange Corporation	Taiwan Depository & Clearing Corporation (TIDCC)	11F, No. 363, Fusing N. Rd., Taipei City	Custodian of securities and other services	\$ 583,107	\$ 583,107	187,366	\$ 12,822,045	\$ 2,594,320	\$ 1,312,481	The Company's subsidiaries
"	Taiwan-Ca Inc. (TWCA)	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	87,720	87,720	7,557	102,900	45,550	13,769	"
"	Taiwan Index Plus Corporation	11F.-1, No.36, Songren Rd., Taipei City	Index compilation, maintenance and dissemination	150,000	150,000	15,000	168,755	17,908	17,908	"
"	Taiwan Ratings Corporation	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	15,045	15,045	1,399	27,780	38,079	7,612	The investee company accounted for using equity method
Taiwan Depository & Clearing Corporation	Fundrich Securities Co., Ltd.	8F, No. 365, Fusing N. Rd., Dis., Taipei City	Sales of funds	439,834	409,404	33,985	361,265	(57,259)	-	-
"	Taiwan-Ca Inc. (TWCA)	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	9,700	9,700	4,521	59,783	45,550	-	-
"	Taiwan Ratings Corporation	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	13,300	13,300	1,330	26,405	38,079	-	-
Taiwan-Ca Inc.	Taiwan Ratings Corporation	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	4	4	1	4	38,079	-	-