

**TAIWAN STOCK EXCHANGE CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2016 AND 2015**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of Taiwan Stock Exchange Corporation

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Stock Exchange Corporation and its subsidiaries (“the Company and its subsidiaries”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent auditors (refer to *Other matter* section of our report), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

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

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

Description

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

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

The fair value of above-mentioned Taiwan Futures Exchange's and Taipei Financial Center Corp.'s stocks, as a result of estimates involving many assumptions including compound growth rate of dividends, discounted rate and discounted on liquidity and so on, was easier arising subjective judgement and high uncertainly to effect measurement of fair value significantly. Therefore, we determined the measurement of fair value that the Company and its subsidiaries estimate on Taiwan Futures Exchange's and Taipei Financial Center Corp.'s stocks as one of the key areas of focus for this year's audit.

How our audit addressed the matter

We performed audit procedures on the above key audit matter, assessing appropriateness of significant assumptions as compound growth rate of dividends, discounted rate and discounted on liquidity as so on, consisting of following procedures:

1. Comparing compound growth rate of dividends with historical outcome.
2. For discounted rate, checking cost assumption of cash-generating units, and comparing with similar return on assets ratio in the market and checking the reasonableness of discounted on liquidity.
3. Checking the reasonableness of valuation model parameters and calculation formula..

Accuracy of operating revenue

Description

Refer to Note 4(23) for accounting policy on revenue recognition, Note 6(23) for “Trading fees”, and operating revenue for the year ended December 31, 2016 amounted to NT\$ 7,417,894 thousand.

The Company and its subsidiaries have variable categories in 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 and so on. Each revenue recognized based on the basis and pricing method were ruled on regulations or contracts. As a result of the amount of operating revenue was significant, therefore, we determined the accuracy of operating revenue calculating as one of the key areas of focus for this year’s audit.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Meeting with management to understand the Company and its subsidiaries’ operation and industry character, evaluating the internal control flow of operating revenue, consisting of understanding the information environment that management used to calculate related revenue, and test the effectiveness of material internal control.
2. Verifying pricing method that management used to calculate each revenue, whether meets with 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(6) for accounting policy on cash equivalents, Note 6(1)(9)(8) for “cash and cash equivalents”, “other current financial assets”, “settlement and clearing funds” and “default damages fund”. Cash and cash equivalents amount to NT\$14,879,991 thousand, other current financial assets amounted to NT\$12,396,083 thousand, settlement and clearing funds amounted to NT\$3,374,881 thousand and default damages fund amounted to NT\$11,103,029 thousand for the year ended December

31, 2016.

The Company and its subsidiaries' cash in bank deposited mostly in domestic bank, and recognized as cash and cash equivalent or other current financial assets based on deposit period. According to "Securities and Exchange Act" and "Regulations Governing Securities Firms", securities firms should appropriate certain amount for settlement and clearing funds in the Company and its subsidiaries, if securities firms defaults on Settlement Obligations, all price difference and expenses arising from aforementioned defaults, credit the settlement and clearing funds which is appropriated by each securities firm, in addition, the Company and its subsidiaries distribute default damages fund in proportion of trading fee revenue in accordance with Securities and Exchange Act and related regulations, and used all to purchase time deposit.

As a result of the amount of cash and cash equivalent, other current financial assets, settlement and clearing funds and default damages fund were significant, therefore, we determine the existence and classification of cash and cash equivalents as one of the key areas of focus for this fiscal year's audit.

How our audit addressed the matter

We and the reports of other auditors performed the following audit procedures on the above key audit matter:

1. Meeting with the Company and its subsidiaries' management to understand the internal control workflow, and testing the effectiveness of material internal control.
2. Performing confirmation to financial institutions, confirming the existence, accuracy of financial assets, and verifying right and obligation of the financial assets.
3. Checking the cash in bank which has specific purposes or limitation has transferred to proper accounting items.
4. Performing time deposit counts, and verifying inventory details to accounted information.
5. Performing transactions test in material cash collection, confirming it was for operation requirement and no significant unusual transaction.

Other matter

We did not audit the financial statements of a wholly-owned consolidated subsidiaries and investments recognized under the equity method that are included in the financial statements. Total assets (including investments accounted for using equity method) of NT\$24,331,787 thousand and NT\$ 22,685,860 on

December 31, 2016 and 2015, constituting 28% and 28% of consolidated total assets. Operating income of NT\$ 3,378,663 thousand and NT\$ 3,379,196, for the years ended December 31, 2016 and 2015, constituting 46% and 43% of consolidated total operating income, respectively. Those financial statements were audited by other independent accountants whose report thereon have been furnished to us, and our opinion expressed herein is based solely on the audit reports of the other independent accountants.

We have audited and expressed an unqualified opinion on the parent company only financial statements of Taiwan Stock Exchange Corporation as at and for the years ended December 31, 2016 and 2015.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the “Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchanges” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee

that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

performance of the group audit. We remain solely responsible for our audit opinion.

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

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

PricewaterhouseCoopers, Taiwan

March 28, 2017

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

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
Current Assets					
Cash and cash equivalents	6(1)	\$ 14,879,991	17	\$ 15,197,590	19
Financial assets at fair value through profit or loss - current	6(2)	2,105,236	2	2,058,147	3
Available-for-sale financial assets - current	6(3)	4,072,504	5	5,382,762	7
Held-to-maturity financial assets - current	6(4)	5,305,758	6	3,007,615	4
Accounts receivable, net	6(6) and 7	499,601	1	573,597	1
Other receivables		412,858	1	162,979	-
Other current financial assets	6(1)	12,396,083	14	10,215,177	13
Securities settlement debit	6(9)	11,493,736	13	7,422,752	9
Other current assets	6(7) and 8	659,462	1	256,603	-
Current Assets		51,825,229	60	44,277,222	56
Non-current Assets					
Available-for-sale financial assets - noncurrent	6(3)	4,768,784	5	4,416,989	5
Held-to-maturity financial assets - noncurrent	6(4)	12,983,404	15	14,299,685	18
Default damages fund	6(8)	11,103,029	13	10,890,525	14
Financial assets carried at cost - noncurrent	6(5)	18,000	-	18,000	-
Investments accounted for under equity method	6(10)	57,664	-	56,373	-
Property and equipment	6(11)	4,216,819	5	4,047,541	5
Investment property - net	6(12)	333,187	-	269,660	-
Intangible assets	6(13)	624,275	1	622,417	1
Other non-current assets	6(14)	671,770	1	854,763	1
Non-current Assets		34,776,932	40	35,475,953	44
Total Assets		\$ 86,602,161	100	\$ 79,753,175	100

(Continued)

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2016		December 31, 2015	
		AMOUNT	%	AMOUNT	%
Current Liabilities					
Securities lending and borrowing collateral payable	6(15)	\$ 9,733,244	11	\$ 8,898,326	11
Accrued expenses		1,478,161	2	1,474,961	2
Current income tax liabilities		117,210	-	199,164	-
Securities settlement credit	6(9)	11,493,736	13	7,422,752	9
Other current liabilities	6(16)	1,717,262	2	1,144,024	2
Current Liabilities		24,539,613	28	19,139,227	24
Non-current Liabilities					
Deferred income tax liabilities	6(26)	76,279	-	81,899	-
Net defined benefit liabilities – non-current	6(17)	718,165	1	589,330	1
Guarantee deposits received		115,178	-	136,646	-
Non-current Liabilities		909,622	1	807,875	1
Total Liabilities		25,449,235	29	19,947,102	25
Equity Attributable to Owners of the Parent					
Share Capital					
Share capital - common stock	6(18)	6,769,456	8	6,604,348	9
Capital Surplus					
Capital surplus	6(19)	3,525	-	578	-
Retained Earnings					
Legal reserve	6(20)	5,079,925	6	4,913,081	6
Special reserve	6(20)	33,244,314	39	32,902,283	41
Unappropriated retained earnings	6(21)	1,151,870	1	1,668,441	2
Other Equity Interest					
Other equity interest	6(22)	3,721,509	4	3,158,283	4
Equity Attributable to Owners of the Parent		49,970,599	58	49,247,014	62
Non-controlling Interest		11,182,327	13	10,559,059	13
Total Equity		61,152,926	71	59,806,073	75
TOTAL LIABILITIES AND EQUITY		\$ 86,602,161	100	\$ 79,753,175	100

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(23) and 7				
Trading fees		\$ 1,937,003	26	\$ 2,302,140	29
Listing fees		1,047,745	14	1,153,101	15
Securities settlement service fees		944,898	13	846,571	11
Securities recording service fees		646,532	9	756,076	10
Transfer process service fees		411,625	6	465,877	6
Account maintenance service fees		366,237	5	368,549	5
Market data fees		349,444	5	344,654	4
Future clearing service fees		219,345	3	142,954	2
Mutual fund service fees		176,624	2	156,291	2
Data processing fees		152,533	2	183,353	2
Securities settlement service fees		135,591	2	158,156	2
Others		1,030,317	13	1,013,992	12
Total Operating Revenue		<u>7,417,894</u>	<u>100</u>	<u>7,891,714</u>	<u>100</u>
Operating costs	6(24)	(<u>115,035</u>)	(<u>2</u>)	(<u>131,967</u>)	(<u>2</u>)
Net operating margin		<u>7,302,859</u>	<u>98</u>	<u>7,759,747</u>	<u>98</u>
Operating expenses	6(24)				
Personnel		(<u>2,535,776</u>)	(<u>34</u>)	(<u>2,479,982</u>)	(<u>31</u>)
General & administrative	7	(<u>3,116,057</u>)	(<u>42</u>)	(<u>3,062,158</u>)	(<u>39</u>)
Total Operating Expenses		(<u>5,651,833</u>)	(<u>76</u>)	(<u>5,542,140</u>)	(<u>70</u>)
Operating profit		<u>1,651,026</u>	<u>22</u>	<u>2,217,607</u>	<u>28</u>
Non-operating income and expenses					
Interest income		582,421	8	704,067	9
Gain on disposal of investments	6(3)	71,660	1	13,823	-
Share of profit of associates accounted for using equity method	6(10)	14,416	-	13,562	-
Other income		238,590	3	186,738	2
Finance costs	6(25)	(<u>5,385</u>)	-	(<u>7,080</u>)	-
Other gains and losses		(<u>274,249</u>)	(<u>3</u>)	(<u>95,613</u>)	(<u>1</u>)
Total non-operating income and expenses		<u>627,453</u>	<u>9</u>	<u>815,497</u>	<u>10</u>
Profit before income tax		<u>2,278,479</u>	<u>31</u>	<u>3,033,104</u>	<u>38</u>
Income tax expense	6(26)	(<u>384,516</u>)	(<u>5</u>)	(<u>512,507</u>)	(<u>6</u>)
Profit for the year		<u>\$ 1,893,963</u>	<u>26</u>	<u>\$ 2,520,597</u>	<u>32</u>

(Continued)

