

**TAIWAN STOCK EXCHANGE CORPORATION AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2023 AND 2022**

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of Taiwan Stock Exchange Corporation and its subsidiaries (hereinafter referred to as the “Company and its subsidiaries”) as of December 31, 2023 and 2022, 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 material accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to *Other matters* 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 of December 31, 2023 and 2022, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the *Auditors' 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other 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 for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial assets – Measurement of the fair value of unlisted stocks without an active market

Description

Please refer to Notes 4(8) and 6(3) for the accounting policy on and the details of unlisted stocks without an active market that are recognized as financial assets at fair value through other comprehensive income, and to Notes 5 and 12(3) for the accounting estimates and assumptions in relation to unlisted stocks without an active market.

The Company and one of its subsidiaries invested in the stocks of Taiwan Futures Exchange Corporation and Taipei Financial Center Corporation, which are classified as financial instruments without an active market. Valuation techniques were applied to determine the fair value of the aforementioned stocks, using significant unobservable inputs, including a compound dividend growth rate and discount rate, which involved high uncertainty and subjective judgements by management, and could have a material impact on the fair value measurement. Therefore, we considered the fair value measurement of the stocks of Taiwan Futures Exchange Corporation and Taipei Financial Center Corporation to be a key audit matter.

How the matter was addressed in our audit

We performed the following key audit procedures in respect of the above key audit matter:

1. We compared the compound dividend growth rate with historical data and economic forecasts.
2. For the discount rate, we examined the cost of capital assumptions of the related cash-generating units, and compared the return on assets ratio with similar companies in the market.
3. We examined the inputs and calculation formula of the valuation models, and reviewed the information and documents for the selected sample to evaluate the relevance and reliability of the data source.

Accuracy of operating revenue

Description

Please refer to Note 4(24) for the accounting policy on revenue recognition, and to Note 6(23) for the details of “Trading fees.” The Company and its subsidiaries have various types of operating revenue, consisting of various fees, related to trading services, securities settlement and account maintenance services, listing services and securities recording services. Each type of revenue is recognized based on the pricing method in accordance with the related regulations or the terms of the contracts. As the amount of operating revenue is significant, we considered the accuracy of operating revenue to be a key audit matter.

How the matter was addressed in our audit

We performed the following key audit procedures in respect of the above key audit matter:

1. We interviewed management, understood the operations and industry of the Company and its subsidiaries, evaluated the internal control workflow of operating revenues, understood the information environment used by management to calculate the related revenue, and tested the effectiveness of a sample of significant internal controls.
2. We selected samples to verify the pricing method used by management to calculate revenue and ascertained whether it was in compliance with the related regulations or underlying contracts.
3. We selected samples to examine the accuracy of the amount of each type of operating revenue.

Existence and classification of cash in banks

Description

Please refer to Note 4(6) for the accounting policy on cash equivalents, and to Notes 6(1) (8) (7) for the details of “cash and cash equivalents,” “other current financial assets,” “settlement and clearing fund” and “compensation reserve.” As of December 31, 2023, the cash in banks of the Company and one of its subsidiaries were recognized as cash and cash equivalents amounting to NT\$4,798,948,000, other current financial assets amounting to NT\$37,042,683,000, a settlement and clearing fund amounting to NT\$3,438,825,000 and a compensation reserve amounting to NT\$13,357,181,000.

The cash in banks of the Company and one of its subsidiaries are recognized as cash and cash equivalents, other current financial assets (time deposits with an original maturity date of more than three months), a settlement and clearing fund in which each securities company appropriates and deposits a certain amount to the Company in accordance with the related regulations and a compensation reserve (appropriated and deposited in accordance with the “Securities and Exchange Act” and its related regulations).

As the balances of cash and cash equivalents, other current financial assets, settlement and clearing fund and compensation reserve are significant, we considered the existence and classification of cash and cash equivalents to be a key audit matter.

How the matter was addressed in our audit

We performed the following key audit procedures in respect of the above key audit matter:

1. We interviewed management, understood the internal control workflow of cash in banks, and tested the effectiveness of a sample of significant internal controls.
2. We sent out confirmations to financial institutions to confirm the existence and accuracy of financial assets and to verify the rights and obligations of the Company and one of its subsidiaries to the financial assets.
3. We checked whether cash in banks held for specific purposes or with certain limitations had been reclassified to appropriate account items.

4. We performed counts of time deposits and verified the details against accounting records.
5. We selected samples to perform tests of material cash collection and disbursement transactions to confirm whether they were for operational purposes and to determine whether there were any significant unusual transactions.

Other matters – Scope of the audit

We did not audit the financial statements of certain subsidiaries and investees accounted for using the equity method that were included in the consolidated financial statements. The total assets of the subsidiaries (including investments accounted for using the equity method) amounted to NT\$45,865,926,000 and NT\$40,648,579,000, constituting 30% and 32% of consolidated total assets as of December 31, 2023 and 2022, respectively, and operating revenue of the subsidiaries amounted to NT\$8,378,007,000 and NT\$7,596,128,000, both constituting 41% of consolidated total operating revenue for the years then ended, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in respect of these subsidiaries and associates, is based solely on the audit reports of the other auditors.

Other matters – Parent company only financial reports

We have audited the parent company only financial statements of Taiwan Stock Exchange Corporation as of and for the years ended December 31, 2023 and 2022 on which we have issued an unmodified opinion with other matters paragraph.

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 Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect 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.

Auditors' 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 auditors' 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 the Standards on Auditing of the Republic of China 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditors' 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 auditors' 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the consolidated 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 for the year ended December 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' 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 21, 2024

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 independent auditors' report 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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Current Assets					
Cash and cash equivalents	6(1)	\$ 13,700,326	9	\$ 19,724,511	16
Current financial assets at fair value through profit or loss	6(2)	11,045,552	7	8,880,530	7
Current financial assets at amortized cost	6(4)	3,256,057	2	2,650,670	2
Accounts receivable, net	6(5) and 7	1,710,399	1	1,325,679	1
Other receivables		227,596	-	149,685	-
Other current financial assets	6(1)	37,042,683	24	33,034,087	26
Settlement and clearing debit items	6(8)	41,719,447	27	20,683,453	16
Other current assets	6(6)	1,902,928	1	822,223	1
Total Current Assets		<u>110,604,988</u>	<u>71</u>	<u>87,270,838</u>	<u>69</u>
Non-current Assets					
Non-current financial assets at fair value through other comprehensive income	6(3)	6,996,233	5	6,657,495	5
Non-current financial assets at amortized cost	6(4)	16,645,669	11	11,957,217	10
Compensation reserve	6(7)	14,307,181	9	13,735,061	11
Investments accounted for using the equity method	6(9)	73,644	-	69,668	-
Property and equipment	6(10)	2,941,919	2	3,071,987	2
Right-of-use assets	6(11)	1,441,917	1	1,660,543	1
Investment properties, net	6(12)	350,493	-	419,944	-
Intangible assets	6(13)	570,865	-	553,662	1
Deferred income tax assets	6(28)	47,717	-	51,720	-
Other non-current assets	6(14)	1,351,713	1	1,252,630	1
Total Non-current Assets		<u>44,727,351</u>	<u>29</u>	<u>39,429,927</u>	<u>31</u>
TOTAL ASSETS		<u>\$ 155,332,339</u>	<u>100</u>	<u>\$ 126,700,765</u>	<u>100</u>

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TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Current Liabilities					
Securities lending and borrowing collateral payable	6(15)	\$ 996,846	1	\$ 2,651,912	2
Accrued expenses		2,185,263	1	1,889,291	2
Current income tax liabilities		1,454,715	1	1,071,478	1
Current lease liabilities	6(11) and 7	326,079	-	288,233	-
Settlement and clearing credit items	6(8)	41,719,447	27	20,683,453	16
Other current liabilities	6(16)	<u>6,675,972</u>	<u>5</u>	<u>6,906,355</u>	<u>5</u>
Total Current Liabilities		<u>53,358,322</u>	<u>35</u>	<u>33,490,722</u>	<u>26</u>
Non-current Liabilities					
Deferred income tax liabilities	6(28)	80,272	-	80,272	-
Non-current lease liabilities	6(11) and 7	1,272,284	1	1,525,406	1
Net defined benefit liability	6(17)	516,510	-	512,253	1
Guarantee deposits received		165,772	-	156,638	-
Other non-current liabilities		<u>225,519</u>	<u>-</u>	<u>205,893</u>	<u>-</u>
Total Non-current Liabilities		<u>2,260,357</u>	<u>1</u>	<u>2,480,462</u>	<u>2</u>
Total Liabilities		<u>55,618,679</u>	<u>36</u>	<u>35,971,184</u>	<u>28</u>
Equity Attributable to Owners of the Parent					
Share Capital					
Common stock	6(18)	11,586,719	7	10,253,733	8
Capital Surplus					
Capital surplus	6(19)	3,568	-	3,176	-
Retained Earnings					
Legal reserve	6(20)	8,496,806	6	7,782,626	6
Special reserve	6(20)	44,910,128	29	42,589,043	34
Unappropriated retained earnings	6(21)	9,191,392	6	7,206,072	6
Other Equity Interest					
Other equity interest	6(22)	<u>4,520,392</u>	<u>3</u>	<u>4,232,614</u>	<u>3</u>
Equity Attributable to Owners of the Parent		<u>78,709,005</u>	<u>51</u>	<u>72,067,264</u>	<u>57</u>
Non-controlling Interests		<u>21,004,655</u>	<u>13</u>	<u>18,662,317</u>	<u>15</u>
Total Equity		<u>99,713,660</u>	<u>64</u>	<u>90,729,581</u>	<u>72</u>
TOTAL LIABILITIES AND EQUITY		<u>\$ 155,332,339</u>	<u>100</u>	<u>\$ 126,700,765</u>	<u>100</u>

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
Operating Revenue	6(23) and 7				
Trading fees		\$ 6,928,372	34	\$ 6,142,183	33
Listing fees		2,355,681	12	2,421,868	13
Securities recording service fees		2,275,567	11	2,060,485	11
Securities settlement and account maintenance service fees		1,891,919	9	1,718,531	9
Transfer process service fees		619,128	3	576,124	3
Mutual fund service fees		602,410	3	480,157	3
Co-Location service fees		551,007	3	469,324	2
Data processing fees		528,905	3	507,021	3
Management fees		489,697	2	380,208	2
Royalty fees		436,561	2	464,215	2
Securities settlement service fees		418,913	2	347,992	2
Systems processing fee		415,610	2	351,608	2
Internet certification service fees		397,976	2	340,057	2
Account maintenance service fees		384,266	2	376,757	2
Futures clearing service fees		382,163	2	467,710	3
Securities lending and borrowing service fees		367,931	2	376,138	2
Others		1,147,915	6	1,036,726	6
Total Operating Revenue		<u>20,194,021</u>	<u>100</u>	<u>18,517,104</u>	<u>100</u>
Operating Expenses	6(24)				
Personnel		(3,339,268)	(17)	(3,356,633)	(18)
General and administrative		(4,453,109)	(22)	(4,053,613)	(22)
Total Operating Expenses		<u>(7,792,377)</u>	<u>(39)</u>	<u>(7,410,246)</u>	<u>(40)</u>
Operating Profit		<u>12,401,644</u>	<u>61</u>	<u>11,106,858</u>	<u>60</u>
Non-operating Income and Expenses					
Interest income		1,077,741	5	563,213	3
Other income	6(25)	435,706	2	393,490	2
Share of profit of associates accounted for using the equity method	6(9)	27,435	-	25,294	-
Other gains and losses	6(26)	685,536	4	(491,120)	(2)
Finance costs	6(27) and 7	(35,589)	-	(35,663)	-
Total Non-operating Income and Expenses		<u>2,190,829</u>	<u>11</u>	<u>455,214</u>	<u>3</u>
Profit before income tax		<u>14,592,473</u>	<u>72</u>	<u>11,562,072</u>	<u>63</u>
Income tax expense	6(28)	(2,701,195)	(13)	(2,354,709)	(13)
Profit for the year		<u>\$ 11,891,278</u>	<u>59</u>	<u>\$ 9,207,363</u>	<u>50</u>

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TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars, except for earnings per share)

Items	Notes	Year ended December 31			
		2023		2022	
		AMOUNT	%	AMOUNT	%
Other comprehensive income, net					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	\$ 338,738	2	\$ 868,189	5
Share of other comprehensive income (loss) of associates accounted for using the equity method	6(9)	(299)	-	439	-
Losses on remeasurements of defined benefit plans	6(17)	36,332	-	216,200	1
Other comprehensive income (loss), net		<u>\$ 374,771</u>	<u>2</u>	<u>\$ 1,084,828</u>	<u>6</u>
Total comprehensive income for the year		<u>\$ 12,266,049</u>	<u>61</u>	<u>\$ 10,292,191</u>	<u>56</u>
Profit attributable to:					
Owners of the parent		\$ 9,100,923	45	\$ 7,006,959	38
Non-controlling interest		2,790,355	14	2,200,404	12
		<u>\$ 11,891,278</u>	<u>59</u>	<u>\$ 9,207,363</u>	<u>50</u>
Comprehensive income attributable to:					
Owners of the parent		\$ 9,409,857	47	\$ 7,870,316	43
Non-controlling interest		2,856,192	14	2,421,875	13
		<u>\$ 12,266,049</u>	<u>61</u>	<u>\$ 10,292,191</u>	<u>56</u>
Earnings per share (in New Taiwan dollars)					
Basic earnings per share	6(29)	<u>\$ 7.85</u>		<u>\$ 6.05</u>	