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2016		2015	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Losses on remeasurements of defined benefit plans		(\$ 61,151)	(1)	(\$ 5,261)	-
Share of other comprehensive loss of associates accounted for using equity method.	6(10)	(760)	-	(296)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		310	-	107	-
Total other comprehensive loss that will not be reclassified to profit or loss		(61,601)	(1)	(5,450)	-
Components of other comprehensive income that will be reclassified to profit or loss					
Unrealized gain on valuation of available-for-sale financial assets	6(3)	659,720	9	53,658	1
Components of other comprehensive income that will be reclassified to profit or loss		659,720	9	53,658	1
Total comprehensive income for the year		<u>\$ 2,492,082</u>	<u>34</u>	<u>\$ 2,568,805</u>	<u>33</u>
Profit (loss), attributable to:					
Owners of the parent		\$ 1,193,373	16	\$ 1,699,021	22
Non-controlling interest		700,590	10	821,576	10
		<u>\$ 1,893,963</u>	<u>26</u>	<u>\$ 2,520,597</u>	<u>32</u>
Comprehensive income attributable to:					
Owners of the parent		\$ 1,711,290	23	\$ 1,643,021	21
Non-controlling interest		780,792	11	925,784	12
		<u>\$ 2,492,082</u>	<u>34</u>	<u>\$ 2,568,805</u>	<u>33</u>
Earnings per share					
Basic earnings per share	6(27)		1.76		2.51

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

TAIWAN SECURITIES CHANGE CO. LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	Equity attributable to owners of the parent						Non-Controlling Interest	Total Equity	
		Share Capital - Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Unappropriated Earnings	Other Equity Interest			Total
2015										
Balance at January 1, 2015		\$ 6,443,266	\$ 578	\$ 4,728,691	\$ 32,182,134	\$ 1,919,366	\$ 3,166,348	\$ 48,440,383	\$ 9,758,291	\$ 58,198,674
Net income for 2015		-	-	-	-	1,699,021	-	1,699,021	821,576	2,520,597
Other comprehensive income (loss) for 2015	6(22)	-	-	-	-	(47,935)	(8,065)	(56,000)	104,208	48,208
Total comprehensive income (loss)		-	-	-	-	1,651,086	(8,065)	1,643,021	925,784	2,568,805
Appropriations of 2014 earnings:	6(21)									
Legal reserve		-	-	184,390	-	(184,390)	-	-	-	-
Special reserve		-	-	-	590,049	(590,049)	-	-	-	-
Cash dividends		-	-	-	-	(966,490)	-	(966,490)	-	(966,490)
Stock dividends		161,082	-	-	-	(161,082)	-	-	-	-
Recognized special reserve		-	-	-	130,100	-	-	130,100	127,881	257,981
Changes in non-controlling interests		-	-	-	-	-	-	-	(252,897)	(252,897)
Balance at December 31, 2015		\$ 6,604,348	\$ 578	\$ 4,913,081	\$ 32,902,283	\$ 1,668,441	\$ 3,158,283	\$ 49,247,014	\$ 10,559,059	\$ 59,806,073
2016										
Balance at January 1, 2016		\$ 6,604,348	\$ 578	\$ 4,913,081	\$ 32,902,283	\$ 1,668,441	\$ 3,158,283	\$ 49,247,014	\$ 10,559,059	\$ 59,806,073
Net income for 2016		-	-	-	-	1,193,373	-	1,193,373	700,590	1,893,963
Other comprehensive income (loss) for 2016	6(22)	-	-	-	-	(45,309)	563,226	517,917	80,202	598,119
Total comprehensive income		-	-	-	-	1,148,064	563,226	1,711,290	780,792	2,492,082
Appropriations of 2015 earnings:	6(21)									
Legal reserve		-	-	166,844	-	(166,844)	-	-	-	-
Special reserve		-	-	-	342,031	(342,031)	-	-	-	-
Cash dividends		-	-	-	-	(990,652)	-	(990,652)	-	(990,652)
Stock dividends		165,108	-	-	-	(165,108)	-	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed		-	437	-	-	-	-	437	-	437
Changes in ownership of subsidiaries		-	2,510	-	-	-	-	2,510	2,452	4,962
Changes in non-controlling interests		-	-	-	-	-	-	-	(159,976)	(159,976)
Balance at December 31, 2016		\$ 6,769,456	\$ 3,525	\$ 5,079,925	\$ 33,244,314	\$ 1,151,870	\$ 3,721,509	\$ 49,970,599	\$ 11,182,327	\$ 61,152,926

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 2,278,479	\$ 3,033,104
Adjustments			
Adjustments to reconcile profit (loss)			
Interest income		(582,421)	(704,067)
Dividends income		(181,729)	(155,725)
Finance costs	6(25)	5,385	7,080
Provision for bad debts (reversal)		(7)	168
Amortization of discount or premium of debt investment		26,596	38,720
Depreciation (including investment property)	6(24)	591,335	502,937
Amortization	6(24)	228,433	217,151
Loss (gain) on financial assets at fair value through profit or loss		(178)	12
Gain on disposal of investments		(71,660)	(13,823)
Gain on disposal of property and equipment		3,351	(19)
Equity in net income of investee companies-net of cash dividends received		(1,948)	5,073
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(46,911)	(268,916)
Accounts receivable		74,670	(5,153)
Other receivables		(19,081)	(35,586)
Other current assets		(402,867)	(33,726)
Default damages fund		(212,504)	(231,927)
Other non-current assets		(7,600)	(108,784)
Changes in operating liabilities			
Securities lending and borrowing collateral payable		834,918	3,721,372
Accrued expenses		11,210	36,162
Other current liabilities		576,384	500,334
Net defined benefit liabilities		67,994	75,751
Cash inflow generated from operations		3,171,849	6,580,138
Interest received		580,683	752,617
Interest paid		(5,897)	(6,210)
Income tax paid		(489,652)	(529,944)
Income taxes refund		-	257,981
Net cash flows from operating activities		<u>3,256,983</u>	<u>7,054,582</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in other current financial assets		(2,180,906)	2,212,487
Decrease (Increase) in available-for-sale financial assets-net		1,689,843	(1,917,183)
(Increase) Decrease in held-to-maturity financial assets-net		(1,008,458)	1,427,471
Increase in financial assets at cost		-	(18,000)
Cash arising from consolidation		(181,446)	-
Acquisition of property and equipment	6(28)	(686,608)	(1,080,296)
Proceeds from disposal of property and equipment		4,377	56
Increase in intangible assets	6(13)	(131,390)	(65,551)
Increase in prepayments for equipment		(106,449)	(277,779)
Decrease (Increase) in refundable deposits-net		34,513	(50,571)
Increase in operation guarantee deposits-net		(20,000)	-
Dividends received		181,729	155,725
Net cash flows (used in) from investing activities		<u>(2,404,795)</u>	<u>386,359</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid		(990,652)	(966,490)
(Decrease) Increase in guarantee deposits received		(24,558)	43,898
Changes in non-controlling interests		(154,577)	(252,897)
Net cash flows used in financing activities		<u>(1,169,787)</u>	<u>(1,175,489)</u>
Net (decrease) increase in cash and cash equivalents		(317,599)	6,265,452
Cash and cash equivalents at beginning of year		15,197,590	8,932,138
Cash and cash equivalents at end of year		<u>\$ 14,879,991</u>	<u>\$ 15,197,590</u>

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

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

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 28, 2017.

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”)

None.

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

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

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

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

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

(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 endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

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 and its subsidiaries 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.

B. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize 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.

C. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with the “Criteria Governing Preparation of Financial Reports by Company-Type Stock Exchange” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”). However, the Company and its subsidiaries comply with orders with different regulations issued by Financial Supervisory Commission (FSC).

(2) Basis of preparation

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the consolidated financial statements. Subsidiaries are all entities controlled by the Company. The Company and its subsidiaries control an entity when the Company and its subsidiaries are exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Company and its subsidiaries obtain control of the subsidiaries and ceases when the Company and its subsidiaries lose control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. For the years ended December 31, 2016 and 2015, the details of consolidated subsidiaries are as follows:

- (a) Taiwan Depository & Clearing Corporation (TDCC):
 - i. TDCC was established in October 1989. It provides the following services: (a) custody of securities certificates; (b) maintenance of records of securities settled or pledged; (c) electronic processing of records for securities; (d) service in connection with book-entry distribution of securities; (e) book-entry registration of non-certificated securities; (f) depository and clearing of short-term bills; and (g) other services approved by the

Competent Authority.

- ii. The Company's ownership percentage as of December 31, 2016 and 2015 was 50.59% and 50.43%, respectively.

(b) Taiwan – Ca Inc. (TWCA):

- i. TWCA was incorporated on December 17, 1999 and is mainly engaged in internet certification, retail and wholesale of information software and related services.
- ii. TWCA was 30.23% owned by the Company as of December 31, 2016 and 2015. Although the Company and its subsidiaries does not directly or indirectly hold more than 50% of TWCA's voting shares, the Company and TDCC together hold more than half of all the Board of Directors' seats. Therefore, the Company and its subsidiaries exercises significant control over TWCA.

(c) Global Link Securities Co., Ltd.

- i. Global Link Securities Co., Ltd. was established on September 18, 2015 and is primarily engaged in accepting orders to trade securities on the centralized securities exchange market and accepting orders to trade foreign securities – sub-brokerage.
- ii. As of December 31, 2015, the Company's shareholding ratio was 100%. However, Global Link Securities Co., Ltd. was liquidated with the resolution of Board of Directors on October 26, 2016. The liquidation became effective on December 29, 2016.

(d) Taiwan Index Plus Corporation (TIP) :

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

(e) Fundrich Securities Co., Ltd.

- i. On December 4, 2015, the Securities and Futures Bureau, Financial Supervisory Commission approved Fundrich Securities Co., Ltd. to engage in securities brokerage business. Furthermore, Taipei City Government approved Fundrich Securities Co., Ltd. to register for establishment on December 15, 2015. Fundrich Securities Co., Ltd. has applied for the permission based on Standards Governing the Establishment of Securities Firms and related laws, and is primarily engaged in sales of funds.
- ii. Through the subsidiary, TDCC, the Company's shareholding ratio as of December 31, 2016 and 2015 was 51.43% and 85.71%, respectively.

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

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

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

F. Subsidiaries that have non-controlling interests that are material to the Company and its subsidiaries: As of December 31, 2016 and 2015, the non-controlling interest amounted to \$11,182,327 and \$10,559,059, respectively. The information on non-controlling interest and

respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		December 31, 2016		December 31, 2015	
		Amount	Ownership (%)	Amount	Ownership (%)
TDCC and its subsidiaries	Taiwan	\$ 11,034,374	49.41%	\$ 10,420,733	49.57%

Balance sheets

	TDCC and its subsidiaries	
	December 31, 2016	December 31, 2015
Current assets	\$ 10,646,268	\$ 10,058,029
Non-current assets	13,097,380	12,119,626
Current liabilities	(1,103,693)	(826,974)
Non-current liabilities	(449,125)	(358,816)
Total net assets	\$ 22,190,830	\$ 20,991,865

Statements of comprehensive income

	TDCC and its subsidiaries	
	Years ended December 31,	
	2016	2015
Revenue	\$ 3,570,566	\$ 3,647,963
Profit before income tax	1,708,389	1,958,941
Income tax expense	(296,936)	(331,649)
Profit for the period	1,411,453	1,627,292
Other comprehensive income, net of tax	163,376	210,576
Total comprehensive income for the period	\$ 1,574,829	\$ 1,837,868
Dividends paid to non-controlling interest	\$ 254,882	\$ 249,591

Statements of cash flows

	TDCC and its subsidiaries	
	Years ended December 31,	
	2016	2015
Net cash provided by operating activities	\$ 1,503,943	\$ 1,728,503
Net cash used in investing activities	(1,037,362)	(639,193)
Net cash used in financing activities	(357,141)	(477,296)
Increase in cash and cash equivalents	109,440	612,014
Cash and cash equivalents, beginning of period	2,653,212	2,041,198
Cash and cash equivalents, end of period	\$ 2,762,652	\$ 2,653,212

(4) Foreign currency translation

Items included in the financial statements of each of the Company's and its subsidiaries' entities are measured using the currency of the primary economic environment in which the entity operates (the

“functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company and its subsidiaries’ functional and the presentation currency.

Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss. All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within ‘other gains and losses’.

(5) Classification of current and non-current items

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

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be paid off within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents include cash on hand, deposits and other short-term investment with high liquidity that will expire within three months since acquisition in the consolidated statement of cash flows, can be transferred into fixed amount of cash and the risk of change in value is minor. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term.

B. On a regular way purchase or sale basis, financial assets held for trading are recognized and

derecognized using settlement date accounting.

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

(8) Available-for-sale financial assets

- A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.
- B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using settlement date accounting.
- C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently re-measured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in 'financial assets measured at cost'.

(9) Held-to-maturity financial assets

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

(10) Accounts receivables

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

(11) Impairment of financial assets

- A. The Company and its subsidiaries assess at each balance sheet date whether there is objective

evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company and its subsidiaries use to determine whether there is objective evidence of an impairment loss is as follows:

- (a) Significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments;
- (b) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (c) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

(a) Financial assets measured at amortized cost

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

(b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognized in profit or loss. Impairment loss recognized for this category shall not be reversed subsequently. Impairment loss is recognized by adjusting the carrying amount of the asset directly.

(c) Available-for-sale financial assets

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

of the asset through the use of an impairment allowance account.

(12) Derecognition of financial assets

The Company and its subsidiaries derecognize a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(13) Operating lease

Lease income from an operating lease (net of any incentives given to the lessee) and payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

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

A. Associates are all entities over which the Company and its subsidiaries have significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

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

(15) Property and equipment

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

B. Land is not depreciated and computer equipment is depreciated using the fixed percentage on declining balance method. Other property and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

C. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

(16) Investment property

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

(17) Intangible assets

A. Computer software

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

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

The amount recognized at acquisition date is considered as the cost of goodwill that arises in a business combination, and is then measured based on the amount of cost less accumulated impairment loss.

(18) Impairment of non-financial assets

- A. The Company and its subsidiaries assess at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.
- B. The recoverable amounts of goodwill that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or group of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(19) Derecognition of financial liabilities

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

(20) Pensions

A. Defined contribution plans

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

B. Defined benefit plan

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

(b) Remeasurements arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings

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

(21) Income tax

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

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

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

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

(22) Dividends

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

(23) Revenue recognition

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

(24) Business combinations

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

(25) Operating segments

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

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

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

assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

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

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

As of December 31, 2016, the carrying amount of unlisted stocks was \$4,768,784.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Checking accounts and demand deposits	\$ 8,253,955	\$ 5,980,258
Cash equivalents		
Time deposits which expire within three months from initial date	2,339,003	2,162,703
Commercial papers	3,947,033	6,594,577
Repo bonds	340,000	460,052
	<u>\$ 14,879,991</u>	<u>\$ 15,197,590</u>

- A. As of December 31, 2016 and 2015, the time deposits with maturity of more than three months from initial date were \$12,396,083 and \$10,215,177, respectively, and were shown as ‘other financial assets – current’.
- B. The Company and its subsidiaries associate with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- C. Details of the Company and its subsidiaries cash and cash equivalents pledged to others as collateral are provided in Note 8.

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

<u>Items</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Financial assets held for trading		
Beneficiary certificates	<u>\$ 2,105,236</u>	<u>\$ 2,058,147</u>

- A. For the years ended December 31, 2016 and 2015, the Company and its subsidiaries recognized net gain of \$5,240 and \$10,118 (shown as ‘other income’), respectively.
- B. The Company and its subsidiaries have no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Beneficiary certificate	\$ 3,549,514	\$ 5,167,697
Valuation adjustment of available-for-sale financial assets	522,990	215,065
	\$ 4,072,504	\$ 5,382,762
Non-current items:		
Unlisted stocks	\$ 1,067,493	\$ 1,067,493
Valuation adjustment of available-for-sale financial assets	3,818,167	3,466,372
Accumulated impairment	(116,876)	(116,876)
	\$ 4,768,784	\$ 4,416,989

A. The Company and its subsidiaries recognized \$659,720 and \$53,658 in other comprehensive income for fair value change and reclassified \$71,660 and \$13,823 from equity to profit or loss for the years ended December 31, 2016 and 2015, respectively.

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

(4) Held-to-maturity financial assets

Items	December 31, 2016	December 31, 2015
Current items:		
Financial bonds	\$ 4,854,841	\$ 1,956,660
Corporate bonds	450,917	700,000
Government bonds	-	350,955
	\$ 5,305,758	\$ 3,007,615
Non-current items:		
Financial bonds	\$ 11,715,197	\$ 12,727,013
Corporate bonds	759,705	1,059,753
Government bonds	508,502	512,919
	\$ 12,983,404	\$ 14,299,685

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

(5) Financial assets measured at cost

Items	December 31, 2016	December 31, 2015
Unlisted stocks	\$ 18,000	\$ 18,000

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

assets measured at cost'.

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

(6) Accounts receivable

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable	\$ 501,184	\$ 576,570
Less: Allowance for bad debts	(1,583)	(2,973)
	<u>\$ 499,601</u>	<u>\$ 573,597</u>

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

(7) Other current assets

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Receipt and payment for offshore mutual funds on behalf of others	\$ 297,062	\$ 96,368
Payments under cross-border custody	146,787	44,327
Others	<u>215,613</u>	<u>115,908</u>
	<u>\$ 659,462</u>	<u>\$ 256,603</u>

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

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

(8) Default damages fund

A. The Company, as required by Securities and Exchange Law and related regulations, makes cash contributions to a default damages fund (DDF) at certain percentages of trading fees within 15 days at the end of each quarter (Dr. default damages fund; Cr. cash), except for the first draft of \$50,000. However, the Company stops making cash contributions to the DDF when the accumulated amount of the DDF is equal to or greater than the total amount of the Company's capital. In addition, following the regulations of the Competent Authority No. 00480 bulletin (1986), an equivalent amount of default damages reserve has been recontributed starting from 1986. Additionally, following Article 6 of "Taiwan Stock Exchange Corporation Securities Borrowing and Lending Rules", and the regulations of the Competent Authority No. 0920129756 bulletin (2003), the Company contributes 3% of each loan service fee it receives as default damages fund.

B. As the accumulated amount of the DDF has exceeded the total amount of the Company's capital, the Company has stopped making contributions to the DDF and default damages reserve since November 2006. However, in accordance with the Competent Authority No. 0980026755 bulletin (June 2009), the Company and its subsidiaries have contributed 5% of trading fees to the DDF within 15 days after the end of every quarter since January 1, 2010.

- C. Taiwan Depository & Clearing Corporation (TDCC) allocates 5% of revenue from securities settlement services, accounts transferring services, accounts maintenance and other services to default damages fund (Debit: default damages fund, credit: cash) 15 days after the end of each quarter until the accumulated fund balance equals TDCC's paid-in capital.
- D. For the preparation of financial statements in accordance with IFRSs from January 1, 2013, following the regulatory authority, the default damages reserve the Company and its subsidiaries have contributed should be reclassified to 'special reserve', which cannot be used for other purposes except to cover accumulated deficit or for other uses approved by the Financial Supervisory Commission. In addition, contribution to the default damages fund was discontinued effective from October 30, 2012.
- E. Under regulations of the competent authority, if losses occur when the Company pays the settlement on behalf of others by Securities and Exchange Act Article 153, as reported to and approved by the competent authority, the losses will be directly offsetted against the above special reserve and the expense is not recognized.
- F. Under regulation of the competent authority, if TDCC uses above special reserve in the future and receives approval from the competent authority, TDCC will directly write down the amount and will not recognize as expense.
- G. In September 1996, the Competent Authority approved a common fund, the Securities Settlement Fund ("SSF"), to be used in settling defaults by securities companies. The Company established the special settlement fund ("SF") with an initial funding of \$1,000,000. If the Company and its subsidiaries' DDF exceeds \$1,000,000, the excess should be contributed to the SF until the contribution reaches \$2,000,000. As of December 31, 2016 and 2015, the balance of the SF was \$3,000,000.
- H. The movements of the Default damages fund are as follows:

	Years ended December 31,	
	2016	2015
Balance, beginning of year (Note)	\$ 7,890,525	\$ 7,658,598
Contributions		
Based on the amounts of trading fees	102,388	115,209
5% of securities settlements, securities recording and custodial service fees	104,741	112,279
3% of securities lending and borrowing service fees	5,375	4,439
	<u>8,103,029</u>	<u>7,890,525</u>
Settlement fund (SF)	3,000,000	3,000,000
Balance, ending of year	<u>\$ 11,103,029</u>	<u>\$ 10,890,525</u>

Note: The beginning balance of SF was \$3,000,000 and the DDF was \$10,890,525 and \$10,658,598 as of January 1, 2016 and 2015, respectively.

- I. As of December 31, 2016, the DDF is invested in time deposits.

(9) Securities settlement credit (debit)

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

A. Securities settlement fund

- (a) As required by the Competent Authority, securities companies make cash deposits to the SSF, which is administered by a committee and deposited in the name of the Company, and this account is distinguished from the others owned by the Company. Under the Securities and Exchange Law, the SSF can only be (a) invested in government bonds; (b) deposited in banks or in the postal savings system; or (c) invested in other instruments as approved by the Competent Authority. The income on the SSF, less related expenses and taxes, is distributed to the securities companies every six months.
- (b) The obligation of a defaulting securities Company and expenses incurred in meeting obligations are settled using the balance of the defaulting Company’s contributions to the SSF and any undistributed income thereon.
 - i. If the obligation of the defaulting Company still cannot be fully settled, the SF portion in excess of \$1,000,000 will be used.
 - ii. If any obligation remains, then the initial SF of \$1,000,000 plus the contributions to the SSF by other securities companies will be used proportionately.
- (c) As of December 31, 2016 and 2015, the balances of the SSF were \$3,374,881 and \$3,444,874, respectively, and the balances of the SF were all \$3,000,000. The funds are invested in time deposits pursuant to the regulation. In addition, as of December 31, 2016, the Company had entered into a loan agreement with financial institutions in the amount of \$10,800,000 and US\$10,000,000 and provided time deposit of \$2,000,000 to financial institutions as collateral for the need of Securities firms’ application of the advance settlements for finalizing the funds to the Company and emergency revolving fund due to Securities firms violation of settlement obligation or natural disaster. As of December 31, 2016, 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, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Securities settlement credit	\$ 11,493,736	\$ 7,422,752
Securities settlement debit	\$ 11,493,736	\$ 7,422,752

(10) Investments accounted for using the equity method

	December 31, 2016	December 31, 2015
Taiwan Ratings Co. (TRC)	\$ 57,664	\$ 56,373

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

	Taiwan Ratings Co.	
	Years ended December 31,	
	2016	2015
Share of profit of associates accounted for using equity method	\$ 14,416	\$ 13,562
Share of other comprehensive loss of associates accounted for using equity method	(\$ 760)	(\$ 296)

The Company and its subsidiaries percentage of ownership of the abovementioned shares is 39% as of December 31, 2016 and 2015.