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Equity attributable to owners of the parent							Non-controlling interest	Total equity
		Share capital- common stock	Capital surplus	Retained Earnings		Unappropriated retained earnings	Other equity interest	Total		
				Legal reserve	Special reserve					
<u>Year ended December 31, 2022</u>										
Balance at January 1, 2022		\$ 8,404,699	\$ 2,649	\$ 6,744,711	\$ 38,634,588	\$ 10,435,649	\$ 3,504,099	\$ 67,726,395	\$ 17,183,174	\$ 84,909,569
Profit for the year		-	-	-	-	7,006,959	-	7,006,959	2,200,404	9,207,363
Other comprehensive income for the year	6(21)(22)	-	-	-	-	134,842	728,515	863,357	221,471	1,084,828
Total comprehensive income		-	-	-	-	7,141,801	728,515	7,870,316	2,421,875	10,292,191
Appropriations of 2021 retained earnings:										
Legal reserve	6(21)	-	-	1,037,915	-	(1,037,915)	-	-	-	-
Special reserve	6(21)	-	-	-	3,954,455	(3,954,455)	-	-	-	-
Cash dividends	6(21)	-	-	-	-	(3,529,974)	-	(3,529,974)	-	(3,529,974)
Stock dividends	6(21)	1,849,034	-	-	-	(1,849,034)	-	-	-	-
Capital surplus, other adjustments		-	527	-	-	-	-	527	-	527
Changes in non-controlling interests		-	-	-	-	-	-	-	(942,732)	(942,732)
Balance at December 31, 2022		\$ 10,253,733	\$ 3,176	\$ 7,782,626	\$ 42,589,043	\$ 7,206,072	\$ 4,232,614	\$ 72,067,264	\$ 18,662,317	\$ 90,729,581
<u>Year ended December 31, 2023</u>										
Balance at January 1, 2023		\$ 10,253,733	\$ 3,176	\$ 7,782,626	\$ 42,589,043	\$ 7,206,072	\$ 4,232,614	\$ 72,067,264	\$ 18,662,317	\$ 90,729,581
Profit for the year		-	-	-	-	9,100,923	-	9,100,923	2,790,355	11,891,278
Other comprehensive income for the year	6(21)(22)	-	-	-	-	21,156	287,778	308,934	65,837	374,771
Total comprehensive income		-	-	-	-	9,122,079	287,778	9,409,857	2,856,192	12,266,049
Appropriations of 2022 retained earnings:										
Legal reserve	6(21)	-	-	714,180	-	(714,180)	-	-	-	-
Special reserve	6(21)	-	-	-	2,321,085	(2,321,085)	-	-	-	-
Cash dividends	6(21)	-	-	-	-	(2,768,508)	-	(2,768,508)	-	(2,768,508)
Stock dividends	6(21)	1,332,986	-	-	-	(1,332,986)	-	-	-	-
Capital surplus, other adjustments		-	392	-	-	-	-	392	-	392
Changes in non-controlling interests		-	-	-	-	-	-	-	(513,854)	(513,854)
Balance at December 31, 2023		\$ 11,586,719	\$ 3,568	\$ 8,496,806	\$ 44,910,128	\$ 9,191,392	\$ 4,520,392	\$ 78,709,005	\$ 21,004,655	\$ 99,713,660

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, 2023 AND 2022

(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 14,592,473	\$ 11,562,072
Adjustments			
Adjustments to reconcile profit (loss)			
(Gains) losses on financial assets at fair value through profit or loss	6(26)	(785,941)	497,616
Interest income		(1,077,741)	(563,213)
Dividend income	6(25)	(325,258)	(277,544)
Finance costs	6(27)	35,589	35,663
Depreciation	6(24)	769,640	785,959
Amortization	6(24)	182,712	248,975
Share of profit of subsidiaries and associates accounted for using the equity method	6(9)	(27,435)	(25,294)
Expected credit impairment loss		187	597
Losses (gains) on disposal of property and equipment		(3,375)	35
Exchange losses (gains) on financial assets and liabilities		2,331	(96,394)
Losses (gains) arising from modification of the lease	6(11)	23	(78)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		(384,880)	168,555
Other receivables		59,689	(1,557)
Other current assets		(1,080,363)	9,879
Compensation reserve		(2,013,470)	(1,285,927)
Other non-current assets		(13,160)	-
Changes in operating liabilities			
Securities lending and borrowing collateral payable		(1,654,326)	(18,019,168)
Accrued expenses		296,325	339,313
Other current liabilities		(230,383)	(2,150,346)
Net defined benefit liability		40,557	3,307
Other non-current liabilities		19,626	26,780
Cash inflow (outflow) generated from operations		8,402,820	(8,740,770)
Interest received		1,029,090	610,468
Interest paid		(35,942)	(35,602)
Income tax paid		(2,314,265)	(3,631,925)
Net cash flows from (used in) operating activities		7,081,703	(11,797,829)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		(51,968,501)	(61,566,132)
Proceeds from disposal of financial assets at fair value through profit or loss		50,589,420	64,551,383
Acquisition of financial assets at amortized cost		(8,190,966)	(5,062,915)
Repayments of financial assets at amortized cost		2,850,000	6,550,000
Increase in other current financial assets		(2,569,565)	(3,056,940)
Acquisition of property, equipment and intangible assets	6(30)	(547,130)	(452,927)
Proceeds from disposal of property and equipment		4,472	180
(Increase) decrease in refundable deposits		(9,433)	70
Increase in operations guarantee deposits		-	(300,000)
Dividends received		306,568	265,261
Net cash flows (used in) from investing activities		(9,535,135)	927,980
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in guarantee deposits received		9,134	511
Repayment of the principal portion of lease liabilities		(297,166)	(292,830)
Changes in non-controlling interests		(513,854)	(942,732)
Cash dividends paid	6(21)	(2,768,508)	(3,529,974)
Unclaimed dividends reclassified to share premium		392	400
Net cash flows used in financing activities		(3,570,002)	(4,764,625)
Effect of exchange rate changes on cash and cash equivalents		(751)	4,506
Net decrease in cash and cash equivalents		(6,024,185)	(15,629,968)
Cash and cash equivalents at beginning of year	6(1)	19,724,511	35,354,479
Cash and cash equivalents at end of year	6(1)	\$ 13,700,326	\$ 19,724,511

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

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

(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 November 2, 2021, the Competent Authority authorized the Company to continue existing in its current corporate form for the next ten years until a change into a membership-type organization is approved.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 21, 2024.

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[®]”) Accounting Standards that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC and became effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023
Amendments to IAS 12, ‘International tax reform - pillar two model’	May 23, 2023

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

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

New standards, interpretations and amendments endorsed by the FSC and will become effective from 2024 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024
Amendments to IAS 7 and IFRS 7, 'Supplier finance arrangements'	January 1, 2024

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

(3) IFRS Accounting Standards issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRS Accounting Standards as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 – comparative information'	January 1, 2023
Amendments to IAS 21, 'Lack of exchangeability'	January 1, 2025

The Company and its subsidiaries continuously evaluate the impact of the above standards and interpretations on the Company's financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

4. SUMMARY OF MATERIAL 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

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges”, International Financial Reporting Standards, International Accounting Standards, IFRIC[®] Interpretations, and SIC[®] Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”). However, the Company and its subsidiaries shall comply with specific regulations issued by the FSC if they differ from the aforementioned standards.