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

(11) Property and equipment

Cost	Land	Buildings and structures	Computer equipment	Other equipment	Construction in progress	Rental assets	Total
At January 1, 2016 (including revaluation of \$81,622)	\$1,063,850	\$ 438,742	\$2,902,609	\$ 470,175	\$1,861,764	\$ -	\$6,737,140
Additions	-	31,581	279,595	233,714	141,718	-	686,608
Disposals	-	-	(460,834)	(49,933)	-	-	(510,767)
Transferred	(51,017)	919,298	194,039	922,553	(2,003,482)	80,751	62,142
At December 31, 2016	\$1,012,833	\$1,389,621	\$2,915,409	\$1,576,509	\$ -	\$ 80,751	\$6,975,123

	<u>Land</u>	<u>Buildings and structures</u>	<u>Computer equipment</u>	<u>Other equipment</u>	<u>Construction in progress</u>	<u>Rental assets</u>	<u>Total</u>
<u>Accumulated depreciation</u>							
At January 1, 2016	\$ -	\$ 172,912	\$2,298,021	\$ 218,666	\$ -	\$ -	\$2,689,599
Depreciation	-	18,195	437,537	125,962	-	5,888	587,582
Disposals	-	-	(459,669)	(43,888)	-	-	(503,557)
Transferred	-	(15,320)	-	-	-	-	(15,320)
At December 31, 2016	<u>\$ -</u>	<u>\$ 175,787</u>	<u>\$2,275,889</u>	<u>\$ 300,740</u>	<u>\$ -</u>	<u>\$ 5,888</u>	<u>\$2,758,304</u>
At January 1, 2016 net book amount	<u>\$1,063,850</u>	<u>\$ 265,830</u>	<u>\$ 604,588</u>	<u>\$ 251,509</u>	<u>\$1,861,764</u>	<u>\$ -</u>	<u>\$4,047,541</u>
At December 31, 2016 net book amount	<u>\$1,012,833</u>	<u>\$1,213,834</u>	<u>\$ 639,520</u>	<u>\$1,275,769</u>	<u>\$ -</u>	<u>\$ 74,863</u>	<u>\$4,216,819</u>
<u>Cost</u>							
At January 1, 2015 (including revaluation of \$81,622)	\$1,063,850	\$ 438,742	\$2,660,664	\$ 478,850	\$ 830,014	\$ -	\$5,472,120
Additions	-	-	209,640	17,351	854,750	-	1,081,741
Disposals	-	-	(74,651)	(26,026)	-	-	(100,677)
Transferred	-	-	106,956	-	177,000	-	283,956
At December 31, 2015	<u>\$1,063,850</u>	<u>\$ 438,742</u>	<u>\$2,902,609</u>	<u>\$ 470,175</u>	<u>\$1,861,764</u>	<u>\$ -</u>	<u>\$6,737,140</u>
<u>Accumulated depreciation</u>							
At January 1, 2015	\$ -	\$ 165,090	\$1,942,410	\$ 183,364	\$ -	\$ -	\$2,290,864
Depreciation	-	7,822	430,147	61,406	-	-	499,375
Disposals	-	-	(74,536)	(26,104)	-	-	(100,640)
At December 31, 2015	<u>\$ -</u>	<u>\$ 172,912</u>	<u>\$2,298,021</u>	<u>\$ 218,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,689,599</u>
At January 1, 2015 net book amount	<u>\$1,063,850</u>	<u>\$ 273,652</u>	<u>\$ 718,254</u>	<u>\$ 295,486</u>	<u>\$ 830,014</u>	<u>\$ -</u>	<u>\$3,181,256</u>
At December 31, 2015 net book amount	<u>\$1,063,850</u>	<u>\$ 265,830</u>	<u>\$ 604,588</u>	<u>\$ 251,509</u>	<u>\$1,861,764</u>	<u>\$ -</u>	<u>\$4,047,541</u>

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

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

(12) Investment property

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

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

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

	Years ended December 31,	
	2016	2015
Rental income from investment property	\$ 17,882	\$ 17,499
Direct operating expenses arising from the investment property that generated rental income during the period (Depreciation expense)	\$ 3,753	\$ 3,562

B. The fair value of the investment property held by the Company and its subsidiaries as of December 31, 2016 and 2015, was \$645,017 and \$638,082, respectively. The fair value was revalued by independent appraisers and compared with similar assets' transaction information traded in markets and have been applied appropriate correction after estimation, and comparative law is used for estimation which is categorized within Level 3 in the fair value hierarchy.

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

(13) Intangible assets

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

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

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

(14) Other non-current assets

	December 31, 2016	December 31, 2015
Operations guarantee deposits	\$ 408,500	\$ 430,900
Refundable deposits and other assets	228,494	251,375
Prepayments for equipment	34,776	172,488
	<u>\$ 671,770</u>	<u>\$ 854,763</u>

A. As at December 31, 2016 and 2015, the Company deposited time deposits and financial bonds amounting to \$338,500 and \$330,900, respectively, in the Central Bank of the Republic of China (Taiwan) as guaranty bond.

B. As of December 31, 2016, Fundrich Securities deposited time deposits amounting to \$70,000 in the bank designated by Securities and Futures Bureau, based on the Regulations Governing Securities Firms and other laws.

(15) Securities lending and borrowing collateral payable

The Company has provided securities lending and borrowing services since June 2003. The borrower is required to deposit collaterals based on certain percentages (the stipulated collateral ratio) of borrowed securities daily market prices to the Company. In addition, individual collateral maintenance ratio of each transaction will be calculated on a daily basis, and further collateral will be required if the maintenance ratio is below the collateral ratio. As at December 31, 2016 and 2015, the Company has received collaterals as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash (Note A)	\$ 9,733,244	\$ 8,898,326
Bank draft (Note B)	\$ 7,944,397	\$ 6,828,983
Securities (Note B and C)	\$ 35,614,198	\$ 52,017,926

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, 2016 and 2015.

(16) Other current liabilities

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Security borrowing performance bond payables (Note A)	\$ 562,775	\$ -
Receipts under custody (Note B)	448,479	145,435
Advance receipts (Note C)	397,868	356,018
Deposits received for borrowing securities collateral	100,000	80,000
Temporary receipt at offering price	-	412,232
Others	208,140	150,339
	<u>\$ 1,717,262</u>	<u>\$ 1,144,024</u>

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

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

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

(17) Pensions

A. Defined benefit plans

The amounts recognized in the balance sheet are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Present value of defined benefit obligations	\$ 4,731,560	\$ 4,507,830
Fair value of plan assets	(4,013,395)	(3,918,500)
Net defined benefit liability	<u>\$ 718,165</u>	<u>\$ 589,330</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan asset</u>	<u>Net defined benefit liability</u>
Year ended December 31, 2016			
Balance at January 1	\$ 4,507,830	\$ 3,918,500	\$ 589,330
Current service cost	308,302	-	308,302
Past service cost	27,900	-	27,900
Interest (expense) revenue	<u>60,875</u>	<u>54,654</u>	<u>6,221</u>
	<u>4,904,907</u>	<u>3,973,154</u>	<u>931,753</u>
Remeasurements:			
Return on plan asset (Note)	-	(21,695)	21,695
Change in demographic assumptions	(834)	-	(834)
Change in financial assumptions	125,270	-	125,270
Experience adjustments	<u>(82,864)</u>	<u>-</u>	<u>(82,864)</u>
	<u>41,572</u>	<u>(21,695)</u>	<u>63,267</u>
Pension fund contribution	-	241,240	(241,240)
Paid Pension	(190,320)	(182,605)	(7,715)
Settlement	(27,900)	-	(27,900)
Personnel consolidation effects	<u>3,301</u>	<u>3,301</u>	<u>-</u>
Balance at December 31	<u>\$ 4,731,560</u>	<u>\$ 4,013,395</u>	<u>\$ 718,165</u>

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

Note: Excluding amounts included in interest income or expense.

- (b) Based on the Company and TDCC and its subsidiaries' internal regulations for employee hiring and management, both the Company and TDCC and its subsidiaries and its employees contribute monthly to the workers' pension fund and employees' retirement fund, respectively. The Company and TDCC and its subsidiaries contributes based on certain percentages of salary expenses to a common retirement fund. These funds are administered by the independent pension fund committee and employees' retirement fund committee, respectively. The contributed amounts are deposited to the Bank of Taiwan under the name of the respective committees. Employees who have retired and resigned will receive benefits from the relevant pension fund, retirement fund and common fund.
- (c) TWCA has a pension plan covering all regular employees. Under the pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement.
- TWCA has an employee long-service bonus plan. Under the plan, TWCA provides monthly a certain percentage of the employees' monthly salaries and wages as reserve for severance pay

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company and its subsidiaries' defined benefit pension plan that was administered by the independent retirement fund committee in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization 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 utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The constitution of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilization Report announced by the government. As of December 31, 2016 and 2015, the Company's and subsidiaries' Funds that were administered by employees' retirement fund committee were bank deposits.

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

	Years ended December 31,	
	2016	2015
Discount rate	1.25%~1.38%	1.25%~1.875%
Future salary increases	2%~3.75%	1.50%~3.75%

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

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2016</u>				
Effect on present value of defined benefit obligation	(\$ 113,966)	\$ 118,084	\$ 99,545	(\$ 94,786)
<u>December 31, 2015</u>				
Effect on present value of defined benefit obligation	(\$ 112,346)	\$ 116,503	\$ 94,955	(\$ 87,335)

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

- (f) Expected contributions to the defined benefit pension plans of the Company and its subsidiaries in the year ended December 31, 2017 are \$275,137.

B. Defined contribution plans

- (a) Effective July 1, 2005, the Company and its subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its subsidiaries contributes monthly an amount of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The pension costs under defined contribution pension plans of the Company and its subsidiaries for the years ended December 31, 2016 and 2015 were \$101,878 and \$89,246, respectively.

(18) Share capital

- A. In accordance with the resolution adopted at the stockholders' meeting on June 24, 2015, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 16,108 thousand shares. The registration of this capital increase was approved by the Competent Authority.
- B. In accordance with the resolution adopted at the stockholders' meeting on June 22, 2016, the Company issued common stock by capitalizing the unappropriated retained earnings totaling 16,511 thousand shares. The registration of this capital increase was approved by the Competent Authority.
- C. As of December 31, 2016, the Company's authorized, issued and outstanding common stock consisted of 6,769,456 thousand shares at \$10 dollars par value per share. All proceeds from shares issued have been collected.
- D. Under an amendment to Article 128 of the Securities and Exchange Law promulgated on July 19, 2000, the Company's common stocks can only be sold to authorized securities companies starting January 15, 2001.

(19) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(20) Legal reserve / Special reserve

A. According to the R.O.C. Company Law, the annual net income should be used initially to cover any accumulated deficit; thereafter 10% of the annual net income should be set aside as legal reserve until it has reached 100% of contributed capital. Legal reserve shall be exclusively used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership and shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

B. Special reserve, as required by regulations of the Securities and Futures Bureau (SFB), of at most 80% of the annual net income was determined by the Competent Authority; pursuant to regulations of the Competent Authority, the Company and its subsidiaries has transferred default damages fund to special reserve in preparation of financial statements since 2013 in accordance with IFRSs. And the special reserve that has been resolved by the stockholders can only be used, upon the Competent Authority's approval, to offset deficit or transferred to capital.

(21) Unappropriated retained earnings

A. The annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be set aside as legal reserve and special reserve upon the Competent Authority's approval.

The remaining amount can be distributed by a resolution passed during a meeting of the Board of Directors and approved at the stockholders' meeting.

B. As approved by the stockholders during their meeting, cash dividends declared for 2015 and 2014 were \$1.5 (in dollars) per share for both years and the stock dividends for 2015 and 2014 were \$0.25 (in dollars) per share for both years.

(22) Other equity items

	<u>Unrealized profit/loss of available- for-sale financial assets</u>
January 1, 2016	\$ 3,158,283
Unrealized valuation profit/loss of available-for-sale financial assets	<u>563,226</u>
December 31, 2016	<u>\$ 3,721,509</u>
	<u>Unrealized profit/loss of available- for-sale financial assets</u>
January 1, 2015	\$ 3,166,348
Unrealized valuation profit/loss of available-for-sale financial assets	<u>(8,065)</u>
December 31, 2015	<u>\$ 3,158,283</u>

(23) Trading fees

Trading fees mainly represent fees collected for the use of the Company's facilities for trading and settlement of securities. The fees are computed as a percentage of the value of the transactions of securities traded and the rate is 0.000065 per dollar for dealers and brokers. After reaching an agreement with Taiwan Securities Association, which was approved by the Board of Directors of the Company and the Competent Authority in No. 0950156625 bulletin (December 14, 2006), the rate has been reduced by 12% during the time that the Company stopped making cash contributions to the DDF. Effective December 1, 2011, as approved by the Board of Directors of the Company and the Competent Authority in No. 1000058644 bulletin (November 29, 2011), the rate (0.000065 per dollar) has been reduced by 20%.

(24) Expenses by nature

	Year ended December 31, 2016		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Salaries	\$ 66,599	\$ 2,065,501	\$ 2,132,100
Insurance	-	124,376	124,376
Pension	-	444,301	444,301
Others	1,190	25,879	27,069
Total	<u>\$ 67,789</u>	<u>\$ 2,660,057</u>	<u>\$ 2,727,846</u>
Depreciation	<u>\$ 10,524</u>	<u>\$ 580,811</u>	<u>\$ 591,335</u>
Amortization	<u>\$ 2,878</u>	<u>\$ 225,555</u>	<u>\$ 228,433</u>
	Year ended December 31, 2015		
	<u>Operating costs</u>	<u>Operating expenses</u>	<u>Total</u>
Employee benefit expense			
Salaries	\$ 63,260	\$ 2,046,571	\$ 2,109,831
Insurance	450	124,582	125,032
Pension	-	411,764	411,764
Others	1,074	21,339	22,413
Total	<u>\$ 64,784</u>	<u>\$ 2,604,256</u>	<u>\$ 2,669,040</u>
Depreciation	<u>\$ 10,946</u>	<u>\$ 491,991</u>	<u>\$ 502,937</u>
Amortization	<u>\$ 2,244</u>	<u>\$ 214,907</u>	<u>\$ 217,151</u>

- A. According to the Articles of Incorporation of the Company, the Company should distribute 1~12% of annual profit as employees' compensation for each accounting year. However, the distribution shall be firstly reserved to offset accumulated deficit if there is any.
- B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at \$117,850 and \$118,632, respectively. The aforementioned amounts were recognized in salary expenses. Employees' compensation of 2016 was accrued based on profit of current year distributable for the year ended December 31, 2016, and actual distribution amount of employees' compensation is resolved by the Board of Directors.

(25) Finance costs

	Years ended December 31,	
	2016	2015
Interest expense		
-Securities lending and borrowing collateral	\$ 5,385	\$ 7,080

(26) Income tax

A. Income tax expense

(a) Components of income tax expense

	Years ended December 31,	
	2016	2015
Current tax:		
Current tax on profits for the period	\$ 402,700	\$ 508,138
Prior year income tax (over) under estimate	(819)	7,744
Total current tax	<u>401,881</u>	<u>515,882</u>
Deferred tax:		
Origination and reversal of temporary differences	(17,365)	(3,375)
Income tax expense	<u>\$ 384,516</u>	<u>\$ 512,507</u>

(b) Detail of income tax expense and accounting profit

	Years ended December 31,	
	2016	2015
Tax calculated based on profit before tax and statutory tax rate	\$ 516,323	\$ 655,470
Tax effect of permanent difference	(142,021)	(150,707)
Unrecognised loss carry forward	11,033	-
Prior year income tax (over) under estimate	(819)	7,744
Tax expense	<u>\$ 384,516</u>	<u>\$ 512,507</u>

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

Year ended December 31, 2016			
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	\$ 1,604	\$ 52	\$ 1,656
Unused expenses of employee compensated absences	16,214	(6,268)	9,946
Unrealised exchange loss	-	19,922	19,922
Others	2,880	(1,753)	1,127
	<u>\$ 20,698</u>	<u>\$ 11,953</u>	<u>\$ 32,651</u>
-Deferred tax liabilities:			
Goodwill	\$ 29,351	\$ -	\$ 29,351
Reserve for land value increment tax	44,599	2,329	46,928
Unrealised exchange gain	7,949	(7,949)	-
	<u>\$ 81,899</u>	<u>(\$ 5,620)</u>	<u>\$ 76,279</u>

Year ended December 31, 2015			
	January 1	Recognised in profit or loss	December 31
-Deferred tax assets (recorded as "Other non-current assets")			
Employees' welfare	\$ 1,603	\$ 1	\$ 1,604
Unused expenses of employee compensated absences	15,946	268	16,214
Others	384	2,496	2,880
	<u>\$ 17,933</u>	<u>\$ 2,765</u>	<u>\$ 20,698</u>
-Deferred tax liabilities:			
Goodwill	\$ 29,036	\$ 315	\$ 29,351
Reserve for land value increment tax	44,599	-	44,599
Unrealised exchange gain	10,875	(2,926)	7,949
	<u>\$ 84,510</u>	<u>(\$ 2,611)</u>	<u>\$ 81,899</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deductible temporary differences	\$ 401,258	\$ 350,840

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

E. As of December 31, 2016 and 2015, the unappropriated earnings generated in and after 1998.

F. Imputation System

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Imputation tax credit account	\$ 172,500	\$ 183,845

The creditable tax rate was 14.39% for 2015 and is estimated to be 14.98% for 2016, according to the current income tax law.

(27) Earnings per share

	<u>Year ended December 31, 2016</u>		
	<u>Amount after tax</u>	<u>Outstanding shares at the end of the year (in thousands)</u>	<u>Earnings per share (in dollars)</u>
Basic earnings per share			
Profit attributable to ordinary Shareholders of the parent	\$ 1,193,373	676,946	\$ 1.76

	<u>Year ended December 31, 2015</u>		
	<u>Amount after tax</u>	<u>Outstanding shares at the end of the year (in thousands)</u>	<u>Earnings per share (in dollars)</u>
Basic earnings per share			
Profit attributable to ordinary Shareholders of the parent	\$ 1,699,021	676,976	\$ 2.51

(28) Non-cash transaction

	<u>Years ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Purchase of property and equipment	\$ 686,608	\$ 1,081,741
Add: opening balance of payable on property and equipment	2,150	705
Less: ending balance of payable on property and equipment	(2,150)	(2,150)
Cash paid during the period	<u>\$ 686,608</u>	<u>\$ 1,080,296</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

	Years ended December 31,	
	2016	2015
A. Trading fees:		
Corporate Directors	\$ 523,934	\$ 440,607
B. Revenue from securities listing fees:		
Other related parties	\$ 450	\$ 450
Corporate Directors	235,870	181,055
	<u>\$ 236,320</u>	<u>\$ 181,505</u>
C. Securities recording service fees:		
Corporate Directors	\$ 173,493	\$ 141,659
D. Securities settlement service fees: (recorded as operating revenue-expenses):		
Other related parties	\$ 135,591	\$ 158,156
E. Future settlement fees: (recorded as operating revenue-expenses):		
Other related parties	\$ 219,345	\$ 142,954
F. License fees (recorded as operating revenue-others):		
Other related parties	\$ 187,546	\$ 195,001
Corporate Directors	-	630
	<u>\$ 187,546</u>	<u>\$ 195,631</u>
G. Rental and administrative expense (recorded as operating expenses):		
Other related parties	\$ 191,168	\$ 185,331
Corporate Directors	29,619	24,033
	<u>\$ 220,787</u>	<u>\$ 209,364</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>
H. Receivables from related parties:		
Corporate Directors	\$ 44,495	\$ 50,631
Other related parties	63,106	69,289
	<u>\$ 107,601</u>	<u>\$ 119,920</u>

(2) Key management compensation

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	\$ 92,943	\$ 74,522
Pensions	8,828	7,600
	<u>\$ 101,771</u>	<u>\$ 82,122</u>

8. PLEDGED ASSETS

As of December 31, 2016 and 2015, the Company's subsidiary, Taiwan-Ca. Inc., pledged the following as collateral. Please refer to Notes 6(8) and 6(14) for the information on certificates of time deposits and operation guarantee funds pledged as collateral for the settlement prices the Company and its subsidiary had applied for payment on behalf of others and applied for credit limit with banks.