(2) Basis of preparation

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

- (a) Financial assets at fair value through profit or loss;
- (b) Financial assets at fair value through other comprehensive income; and
- (c) Defined benefit liability recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company and its subsidiaries’ accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(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 obtains control of the subsidiaries and ceases when the Company loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between 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, 2023 and 2022, the details of consolidated subsidiaries are as follows:

(a) Taiwan Depository & Clearing Corporation (the “TDCC”)

- i. The 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, 2023 and 2022 were both 50.59%.

(b) Taiwan-Ca Inc. (the “TWCA”)

- i. The TWCA was incorporated on December 17, 1999 and is mainly engaged in internet certification, retail and wholesale of information software and related services.
- ii. The TWCA was 30.23% owned by the Company as of December 31, 2023 and 2022. It was 18.08% owned by the Company through its subsidiary, the TDCC as of December 31, 2023 and 2022. The total shareholding ratio as of December 31, 2023 and 2022 were both 48.31%. Although the Company does not directly or indirectly hold more than 50% of the TWCA’s voting shares, the Company and the TDCC together hold more than half of all the Board of Directors’ seats. Therefore, the Company exercises de facto control over the TWCA.

(c) Taiwan Index Plus Corporation (the “TIP”)

- i. The TIP was established on January 20, 2016, with main operations in compilation, maintenance, calculation, dissemination and authorization of domestic and foreign index.
- ii. As of December 31, 2023 and 2022, the TIP was 100% owned by the Company.

(d) Taiwan Carbon Solution Exchange Corporation (the “TCX”)

- i. The TCX was established on July 21, 2023, with its main operations in domestic and international carbon trading, providing consultancy services such as carbon solution consulting and educational training.
- ii. As of December 31, 2023, the TIP was 60% owned by the Company.

(e) Fundrich Securities Co., Ltd.

- i. Fundrich Securities Co., Ltd. was established on December 15, 2015, and obtained license of securities brokerage business authorized by the Securities and Futures Bureau, Financial Supervisory Commission on January 27, 2016. Fundrich Securities Co., Ltd. is primarily engaged in sales of funds.
- ii. Through its subsidiary, the TDCC, the Company’s shareholding ratio in Fundrich Securities Co., Ltd. as of December 31, 2023 and 2022 were both 57.10%.

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 significant to the Company and its subsidiaries:

As of December 31, 2023 and 2022, the non-controlling interest amounted to \$21,004,655 and \$18,662,317, respectively. The information on non-controlling interest and respective subsidiaries is as follows:

Name of subsidiaries	Principal place of business	Non-controlling interest			
		December 31, 2023		December 31, 2022	
		Amount	Ownership (%)	Amount	Ownership (%)
The TDCC and its subsidiaries	Taiwan	\$ 19,962,126	49.41%	\$ 18,057,452	49.41%

Balance sheets

	The TDCC and its subsidiaries	
	December 31, 2023	December 31, 2022
Current assets	\$ 25,638,494	\$ 24,886,011
Non-current assets	19,078,359	14,742,086
Current liabilities	(3,249,153)	(1,972,110)
Non-current liabilities	(634,391)	(707,133)
Total net assets	\$ 40,833,309	\$ 36,948,854

Statements of comprehensive income

	The TDCC and its subsidiaries	
	Years ended December 31,	
	2023	2022
Revenue	\$ 9,159,888	\$ 8,292,556
Profit before income tax	6,756,525	5,380,753
Income tax expense	(1,273,215)	(1,072,427)
Profit for the year	5,483,310	4,308,326
Other comprehensive income, net of tax	133,249	449,020
Total comprehensive income for the year	\$ 5,616,559	\$ 4,757,346
Comprehensive income attributable to non-controlling interest	\$ 68,229	\$ 56,427
Dividends paid to non-controlling interest	\$ 836,736	\$ 904,347

Statements of cash flows

	The TDCC and its subsidiaries	
	Years ended December 31,	
	2023	2022
Net cash flow from operating activities	\$ 5,106,170	\$ 5,156,411
Net cash flow used in investing activities	(6,506,899)	(1,351,839)
Net cash flow used in financing activities	(1,810,658)	(1,939,154)
(Decrease) increase in cash and cash equivalents	(3,211,387)	1,865,418
Cash and cash equivalents at the beginning of the year	6,583,330	4,717,912
Cash and cash equivalents at the end of the year	\$ 3,371,943	\$ 6,583,330

(4) Foreign currency translation

Items included in the financial statements of each of the Company 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 functional and presentation currency of the Company and its subsidiaries.

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. Foreign exchange gains and losses are presented in the statement of comprehensive income within "other gains and losses."

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets:

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

Assets that do not meet the above criteria will be classified as non-current by the Company and its subsidiaries.

B. Liabilities that meet one of the following criteria are classified as current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date; and

(d) It does not have the right at the end of the reporting period to defer settlement of the liability at least twelve months after the reporting period.

Liabilities that do not meet the above criteria will be classified as non-current by the Company and its subsidiaries.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. 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 that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Company and its subsidiaries measure the financial assets at fair value and recognize the transaction costs in profit or loss. The Company and its subsidiaries subsequently measure the financial assets at fair value, and recognize the gain or loss in profit or loss.

D. The Company and its subsidiaries recognize the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be reliably measured.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company and its subsidiaries have made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Company and its subsidiaries' business models are achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Company and its subsidiaries measure the financial assets at fair value plus transaction costs. The Company and its subsidiaries subsequently measure the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and its subsidiaries and the amount of the dividend can be reliably measured.
- (b) Except for the recognition of impairment loss, interest income and gains or losses on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Financial assets at amortized cost

- A. Financial assets at amortized cost are those that meet all of the following criteria:
 - (a) The objective of the Company and its subsidiaries' business models are achieved by collecting contractual cash flows; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using settlement date accounting.
- C. At initial recognition, the Company and its subsidiaries measure the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(10) Accounts receivable

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

(11) Impairment of financial assets

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

(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) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is 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 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.

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

(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 or the straight-line method. Other property and equipment apply the cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

(16) Leasing arrangements (lessee)-right-of-use assets/lease liabilities

A. Except for payments for short-term leases or leases of low-value assets which are recognized as expenses on a straight-line basis over the lease term, the Company and its subsidiaries recognize right-of-use assets and corresponding lease liabilities for all leases at the date at which the leased asset is available for use by the Company and its subsidiaries.