<u>Assets</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	
Other current liabilities			
-Other time deposit	<u>\$ 1,980</u>	<u>\$ 1,980</u>	Performance bond

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. As at December 31, 2016 and 2015, the Company and its subsidiaries leased certain offices. The total future minimum lease payments and administrative expense under these operating lease agreements are as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Not later than one year	\$ 307,790	\$ 306,655
Later than one year but not later than five years	<u>770,074</u>	<u>858,402</u>
	<u>\$ 1,077,864</u>	<u>\$ 1,165,057</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Computer equipment and other equipment	\$ 223,629	\$ 383,851
Information centre construction	<u>-</u>	<u>298,210</u>
	<u>\$ 223,629</u>	<u>\$ 682,061</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company and its subsidiaries' objectives of capital management:

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

(2) Financial instruments

A. Fair value information of financial instruments

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

	December 31, 2016			
		Fair value		
	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Held-to-maturity financial assets	<u>\$18,289,162</u>	<u>\$ -</u>	<u>\$18,388,725</u>	<u>\$ -</u>
	December 31, 2015			
		Fair value		
	<u>Book value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets:				
Held-to-maturity financial assets	<u>\$17,307,300</u>	<u>\$ -</u>	<u>\$17,399,863</u>	<u>\$ -</u>

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

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

B. Financial instruments

The objectives and procedure of financial risk control

- (a) The Company and its subsidiaries' objectives of financial risk control are to manage variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
- (b) The Company and its subsidiaries' activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The Company and its subsidiaries' overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company and its subsidiaries' financial performance.
- (c) Risk management is carried out by a central financial department (Financial Department) in accordance with the policies approved by the Board of Directors. The Company and its subsidiaries' Financial Department identifies and evaluates a variety of financial instruments, the procedure of the transaction, and transaction parties. Moreover, the Financial Department regularly proposes recommendations and reviews the business performance. The internal auditor is in charge of conducting the audit of the business function.

C. Significant financial risks and degrees of financial risks

(a) Market risk

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

Foreign exchange risk

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

December 31, 2016					
(Foreign currency: functional currency)	Foreign Currency	Exchange Rate	Book Value (NTD)	<u>Sensitivity analysis</u>	
	Amount (In thousands)			Degree of variation	Effect on profit or loss (NTD)
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	27,400	32.25	\$ 883,650	1%	\$ 8,837
RMB:NTD	415,230	4.641	1,927,082	1%	19,271
JPY:NTD	7,859,884	0.276	2,166,184	1%	21,662
EUR:NTD	131,921	33.90	4,472,122	1%	44,721
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	12,652	32.25	408,027	1%	4,080
JPY:NTD	7,859,884	0.276	2,166,184	1%	21,662
EUR:NTD	131,921	33.90	4,472,122	1%	44,721

December 31, 2015

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

The total exchange loss arising from significant foreign exchange variation on the monetary items held by the Company and its subsidiaries for the years ended December 31, 2016 and 2015, amounted \$163,786 and \$16,426, respectively.

Price risk of fixed income

Price risk of fixed income refers to changes in fair value of financial instruments resulting from changes in market interest rates, and the risk mainly comes from security investment. As of December 31, 2016 and 2015, the financial assets held-to-maturity that belongs to fixed-rate product was \$18,289,162 and \$17,307,300, respectively. The change in market interest rates will also fluctuate the fair value of the financial instruments, however, the financial instruments are held until maturity in order to receive effective rate compensation in duration, and there is no disposal or valuation loss arising from the fluctuation.

The Company and its subsidiaries are exposed to risk of net asset value of fund resulting from investment in money market. If the net asset value had increased/decreased by 1% for the years ended December 31, 2016 and 2015, profit/ loss for the year would have increased/decreased by \$21,052 and \$20,581, respectively, due to changes in fair value of financial assets at fair value through profit or loss. For the year ended 2016 and 2015, other comprehensive income increased or decreased by \$10,600 and \$25,617 due to changes of available-for-sale financial assets at fair value, respectively.

Price risk of non-fixed income

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

The market risk of holding equity security include individual risk fluctuated by changes in quoted prices in active markets of individual equity security and general market risk fluctuated by quoted prices in overall active markets. For risk of security management,

beneficiary certificates are in accordance with the Company and its subsidiaries's related regulations on capital usage, and the Company and its subsidiaries chooses appropriate investment objects, sets maximum amount for prudent investment and related limitation, and prepares summary of investment gain/ loss and capital usage reports regularly. Equity investment has to be approved by the Company and its subsidiaries's Board of Directors before initialization.

Sensitivity analysis of price risk of equity instruments refers to calculation based on changes in fair value at the end of the reporting period. If the price of equity instruments had increased/decreased by 1% for the years ended December 31, 2016 and 2015, Other comprehensive income increased or decreased by \$77,813 and \$97,998 due to changes of available-for-sale financial assets at fair value.

(b)Credit risk:

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

Operating related credit risk

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

i. Accounts receivable that were neither past due nor impaired

All the accounts receivable that were neither past due nor impaired have outstanding payment history, and the counterparties have steady capability to pay for the receivables. Therefore, even if the paying parties face significant uncertain factors or are exposed to adverse conditions, the Company and its subsidiaries still estimate them to maintain the capability to pay. As of December 31, 2016 and 2015, accounts receivable that were neither past due nor impaired was \$488,772 and \$567,835, respectively.

ii. Accounts receivable that were past due but not impaired

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Less than 6 months	\$ 9,414	\$ 5,762

iii. Accounts receivable that were impaired

As of December 31, 2016 and 2015, the Company and its subsidiaries' accounts receivable that were impaired amounted to \$2,998 and \$2,973, respectively.

Movements on the Company and its subsidiaries' provision for impairment of accounts

receivable are as follows:

	2016	2015
At January 1	\$ 2,973	\$ 2,805
(Reversal) provision for bad debt	(7)	168
Write offs	(1,383)	-
At December 31	<u>\$ 1,583</u>	<u>\$ 2,973</u>

Financial credit risk

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

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

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

The credit quality of financial assets (owned by the Company and subsidiaries) is classified as Class 1.

(c)Liquidity risk

Liquidity risk refers to responsibilities that the Company and its subsidiaries are unable to repay financial debts with cash or other financial assets. The Company and its subsidiaries apply expected cash flow approach to manage liquidity risk, and ensures the amount to be paid for all maturing debt and all known requirement for capital through expectations of cash needed. Analysis of non-derivative financial liabilities that are categorized by the maturity date and amount undiscounted at maturity date is as follows:

	December 31, 2016			
	Less than	Between	Over	Total
	6 months	6 months and 1 year	1 years	
Securities lending and borrowing collateral payable	\$ 9,733,244	\$ -	\$ -	\$ 9,733,244
Accrued expenses	1,332,705	145,456	-	1,478,161
Deposits received	-	-	115,178	115,178
	<u>\$11,065,949</u>	<u>\$ 145,456</u>	<u>\$ 115,178</u>	<u>\$11,326,583</u>
	December 31, 2015			
	Less than	Between	Over	Total
	6 months	6 months and 1 year	1 years	
Securities lending and borrowing collateral payable	\$ 8,898,326	\$ -	\$ -	\$ 8,898,326
Accrued expenses	1,382,040	92,921	-	1,474,961
Deposits received	-	-	136,646	136,646
	<u>\$10,280,366</u>	<u>\$ 92,921</u>	<u>\$ 136,646</u>	<u>\$10,509,933</u>

(3) Fair value information

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

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

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

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

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

The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 and 2015 is as follows:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,105,236	\$ -	\$ -	\$ 2,105,236
Available-for-sale financial assets:				
Beneficiary certificates	4,072,504	-	-	4,072,504
Unlisted (OTC) stocks	-	-	4,768,784	4,768,784
	<u>\$ 6,177,740</u>	<u>\$ -</u>	<u>\$ 4,768,784</u>	<u>\$ 10,946,524</u>
<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Beneficiary certificates	\$ 2,058,147	\$ -	\$ -	\$ 2,058,147
Available-for-sale financial assets:				
Beneficiary certificates	5,382,762	-	-	5,382,762
Unlisted (OTC) stocks	-	-	4,416,989	4,416,989
	<u>\$ 7,440,909</u>	<u>\$ -</u>	<u>\$ 4,416,989</u>	<u>\$ 11,857,898</u>

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

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

	<u>Closed-end fund</u>	<u>Open-end fund</u>
Market quoted price	Closing price	Net asset value

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

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

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

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input		Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 2,449,417	Market comparable companies	Dividend growth rate	1%	The lower the dividend yield, the higher the fair value
	2,319,367	Discounted cash flow method and cost method	Discount rate	5.68%	The higher the discount rate, the lower the fair value

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

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

		December 31, 2016				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Dividend growth rate	±1%	\$ -	\$ -	\$ 162,899	\$ 124,013
Equity instrument	Discount rate	±1%	\$ -	\$ -	\$ 820,921	\$ 531,628
		December 31, 2015				
		Recognised in profit or loss		Recognised in other comprehensive income		
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Dividend yield	±1%	\$ -	\$ -	\$ 276,853	\$ 182,641
Equity instrument	Discount rate	±1%	\$ -	\$ -	\$ 316,125	\$ 241,496

J. Changes belonging to level 3 financial instruments as of December 31, 2016 and 2015 are as follows:

	<u>Available-for-sale financial assets</u>	
January 1, 2016	\$	4,416,989
Gains recognized in other comprehensive income		351,795
December 31, 2016	\$	<u>4,768,784</u>
	<u>Available-for-sale financial assets</u>	
January 1, 2015	\$	4,214,731
Gains recognized in other comprehensive income		210,670
Sold in the period	(8,412)
December 31, 2015	\$	<u>4,416,989</u>

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

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

B. Statements of comprehensive income

TAIWAN DEPOSITORY & CLEARING CORPORATION -
DEPOSITORY AND CLEARING OF SHORT-TERM BILLS
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2016 AND 2015
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Years ended December 31,			
	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES				
Bills clearing and settlement	\$ 731,967	98	\$ 654,068	98
Others	14,715	2	14,709	2
Total operating revenues	<u>746,682</u>	<u>100</u>	<u>668,777</u>	<u>100</u>
OPERATING EXPENSES				
Personnel	(135,070)	18	(129,174)	(19)
General and administrative	(172,098)	23	(164,857)	(25)
Total operating expenses	<u>(307,168)</u>	<u>41</u>	<u>(294,031)</u>	<u>(44)</u>
OPERATING GAIN	<u>439,514</u>	<u>59</u>	<u>374,746</u>	<u>56</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,510	-	5,032	1
Other expenses	(4)	-	-	-
Total non-operating income and expenses	<u>4,506</u>	<u>-</u>	<u>5,032</u>	<u>1</u>
INCOME BEFORE INCOME TAX	444,020	59	379,778	57
INCOME TAX EXPENSE	(75,483)	(10)	(64,562)	(10)
NET INCOME	<u>\$ 368,537</u>	<u>49</u>	<u>\$ 315,216</u>	<u>47</u>

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

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

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

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

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

(2) Information on investees

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

14. SEGMENT INFORMATION

(3) General information

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

(4) Segment information

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

<u>Year ended December 31, 2016</u>	<u>Stock exchange</u>	<u>Stock custodian</u>	<u>Total</u>
Revenue from external customers	\$ 4,041,828	\$ 3,118,901	\$ 7,160,729
Inter-segment revenue	-	451,665	451,665
Total segment revenue	\$ 4,041,828	\$ 3,570,566	\$ 7,612,394
Segment income before tax	\$ 1,270,218	\$ 1,735,162	\$ 3,005,380
<u>Year ended December 31, 2015</u>	<u>Stock exchange</u>	<u>Stock custodian</u>	<u>Total</u>
Revenue from external customers	\$ 4,512,518	\$ 3,104,784	\$ 7,617,302
Inter-segment revenue	-	543,179	543,179
Total segment revenue	\$ 4,512,518	\$ 3,647,963	\$ 8,160,481
Segment income before tax	\$ 1,874,210	\$ 1,959,066	\$ 3,833,276