B. Lease liabilities are measured at the net present value of the remaining fixed lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Subsequently, lease liabilities are measured at amortized cost using the interest method, with interest expense recognized over the lease terms. Lease liabilities are remeasured with a corresponding adjustment to the right-of-use assets when there are changes in the lease terms or in future lease payments and such changes do not arise from contract modifications.

C. At the commencement date, right-of-use assets are recognized at cost which comprises the amount of the initial measurement of lease liabilities.

Right-of-use assets are measured subsequently using the cost model and are depreciated from the commencement date to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. When lease liabilities are remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use assets.

(17) Investment properties

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.

(18) Intangible assets

A. Computer software

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

B. Goodwill

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

(19) 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 amount of goodwill 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 groups 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.

(20) Derecognition of financial liabilities

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

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for services rendered by employees in a period, and should be recognized as expense in that period when the employees render those services.

B. Retirement benefits

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expense 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 plans

- i. Net obligation under defined benefit plans is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company and its subsidiaries in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.
- ii. Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded in retained earnings.
- iii. Past service costs are recognized immediately in profit or loss.

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the shareholders resolve to retain the earnings.

- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet.
- D. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(23) 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.

(24) Revenue recognition

The Company and its subsidiaries allocate the transaction price to each performance obligation when the performance obligations of customer contracts are identifiable. Revenue is recognized when the performance obligation is satisfied, and is classified as service revenue, dividend income, interest income and rental income.

A. Service revenue

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

B. Dividend income and interest income

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

Interest income arising from financial assets is recognized when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably. Interest income is calculated over time based on the outstanding principal discounted by using the applicable effective interest rate, and is accounted for under the accrual basis. The effective interest rate is the rate used to discount the estimated cash that will be received during the financial assets' expected lives to be exactly equal to the net carrying amount of such assets at initial recognition.

C. Rental income

Rental income arising from operating leases is recognized in profit or loss on a straight-line basis over the lease terms.

(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 an 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 inputs used in applying the valuation techniques. Any change in these judgements and estimates will impact the fair value measurement of these unlisted stocks.

As of December 31, 2023 and 2022, information on the Company and its subsidiaries' unlisted stocks without an active market is provided in Note 6(3).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Petty cash	\$ 1,632	\$ 1,172
Checking accounts and demand deposits	4,615,888	7,116,231
Cash equivalents		
Time deposits with initial maturity term within three months	183,060	1,038,060
Commercial papers	8,449,746	11,054,048
Reverse repos	450,000	515,000
	<u>\$ 13,700,326</u>	<u>\$ 19,724,511</u>

As of December 31, 2023 and 2022, the time deposits with initial maturity term of more than three months were \$37,042,683 and \$33,034,087, respectively, and were shown as "other current financial assets."

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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Beneficiary certificates	<u>\$ 11,045,552</u>	<u>\$ 8,880,530</u>

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

	Years ended December 31,	
	2023	2022
Fair value change recognized in profit or loss	\$ 785,941	(\$ 497,616)
Dividend income recognized in profit or loss	98,919	59,996
	<u>\$ 884,860</u>	<u>(\$ 437,620)</u>

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

Items	December 31, 2023	December 31, 2022
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 1,385,493	\$ 1,385,493
Valuation adjustment	5,610,740	5,272,002
	<u>\$ 6,996,233</u>	<u>\$ 6,657,495</u>

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

	Years ended December 31,	
	2023	2022
Fair value change recognized in other comprehensive income	<u>\$ 338,738</u>	<u>\$ 868,189</u>
Dividend income recognized in profit or loss	<u>\$ 226,339</u>	<u>\$ 217,548</u>

(4) Financial assets at amortized cost

Items	December 31, 2023	December 31, 2022
Current items:		
Financial bonds	\$ 3,005,759	\$ 2,301,548
Corporate bonds	251,167	100,117
Government bonds	-	249,922
	3,256,926	2,651,587
Less: Allowance for impairment	(869)	(917)
	\$ 3,256,057	\$ 2,650,670
Non-current items:		
Financial bonds	\$ 9,865,872	\$ 9,197,580
Corporate bonds	6,095,033	1,959,862
Government bonds	1,738,158	1,853,927
	17,699,063	13,011,369
Less: Allowance for impairment	(4,252)	(4,177)
	17,694,811	13,007,192
Less: Compensation reserve	(950,000)	(950,000)
Other non-current assets	(99,142)	(99,975)
	\$ 16,645,669	\$ 11,957,217

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

	Years ended December 31,	
	2023	2022
Interest income	\$ 220,192	\$ 173,860
Impairment loss (recognized) reversed	(27)	525
	\$ 220,165	\$ 174,385

B. Information relating to compensation reserve is provided in Note 6(7).

C. The relevant information about other non-current assets is provided in Note 6(14).

D. Information relating to the Company's financial assets at amortized cost pledged as collateral is provided in Notes 6(8) and 8.

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

(5) Accounts receivable

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Accounts receivable	\$ 1,711,521	\$ 1,327,523
Less: Allowance for doubtful accounts	(1,122)	(1,844)
	<u>\$ 1,710,399</u>	<u>\$ 1,325,679</u>

A. The Company and its subsidiaries do not hold any collateral on accounts receivable.

B. Aging analysis of accounts receivable and information relating to credit risk are provided in Note 12(2).

(6) Other current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Payments under cross-border custody	\$ 939,955	\$ 267,152
Receipt and payment for mutual funds on behalf of others	449,651	239,149
Receipt and payment for bills and bonds on behalf of others	336,118	145,010
Others	177,204	170,912
	<u>\$ 1,902,928</u>	<u>\$ 822,223</u>

A. The Company's subsidiaries began to provide receipt and payment services for domestic and offshore mutual funds on behalf of others since August 2006 and July 2016, respectively. The amount pertains to payments received and paid on behalf of others for purchasing or redeeming domestic and offshore mutual funds.

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

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

(7) Compensation reserve

- A. The Company, as required by the “Securities and Exchange Act” and the related regulations, deposited \$50 million in the beginning and set aside at a certain percentage of trading fees within 15 days at the end of each quarter to the compensation reserve (Debit: compensation reserve; Credit: cash), until the accumulated amount of the compensation reserve is equal to or greater than the total amount of the Company’s capital. In addition, pursuant to the regulations of the Competent Authority No. 00480 bulletin (1986), the Company recognized an equivalent amount as provision for the compensation reserve beginning 1986 (Debit: compensation reserve expense; Credit: provision for the compensation reserve). Moreover, following Article 6 of the “Taiwan Stock Exchange Corporation Securities Borrowing and Lending Rules,” and the regulations of the Competent Authority No. 0920129756 bulletin (2003), the Company sets aside 3% of securities lending and borrowing service fees towards the compensation reserve.
- B. As the accumulated amount of the compensation reserve already exceeded the total amount of the Company’s capital, the Company has ceased setting aside at a certain percentage of trading fees to the compensation reserve and the provision for the compensation reserve since November 2006. However, in accordance with the Competent Authority No. 0980026755 bulletin (June 2009), the Company began setting aside 5% of trading fees to the compensation reserve within 15 days after the end of every quarter since January 1, 2010.
- C. Taiwan Depository & Clearing Corporation (the TDCC) sets aside 5% of revenue from securities settlement service, securities recording service, transfer process service and account maintenance service to the compensation reserve (Debit: compensation reserve, Credit: cash) 15 days after the end of each quarter until the accumulated fund balance is equal to the TDCC’s paid-in capital.
- D. The Company and its subsidiaries began preparing the financial statements in accordance with IFRSs for the first time from January 1, 2013. Pursuant to the requirements of the regulatory authority, the balance of the provision for the compensation reserve amounting to \$9,275,007 was reclassified to “special reserve” upon transition. The special reserve cannot be used for other purposes except to cover accumulated deficit or for other uses approved by the FSC. In addition, the Company ceased to set aside the provision for the compensation reserve from October 30, 2012. However, the Company still has to set aside 5% of trading fees to the compensation reserve within 15 days after the end of every quarter since January 1, 2010, in accordance with the Competent Authority No. 0980026755 bulletin (June 2009).
- E. Under the regulations of the Competent Authority, if losses occur when the Company pays the settlement on behalf of others under the requirements of Article 153 of the “Securities and Exchange Act,” the losses will be directly offset against the abovementioned special reserve and no expense will be recognized, provided the matter is first reported to the Competent Authority and its approval is subsequently obtained.

F. Under the regulations of the Competent Authority, the TDCC may also use the abovementioned special reserve in the future to write down a specified amount and no expense will be recognized upon approval by the Competent Authority.

G. Beginning September 1996, the Company was required to establish a special clearing fund to be used in settling defaults by securities companies in accordance with the “Taiwan Stock Exchange Corporation Rules for the Administration of the Joint Responsibility System Clearing and Settlement Fund.” Therefore, the Company established the special clearing fund with an initial funding of \$1 billion. The Company has set aside to the special clearing fund on a continuing basis any portion in excess of the balance of \$1 billion of the Company’s compensation reserve. The special clearing fund in excess of the initial funding has an upper limit of \$2 billion. As of December 31, 2023 and 2022, the balance of the special clearing fund was \$3 billion.

H. The movements of the compensation reserve are as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of year (Note)	\$ 10,735,061	\$ 10,126,493
Contributions		
5% of trading fees	320,818	344,217
5% of securities settlement, securities recording, transfer process and account maintenance service fees	240,548	253,091
3% of securities lending and borrowing service fees	<u>10,754</u>	<u>11,260</u>
	11,307,181	10,735,061
Special clearing fund	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 14,307,181</u>	<u>\$ 13,735,061</u>

Note: The beginning balance of the special clearing fund was \$3 billion, and the balance of the compensation reserve was \$13,735,061 and \$13,126,493 as of January 1, 2023 and 2022, respectively.

I. As of December 31, 2023, compensation reserve amounting to \$13,357,181 and \$950,000 were invested in time deposits and government bonds, respectively. As of December 31, 2022, compensation reserve amounting to \$12,785,061 and \$950,000 were invested in time deposits and government bonds, respectively.

(8) Settlement and clearing debit (credit) items

As required by the Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges, settlement and clearing debit (credit) items include settlement and clearing fund and settlement consideration, and the related descriptions are as follows:

A. Settlement and clearing fund

- (a) As required by the Competent Authority, securities companies make cash deposits to the settlement and clearing fund, which is administrated by a special management committee of the joint responsibility system clearing and settlement fund (the “committee”) and deposited in the name of the Company, and this fund is distinguished from the other funds owned by the Company. Under the “Securities and Exchange Act,” the settlement and clearing fund 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 settlement and clearing fund, after deducting related expenses and taxes, is distributed to the securities companies every six months.
- (b) For the price difference and all other fees arising from and in connection with the handling of any default of settlement obligations by a securities company, deductions are first made against the portion of the contributions made by the defaulting securities company to the settlement and clearing fund and any undistributed income thereon. When that is insufficient, compensation on behalf of the defaulting securities company is made from the special clearing fund in the following order:
- i. The special clearing fund in excess of \$1 billion will be used, and the utilized portion will not be subsequently made up.
 - ii. Each non-defaulting securities company assumed the aforementioned price difference and all other fees based on the settlement and clearing fund deposited by the competent authority and the special clearing fund provisioned at once by the Company, with their portion of the contribution.
 - iii. Additional settlement and clearing fund deposited by non-defaulting securities companies.
 - iv. In accordance with the provisions of items (a) to (c), the insufficient compensation paid on behalf the defaulting securities shall be paid by the Company’s compensation reserve.
- (c) As of December 31, 2023 and 2022, the balances of the settlement and clearing fund were \$3,749,283 and \$3,726,948, respectively, and the balance of the special clearing fund was \$3 billion. The funds are invested in time deposits, commercial papers and government bonds pursuant to the relevant regulations. In addition, as of December 31, 2023, the Company had entered into a loan agreement with financial institutions for the loan facility of \$10 billion and US\$10 million and provided time deposits of \$500,000 (\$500,000 from the clearing and settlement fund accounts) and government bonds with a face value of \$1,300,000 (\$350,000 from the financial assets at amortized cost, \$650,000 from the compensation reserve and \$300,000 from the special clearing fund) to financial institutions as collaterals to provide for future advances that may be required by securities companies in fulfilling settlements and other revolving funds for emergency use as a result of securities companies defaulting on their settlement obligations or natural disasters. As of December 31, 2023, the Company has not yet drawn down from the loan facility.

(d) As the Company is only responsible for the custodianship of the settlement and clearing fund deposited by securities companies, yield and income generated from the funds belong to the securities companies. Furthermore, the Company does not bear any related expenses and losses, and the recovery or reimbursement of the settlement and clearing fund is made to the individual securities companies. Therefore, the assets and liabilities arising from the settlement and clearing fund are offset in the Company and its subsidiaries' financial statements and the net amount presented is \$0.

B. Settlement consideration

The receipts or payments from/to each securities company arising from the Company's clearing and settlement of securities are shown as "settlement and clearing debit items" and "settlement and clearing credit items." Pursuant to "Operating Rules of the Taiwan Stock Exchange Corporation," net settlement is carried out on the second business day following the trade date. Balances of settlement and clearing debit (credit) items as of December 31, 2023 and 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Settlement and clearing debit items	\$ 41,719,447	\$ 20,683,453
Settlement and clearing credit items	\$ 41,719,447	\$ 20,683,453

(9) Investments accounted for using the equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan Ratings Co. (the "TRC")	\$ 73,644	\$ 69,668

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

	<u>Taiwan Ratings Co.</u>	
	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Share of profit of the associate accounted for using the equity method	\$ 27,435	\$ 25,294
Share of other comprehensive (loss) income on the associate accounted for using the equity method	(\$ 299)	\$ 439

The percentage of ownership held by the Company and its subsidiaries in the above associate were both 39% as of December 31, 2023 and 2022.