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

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

A reconciliation of reportable segment revenue and operating revenue and reportable segment profit or loss to the profit before tax and discontinued operations for the years ended December 31, 2016 and 2015 is provided as follows:

Revenue	Years ended December 31,	
	2016	2015
Reportable segments revenue	\$ 7,612,394	\$ 8,160,481
Other segments revenue	257,165	274,412
Elimination of revenue among segments	(451,665)	(543,179)
Operating revenue	<u>\$ 7,417,894</u>	<u>\$ 7,891,714</u>
Profit (loss)	Years ended December 31,	
	2016	2015
Reportable segments profit and loss	\$ 3,005,380	\$ 3,833,276
Other segments profit and loss	(69,826)	24,719
Elimination of profit and loss among segments	(657,075)	(824,891)
Profit before tax and continued operation	<u>\$ 2,278,479</u>	<u>\$ 3,033,104</u>

(6) Information on product

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

(7) Geographical information

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

(8) Major customer information

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

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

December 31, 2016

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 1

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016			Footnote
				Number of shares (in thousands)	Book value	Fair value	
Taiwan Depository & Clearing Corporation	Beneficiary Certificates	None					
	Mega Diamond Bond Fund	"	Financial instrument at fair value through profit or loss-current	37,848	\$ 470,008	\$ 470,008	None
	FSITC Taiwan Money Market Fund	"	Financial instrument at fair value through profit or loss-current	33,009	500,010	500,010	"
	Yuanta De-Bao Money Market Fund	"	Financial instrument at fair value through profit or loss-current	20,994	250,004	250,004	"
	Hua Nan Phoenix Money Market Fund	"	Financial instrument at fair value through profit or loss-current	42,141	500,009	500,009	"
	Sinopac TWD Money Market Fund	"	Financial instrument at fair value through profit or loss-current	4,567	63,005	63,005	"
	Franklin Templeton Sinoam Money Market Fund	"	Financial instrument at fair value through profit or loss-current	19,545	200,004	200,004	"
	Mega Diamond Bond Fund	"	Financial instrument at fair value through profit or loss-current	3,227	40,076	40,076	"
	Franklin Templeton Sinoam Money Market Fund	"	Financial instrument at fair value through profit or loss-current	2,937	30,056	30,056	"
	UPAMC James Bond Fund	"	Financial instrument at fair value through profit or loss-current	3,144	52,064	52,064	"
				\$ 2,105,236	\$ 2,105,236		
Taiwan Stock Exchange Corporation	Beneficiary Certificates	None					
	Sinopac TWD Money Market Fund	"	Available-for-sale financial assets - current	62,273	\$ 859,186	\$ 859,186	None
	Fubon Taiwan Strategy I Private Equity Fund	"	Available-for-sale financial assets - current	48,454	711,783	711,783	"
	SinoPac Strategies Fund No.1	"	Available-for-sale financial assets - current	46,989	562,923	562,923	"
	Fubon Taiwan Strategy 2 Private Equity Fund	"	Available-for-sale financial assets - current	35,617	498,989	498,989	"
	Cadbury Non-Finances Non-Electronics Sub-Index Fund	"	Available-for-sale financial assets - current	23,000	260,000	260,000	"
	Fubon S Strategy III Taiwan EMP Fund	"	Available-for-sale financial assets - current	25,000	345,000	345,000	"
	Puh Hwa Global Thematic Fund	"	Available-for-sale financial assets - current	25,000	348,750	348,750	"
	Yuanta De-Li Money Market Fund	"	Available-for-sale financial assets - current	12,436	200,846	200,846	"
	Yuanta Taiwan Weighted Stock Index Fund	"	Available-for-sale financial assets - current	7,262	148,679	148,679	"
	Yuanta P-shares Taiwan Top 50 ETF	"	Available-for-sale financial assets - current	1,899	136,348	136,348	"
					\$ 4,072,504	\$ 4,072,504	
	Taiwan Stock Exchange Corporation	Stock	None				
Taiwan International Futures Exchange Corporation		"	Available-for-sale financial assets - non-current	15,300	\$ 1,069,779	\$ 1,069,779	None
Taipei Financial Center Corporation		"	Available-for-sale financial assets - non-current	83,853	2,319,367	2,319,367	"
Taiwan International Futures Exchange Corporation		"	Available-for-sale financial assets - non-current	19,732	1,379,638	1,379,638	"
				\$ 4,768,784	\$ 4,768,784		

Securities held by	Marketable securities	General ledger account	Number of shares (in thousands)		Fair value	Footnote
			Book value			
Taiwan Stock Exchange Corporation	Financial bonds					
	First Bank 99-2 Subordinate Classes Financial Bond (G15987)	None	Held-to-maturity financial assets - current	\$ 200,000	\$ 200,000	None
	Land Bank 99-2 Subordinate Classes Financial Bond (G12712)	"	Held-to-maturity financial assets - current	500,000	500,000	"
	Land Bank 99-2 Subordinate Classes Financial Bond (G12712)-1	"	Held-to-maturity financial assets - current	500,710	500,710	"
	Yuantia Unsecured Subordinated Bank Debentures 99-1	"	Held-to-maturity financial assets - current	300,000	300,000	"
	Bank SinoPac 99-1 Subordinate Classes Financial Bond (G11085)	"	Held-to-maturity financial assets - current	500,000	504,195	"
	E. Sun Bank 99-1 Subordinate Classes Financial Bond (99 E. Sun Bank 1)	"	Held-to-maturity financial assets - current	400,000	400,000	"
	Mega International 99-1 Subordinate Classes Financial Bond (G11832)	"	Held-to-maturity financial assets - current	500,000	500,000	"
	Mega International 99-1 Subordinate Classes Financial Bond (G11832)-1	"	Held-to-maturity financial assets - current	100,172	100,172	"
	98 Cathay United Bank 1	"	Held-to-maturity financial assets - current	200,886	204,040	"
	99 First Bank 2	"	Held-to-maturity financial assets - current	200,330	200,840	"
	Tcb-Bank 2010 2nd Subordinate Financial Bond	"	Held-to-maturity financial assets - current	200,270	200,266	"
	99 Taipei Fubon Bank 8	"	Held-to-maturity financial assets - current	200,351	200,690	"
	99 Land Bank of Taiwan 2	"	Held-to-maturity financial assets - current	200,443	200,775	"
Taiwan Business Bank 21th Unsecured Subordinate Financial Debentures Issue in 2010	"	Held-to-maturity financial assets - current	300,901	302,570	"	
Taipei Fubon Bank 1st Subordinate Financial Debentures-A Issue in 2010	"	Held-to-maturity financial assets - current	100,072	100,074	"	
SinoPac Bank 1st Subordinate Financial Debentures-A Issue in 2010	"	Held-to-maturity financial assets - current	50,199	50,420	"	
MEGA Bank 1st Subordinate Financial Debentures Issue in 2010	"	Held-to-maturity financial assets - current	200,298	200,349	"	
99 Taipei Fubon Bank 8	"	Held-to-maturity financial assets - current	200,209	200,690	"	
		Total available-for-sale financial assets - non-current	4,854,841	4,865,791		
Taiwan Stock Exchange Corporation	Corporate bonds					
	CPC Corporation, Taiwan 99-1 Secured B (B71862)	None	Held-to-maturity financial assets - current	50,000	50,350	None
	Taiwan Power 99-4 secured B (B90305)	"	Held-to-maturity financial assets - current	300,433	300,433	"
	CPC Corporation, Taiwan 101-2 Secured A (B71870)	"	Held-to-maturity financial assets - current	100,484	100,393	"
			450,917	451,176		
			5,305,758	5,316,967		
Taiwan Stock Exchange Corporation	Financial bonds					
	Land Bank 101-3 Subordinate Classes Financial Bond (G12717)	None	Held-to-maturity financial assets - non-current	\$ 200,000	\$ 203,239	None
	Yuantia Subordinated Bank Debentures 100-1	"	Held-to-maturity financial assets - non-current	200,000	200,000	"
	Yuantia Subordinated Bank Debentures 100-2	"	Held-to-maturity financial assets - non-current	150,000	150,000	"
	Taipei Fubon Subordinated Bank Bond 100-2	"	Held-to-maturity financial assets - non-current	200,000	200,000	"
	Taipei Fubon Subordinated Bank Bond 102-1	"	Held-to-maturity financial assets - non-current	200,000	200,000	"
	SinoPac Bank 100-1 Subordinate Financial Debentures-A G11087	"	Held-to-maturity financial assets - non-current	200,000	200,000	"
	SinoPac Bank 100-2 Subordinate Financial Debentures-A	"	Held-to-maturity financial assets - non-current	150,000	150,000	"
	SinoPac Bank 100-3 Subordinate Financial Debentures-A	"	Held-to-maturity financial assets - non-current	199,999	199,999	"
	SinoPac Bank 101-1 Subordinate Financial Debentures-A	"	Held-to-maturity financial assets - non-current	200,000	200,000	"
	E. Sun Bank 100-1 Subordinate Classes Financial Bond	"	Held-to-maturity financial assets - non-current	100,000	100,000	"
	Tcb-Bank 100-2 Subordinate Financial Debentures-B (G12470)	"	Held-to-maturity financial assets - non-current	100,000	100,961	"
	Tcb-Bank 102-1 Subordinate Financial Debentures-B (G12425)	"	Held-to-maturity financial assets - non-current	200,000	200,000	"
	Hua Nan Bank 99-1 Subordinate Classes Financial Bond (G189AB)	"	Held-to-maturity financial assets - non-current	500,000	500,000	"
Taiwan Agribank 101-1 Subordinate Classes Financial Bond (G13103)	"	Held-to-maturity financial assets - non-current	100,000	100,000	"	
Taiwan Agribank 101-1 Subordinate Classes Financial Bond-B (G13104)	"	Held-to-maturity financial assets - non-current	100,000	101,583	"	
Taipei Agribank 101-1 Financial Bond-B (G13104-1)	"	Held-to-maturity financial assets - non-current	203,147	203,166	"	
CTBC Bank 3rd Unsecured Subordinate Financial Debentures-Tranche A Issue in 2015	"	Held-to-maturity financial assets - non-current	200,000	200,000	"	
Deutsche Bank Aktiengesellschaft Acting Through Its Singapore Branch as Issuer	"	Held-to-maturity financial assets - non-current	184,680	180,714	"	
Mega International 103-1 Financial bonds(G11836)	"	Held-to-maturity financial assets - non-current	306,262	307,414	"	