The carrying amount of the investment in the associate and the share of comprehensive loss of the associate accounted for using the equity method was based on the financial statements audited by other auditors.

(10) Property and equipment

<u>2023</u>	<u>Land</u>	<u>Buildings and structures</u>	<u>Computer equipment</u>	<u>Other equipment</u>	<u>Rental assets</u>	<u>Total</u>
<u>Cost</u>						
At January 1	\$ 938,888	\$1,276,780	\$2,203,858	\$1,314,954	\$ 267,617	\$6,002,097
Additions	-	-	148,756	70,913	-	219,669
Disposals	-	(5,886)	(325,010)	(73,238)	-	(404,134)
Transfers (Note)	<u>51,017</u>	<u>31,581</u>	<u>40,062</u>	<u>10,994</u>	<u>-</u>	<u>133,654</u>
Closing book amount	<u>\$ 989,905</u>	<u>\$1,302,475</u>	<u>\$2,067,666</u>	<u>\$1,323,623</u>	<u>\$ 267,617</u>	<u>\$5,951,286</u>
<u>Accumulated depreciation</u>						
At January 1	\$ -	\$ 251,964	\$1,713,379	\$ 759,423	\$ 205,344	\$2,930,110
Depreciation	-	24,671	264,654	140,295	33,453	463,073
Disposals	-	(5,886)	(323,913)	(73,238)	-	(403,037)
Transfers (Note)	<u>-</u>	<u>19,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,221</u>
Closing book amount	<u>\$ -</u>	<u>\$ 289,970</u>	<u>\$1,654,120</u>	<u>\$ 826,480</u>	<u>\$ 238,797</u>	<u>\$3,009,367</u>
At January 1 net book amount	<u>\$ 938,888</u>	<u>\$1,024,816</u>	<u>\$ 490,479</u>	<u>\$ 555,531</u>	<u>\$ 62,273</u>	<u>\$3,071,987</u>
At December 31 net book amount	<u>\$ 989,905</u>	<u>\$1,012,505</u>	<u>\$ 413,546</u>	<u>\$ 497,143</u>	<u>\$ 28,820</u>	<u>\$2,941,919</u>

2022	Land	Buildings and structures	Computer equipment	Other equipment	Rental assets	Total
<u>Cost</u>						
At January 1	\$ 938,888	\$1,277,270	\$2,148,136	\$1,506,640	\$ 267,617	\$6,138,551
Additions	-	-	242,836	17,645	-	260,481
Disposals	-	(490)	(223,851)	(209,331)	-	(433,672)
Transfers (Note)	-	-	36,737	-	-	36,737
Closing book amount	<u>\$ 938,888</u>	<u>\$1,276,780</u>	<u>\$2,203,858</u>	<u>\$1,314,954</u>	<u>\$ 267,617</u>	<u>\$6,002,097</u>
<u>Accumulated depreciation</u>						
At January 1	\$ -	\$ 227,887	\$1,667,820	\$ 811,999	\$ 171,892	\$2,879,598
Depreciation	-	24,567	269,212	156,737	33,452	483,968
Disposals	-	(490)	(223,653)	(209,313)	-	(433,456)
Closing book amount	<u>\$ -</u>	<u>\$ 251,964</u>	<u>\$1,713,379</u>	<u>\$ 759,423</u>	<u>\$ 205,344</u>	<u>\$2,930,110</u>
At January 1 net book amount	<u>\$ 938,888</u>	<u>\$1,049,383</u>	<u>\$ 480,316</u>	<u>\$ 694,641</u>	<u>\$ 95,725</u>	<u>\$3,258,953</u>
At December 31 net book amount	<u>\$ 938,888</u>	<u>\$1,024,816</u>	<u>\$ 490,479</u>	<u>\$ 555,531</u>	<u>\$ 62,273</u>	<u>\$3,071,987</u>

Note: Transfers of land, buildings and structures pertain to investment properties. Transfers of computer equipment and other equipment pertain to prepayments for equipment transferred from other non-current assets.

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

Buildings and structures	55 years
Computer equipment	3 ~ 5 years
Other equipment	3 ~ 15 years
Rental assets	5 ~ 8 years

(11) Lease transactions-lessee

A. Right-of-use assets

- (a) The Company and its subsidiaries lease various assets including buildings and other equipment. Lease contracts are typically made for periods between three to ten years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. Apart from the general provisions found in commercial contracts that leased assets may not be transferred, subleased or used as collaterals for borrowing purposes, the lease contracts do not impose other covenants.

(b) Carrying amounts of right-of-use assets:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Buildings	\$ 1,424,860	\$ 1,653,000
Other equipment	<u>17,057</u>	<u>7,543</u>
	<u>\$ 1,441,917</u>	<u>\$ 1,660,543</u>

(c) For the years ended December 31, 2023 and 2022, the additions to right-of-use assets resulting from lease additions or modifications were \$81,867 and \$303,235, respectively.

(d) Depreciation on right-of-use assets is as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Buildings	\$ 295,086	\$ 290,575
Other equipment	<u>5,407</u>	<u>5,108</u>
	<u>\$ 300,493</u>	<u>\$ 295,683</u>

B. Lease liabilities

(a) The carrying amounts of lease liabilities are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current portion	\$ 326,079	\$ 288,233
Non-current portion	<u>1,272,284</u>	<u>1,525,406</u>
	<u>\$ 1,598,363</u>	<u>\$ 1,813,639</u>

(b) Information on profit or loss in relation to lease liabilities is as follows:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	<u>\$ 31,420</u>	<u>\$ 31,519</u>
(Losses) gains arising from modification of the lease	<u>(\$ 23)</u>	<u>\$ 78</u>

C. Other information on leases is as follows:

(a) For the years ended December 31, 2023 and 2022, the Company and its subsidiaries' total cash outflows for leases were \$328,586 and \$325,111, respectively.

(b) Information on lease transactions with related parties is provided in Note 7.

(12) Investment properties

<u>2023</u>	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>Cost</u>			
At January 1	\$ 248,749	\$ 352,932	\$ 601,681
Transfers (Note)	(51,017)	(31,581)	(82,598)
Closing book amount	<u>\$ 197,732</u>	<u>\$ 321,351</u>	<u>\$ 519,083</u>
<u>Accumulated depreciation</u>			
At January 1	\$ -	\$ 181,737	\$ 181,737
Depreciation	-	6,074	6,074
Transfers (Note)	-	(19,221)	(19,221)
Closing book amount	<u>\$ -</u>	<u>\$ 168,590</u>	<u>\$ 168,590</u>
At January 1 net book amount	<u>\$ 248,749</u>	<u>\$ 171,195</u>	<u>\$ 419,944</u>
At December 31 net book amount	<u>\$ 197,732</u>	<u>\$ 152,761</u>	<u>\$ 350,493</u>
<u>2022</u>	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>Cost</u>			
At January 1 and December 31	<u>\$ 248,749</u>	<u>\$ 352,932</u>	<u>\$ 601,681</u>
<u>Accumulated depreciation</u>			
At January 1	\$ -	\$ 175,429	\$ 175,429
Depreciation	-	6,308	6,308
Closing book amount	<u>\$ -</u>	<u>\$ 181,737</u>	<u>\$ 181,737</u>
At January 1 net book amount	<u>\$ 248,749</u>	<u>\$ 177,503</u>	<u>\$ 426,252</u>
At December 31 net book amount	<u>\$ 248,749</u>	<u>\$ 171,195</u>	<u>\$ 419,944</u>

Note: Transfers of buildings and structures represent transfers to property and equipment.