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)		Footnote
				Book value	Fair value	
"	Sain Kong 101-I Financial bonds-B (G11649)	Note	Held-to-maturity financial assets - non-current	-	202,035	"
"	Cathay Bank 102-1 Financial bonds (G179C1)	"	Held-to-maturity financial assets - non-current	-	308,378	"
"	E. Sun Bank 100-2 Subordinate Classes Financial Bond G102AF	"	Held-to-maturity financial assets - non-current	-	100,000	"
"	SinoPac Bank 103-2 Subordinate Financial Debentures-A (G11096)	"	Held-to-maturity financial assets - non-current	-	101,631	"
"	Land Bank 4th Financial Bond-Tranche B Issue in 2012 (G12719)	"	Held-to-maturity financial assets - non-current	-	204,353	"
"	Taihsin International Bank 3rd Financial Bond-Tranche A Issue in 2015 (G19983)	"	Held-to-maturity financial assets - non-current	-	106,099	"
Taiwan Depository & Clearing Corporation	100 Taipei Fubon Bank 3	None	Held-to-maturity financial assets - non-current	-	200,000	"
"	100 Land Bank of Taiwan 2	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	101 Taipei Fubon Bank 1	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	Chinaust Commercial Bank 1st Unsecured Subordinate Financial Debentures-A Issue in 2011	"	Held-to-maturity financial assets - non-current	-	403,200	"
"	Cathay United Bank 1st Subordinate Financial Debentures-01 Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	Land Bank of Taiwan 2nd Subordinate Financial Debentures Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	First Commercial Bank 1st Issue A Tranche Subordinate Financial Debentures in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	Hua Nian Commercial Bank the First Subordinate Financial Debentures-A Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,583	"
"	The Shanghai Commercial & Savings Bank Ltd 1st Unsecured Subordinate Financial Debentures-Issue in 2012	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	The Shanghai Commercial & Savings Bank Ltd 4th Unsecured Subordinate Financial Debentures-A Issue in 2012	"	Held-to-maturity financial assets - non-current	-	50,089	"
"	101 Land Bank of Taiwan 1	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	Shanghai Commercial 101-2 Subordinate Classes Financial Bond	"	Held-to-maturity financial assets - non-current	-	100,400	"
"	100 Cathay United Bank 1A	"	Held-to-maturity financial assets - non-current	-	406,501	"
"	102 Taipei Fubon Bank 1A	"	Held-to-maturity financial assets - non-current	-	201,435	"
"	MEGA Bank 1st Subordinated Financial Debentures Issue in 2011	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	Taiwan Cooperative Bank 102 1B	"	Held-to-maturity financial assets - non-current	-	200,489	"
"	Taiwan Cooperative Bank 100 1B	"	Held-to-maturity financial assets - non-current	-	49,639	"
"	Taiwan Cooperative Bank 102 2A	"	Held-to-maturity financial assets - non-current	-	200,268	"
"	102 Land Bank of Taiwan 1	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	MEGA Bank 2nd Subordinated Financial Debentures Issue in 2011	"	Held-to-maturity financial assets - non-current	-	200,627	"
"	Taiwan Business Bank 1st Unsecured Subordinate Financial Debentures - Issue in 2013	"	Held-to-maturity financial assets - non-current	-	200,037	"
"	Taiwan Cooperative Bank 2nd Unsecured Subordinate Financial Debentures-A Issue in 2011	"	Held-to-maturity financial assets - non-current	-	50,271	"
"	SinoPac Bank 2nd Unsecured Subordinate Financial Debentures-A Issue in 2011	"	Held-to-maturity financial assets - non-current	-	101,056	"
"	Bank SinoPac 2nd Unsecured Subordinate Financial Debentures-A Issue in 2014	"	Held-to-maturity financial assets - non-current	-	303,891	"
"	101 E.Sun Bank 2	"	Held-to-maturity financial assets - non-current	-	202,966	"
"	102 Cathay United Bank 1B	"	Held-to-maturity financial assets - non-current	-	202,946	"
"	101 Taiwan Cooperative Bank 2B	"	Held-to-maturity financial assets - non-current	-	205,585	"
"	103 MEGA Bank 2	"	Held-to-maturity financial assets - non-current	-	203,717	"
"	103 MEGA Bank 1	"	Held-to-maturity financial assets - non-current	-	203,156	"
"	101 Cathay United Bank 2	"	Held-to-maturity financial assets - non-current	-	203,549	"
"	105 Taiwan Cooperative Bank 1A	"	Held-to-maturity financial assets - non-current	-	101,669	"
"	105 Chang Hwa Commercial Bank 1A	"	Held-to-maturity financial assets - non-current	-	204,193	"
"	101 Land Bank of Taiwan 4B	"	Held-to-maturity financial assets - non-current	-	204,955	"
"	101 Shanghai Commercial Bank 3B	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	105 Taiwan Business Bank 2	"	Held-to-maturity financial assets - non-current	-	200,000	"
"	Taiwan Business Bank 1st Unsecured Subordinate Financial Debentures Issue in 2013	"	Held-to-maturity financial assets - non-current	-	205,772	"
"		"	Held-to-maturity financial assets - non-current	-	204,513	"
"		"	Held-to-maturity financial assets - non-current	-	199,999	"
				-	200,000	"
				-	11,715,197	"
				-	11,743,363	"

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)		Footnote
				Book value	Fair value	
	Corporate bonds					
Taiwan Stock Exchange Corporation	CPC Corporation, Taiwan 97-1 Unsecured C (97 CPC Corporation 1C)	None	Held-to-maturity financial assets - non-current	102,163	102,913	None
"	Taiwan Power Company 5th Unsecured Corporate Bond-B Issue in 2012	"	Held-to-maturity financial assets - non-current	101,354	103,570	"
"	CPC Corporation 99-1 Secured B (B71862)	"	Held-to-maturity financial assets - non-current	101,526	101,869	"
"	Taiwan Power Company 4th Unsecured Corporate Bond-B Issue in 2011 (B903UK)	"	Held-to-maturity financial assets - non-current	103,506	103,511	"
Taiwan Depository & Clearing Corporation	Taipower 100 1A Corporate Bond	"	Held-to-maturity financial assets - non-current	100,353	100,709	"
"	CPC Corporation, Taiwan 102 1st class 2A bond	"	Held-to-maturity financial assets - non-current	50,062	50,875	"
"	CPC Corporation 1st secured corporate Bonds-B Issue in 2011	"	Held-to-maturity financial assets - non-current	200,741	202,445	"
	Government bonds			759,705	765,892	
Taiwan Stock Exchange Corporation	Taiwan Government Bond A097105	None	Held-to-maturity financial assets - non-current	53,910	57,920	None
Taiwan Depository & Clearing Corporation	92 Jia 3 Bond	"	Held-to-maturity financial assets - non-current	241,820	276,681	"
"	88 Yi 1 Bond	"	Held-to-maturity financial assets - non-current	104,823	111,905	"
"	90 Jia 7 Bond	"	Held-to-maturity financial assets - non-current	107,949	115,997	"
				508,502	562,503	
			Total held-to-maturity financial assets - non-current	\$ 12,983,404	\$ 13,071,758	
	Stock					
Taiwan Depository & Clearing Corporation	Taiwan Mobile Payment Co., Ltd.	None	Financial assets at cost - non-current	1,200	\$ 12,000	None
Taiwan-Ca Inc.	Taiwan Mobile Payment Co., Ltd.	"	Financial assets at cost - non-current	600	6,000	"
			Total financial assets at cost - non-current	\$ 18,000	\$ 18,000	

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Year ended December 31, 2016

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2016		Addition		Disposal		Balance as at December 31, 2016		
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	
Taiwan Stock Exchange Corporation	Yuanta De-Li Money Market Fund	Available-for-sale financial assets-current	-	-	43,522	\$ 700,000	-	\$ -	31,086	\$ 501,927	12,436	\$ 200,846	Note 1
"	Yuanta De-Bao Money Market Fund	Available-for-sale financial assets-current	-	-	29,580	350,000	-	-	29,580	352,163	-	-	-
"	Mega International 103-1 Financial bonds (G11836)	Hold-to-maturity financial assets-non-current	-	-	-	-	300,000	307,189	-	-	300,000	306,262	Note 2
"	Cathay 102-1 Financial bonds (G179CI)	Hold-to-maturity financial assets-non-current	-	-	-	-	300,000	309,122	-	-	300,000	308,390	Note 2
Taiwan Depository & Clearing Corporation	Capital Money Market Fund	Financial instrument at fair value through profit or loss-current	-	-	12,552	200,000	136,548	1,286,751	149,100	1,486,751	-	-	-
"	Yuanta De-Li Money Market Fund	Financial instrument at fair value through profit or loss-current	-	-	15,527	250,000	20,174	264,484	35,701	514,484	-	-	-
"	Hua Nan Phoenix Money Market Fund	Financial instrument at fair value through profit or loss-current	-	-	-	-	186,440	1,271,295	144,299	771,295	42,141	500,009	Note 1
"	Yuanta De-Bao Money Market Fund	Financial instrument at fair value through profit or loss-current	-	-	-	-	86,706	472,981	65,712	222,981	160	250,004	Note 1
"	FUBON CHI-HSIANG MONEY	Financial instrument at fair value through profit or loss-current	-	-	16,132	250,000	6,705	104,000	22,837	354,000	67	-	-

Note 1: Due to valuation adjustment, ending balance is not equal to beginning balance.
Note 2: The difference between the ending balance and the beginning balance add/less purchase/selling amount for this period is due to unwinding of premium.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES

Information on investees
Year ended December 31, 2016

Expressed in thousands of NTD
(Except as otherwise indicated)

Table 3

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2015		Ownership (%)	Book value	Net profit (loss) of the investee for the year ended December 31, 2016	Investment income(loss) recognised by the Company for the year ended December 31, 2016	Footnote
				December 31, 2016	December 31, 2015	Number of shares (in thousands)	December 31, 2015					
Taiwan Stock Exchange Corporation	Taiwan Depository & Clearing Corporation (TDCC)	11F, No. 363, Fusing N. Rd., Taipei City	Custodian of securities and other services	\$ 583,103	\$ 550,000	178,337	50.59%	\$ 11,156,456	\$ 1,438,226	\$ 727,604	-	
"	Taiwan-Ca Inc. (TWCA)	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	87,719	87,719	6,804	30.23%	89,497	32,377	9,788	-	
"	Global Link Securities Co., Ltd.	19F-1, No.7, Sec. 5, Sinyi Rd., Taipei City	Accepting orders to trade securities	-	300,000	-	-	-	(63,521)	(63,521)	-	
"	Taiwan Index Plus Corporation	11F-1, No.36, Songren Rd., Taipei City	Index compilation, maintenance and dissemination	150,000	-	15,000	100.00%	150,578	578	578	-	
"	Taiwan Ratings Co.	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	15,045	15,045	1,399	19.99%	29,563	36,974	7,391	-	
Taiwan Depository & Clearing Corporation	Fundrich Securities Co., Ltd.	8F., No.365, Fuxing N. Rd., Songshan Dist., Taipei City	Sales of funds	180,000	180,000	18,000	51.43%	146,265	(64,720)	-	-	
"	Taiwan-Ca Inc. (TWCA)	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	9,700	9,700	4,071	18.08%	51,765	32,377	-	-	
"	Taiwan Ratings Co.	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	13,300	13,300	1,330	19.00%	28,099	36,974	-	-	
Taiwan-Ca Inc.	Taiwan Ratings Co.	49F, No. 7, Sec. 5, Sinyi Rd., Taipei City	Credit rating services	4	4	1	0.01%	2	36,974	-	-	