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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Rental income from investment properties	<u>\$ 33,411</u>	<u>\$ 37,278</u>
Direct operating expenses arising from the investment properties that generated rental income during the year (depreciation expense)	<u>\$ 5,494</u>	<u>\$ 4,344</u>

B. The fair values of the investment properties held by the Company and its subsidiaries as of December 31, 2023 and 2022 were \$1,318,221 and \$1,461,479, respectively. The fair values of the above assets were determined by management by the valuation from independent appraisers, and by comparing with the transaction information of similar properties in the market and applying appropriate adjustments in the valuations. The comparative approach and income approach were used for the valuations which are categorized within Level 3 in the fair value hierarchy.

C. Except for land, investment properties are depreciated on a straight-line basis over the estimated useful life of 55 years.

(13) Intangible assets

<u>2023</u>	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>				
At January 1	\$ 237,545	\$ 1,224,343	\$ 746	\$ 1,462,634
Additions	-	170,531	2,134	172,665
Disposals	-	(70,964)	-	(70,964)
Transfer from prepayments for equipment	-	27,250	-	27,250
Closing book amount	<u>\$ 237,545</u>	<u>\$ 1,351,160</u>	<u>\$ 2,880</u>	<u>\$ 1,591,585</u>
<u>Accumulated amortization</u>				
At January 1	\$ -	\$ 908,256	\$ 716	\$ 908,972
Amortization	-	182,512	200	182,712
Disposals	-	(70,964)	-	(70,964)
Closing book amount	<u>\$ -</u>	<u>\$ 1,019,804</u>	<u>\$ 916</u>	<u>\$ 1,020,720</u>
At January 1 net book amount	<u>\$ 237,545</u>	<u>\$ 316,087</u>	<u>\$ 30</u>	<u>\$ 553,662</u>
At December 31 net book amount	<u>\$ 237,545</u>	<u>\$ 331,356</u>	<u>\$ 1,964</u>	<u>\$ 570,865</u>
<u>2022</u>	<u>Goodwill</u>	<u>Software</u>	<u>Others</u>	<u>Total</u>
<u>Cost</u>				
At January 1	\$ 237,545	\$ 1,421,406	\$ 746	\$ 1,659,697
Additions	-	124,858	-	124,858
Disposals	-	(354,139)	-	(354,139)
Transfer from prepayments for equipment	-	32,218	-	32,218
Closing book amount	<u>\$ 237,545</u>	<u>\$ 1,224,343</u>	<u>\$ 746</u>	<u>\$ 1,462,634</u>
<u>Accumulated amortization</u>				
At January 1	\$ -	\$ 1,013,461	\$ 675	\$ 1,014,136
Amortization	-	248,934	41	248,975
Disposals	-	(354,139)	-	(354,139)
Closing book amount	<u>\$ -</u>	<u>\$ 908,256</u>	<u>\$ 716</u>	<u>\$ 908,972</u>
At January 1 net book amount	<u>\$ 237,545</u>	<u>\$ 407,945</u>	<u>\$ 71</u>	<u>\$ 645,561</u>
At December 31 net book amount	<u>\$ 237,545</u>	<u>\$ 316,087</u>	<u>\$ 30</u>	<u>\$ 553,662</u>

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

(14) Other non-current assets

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Operations guarantee deposits	\$ 870,000	\$ 870,000
Refundable deposits	214,765	205,332
Prepayments for equipment and intangible assets	97,773	21,283
Others	169,175	156,015
	<u>\$ 1,351,713</u>	<u>\$ 1,252,630</u>

A. As of December 31, 2023 and 2022, the Company has pledged time deposits amounting to both \$800,000, with the Central Bank of the Republic of China (Taiwan) as operations guarantee deposits.

B. As of December 31, 2023 and 2022, Fundrich Securities Co., Ltd. has pledged time deposits amounting to \$70 million with the bank designated by the Securities and Futures Bureau, based on the Regulations Governing Securities Firms and other laws.

C. As of December 31, 2023 and 2022, the Taiwan Depository & Clearing Corporation has pledged government bonds with both amounting to \$100,000 in the Central Bank as guarantee deposits paid in accordance with the Regulations Governing Approval and Administration of Short-term Bills Clearing and Depository Organizations. As at December 31, 2023 and 2022, the carrying amount of these government bonds were \$99,142 and \$99,975, respectively.

(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, the individual collateral maintenance ratio of each transaction will be calculated on a daily basis, and further collaterals will be required if the maintenance ratio is below the stipulated collateral ratio. As of December 31, 2023 and 2022, the Company has received the following collaterals:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Cash (Note 1)	\$ 996,846	\$ 2,651,912
Bank drafts (Note 2)	\$ 7,234,229	\$ 11,412,113
Securities (Notes 2 and 3)	\$ 33,515,672	\$ 35,255,539

Note 1: Interest will be paid based on the bank’s current interest rate upon refund of cash collaterals.

Note 2: Pursuant to “Taiwan Stock Exchange Corporation Securities Borrowing and Lending Rules,” bank drafts and securities will be returned to the 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 collaterals.

Note 3: Securities are remeasured based on their closing prices as of December 31, 2023 and 2022.

(16) Other current liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Security borrowing performance bond payable (Note 1)	\$ 3,480,214	\$ 5,002,189
Receipts under custody (Note 2)	1,724,632	650,644
Contract liabilities (Note 3)	1,344,305	947,203
Deposits received for borrowing securities collateral	-	174,000
Others	<u>126,821</u>	<u>132,319</u>
	<u>\$ 6,675,972</u>	<u>\$ 6,906,355</u>

Note 1: Since February 1, 2016, in order to meet the requirements of market participants and improve the liquidity of the securities market, apart from lending out marketable securities to its customers, a securities company can also borrow marketable securities from its customers, other securities companies, and securities finance enterprises. If marketable securities are borrowed from a customer, the securities companies should appropriate a performance guarantee in proportion to the total amount of borrowed marketable securities to the Company.

Note 2: Receipts under custody pertain to payments received and paid by the subsidiaries on behalf of others which relate to the purchase or redemption of offshore and domestic mutual funds and for custody of cross-border securities starting from August 2006, July 2016 and November 2015 for the aforementioned services, respectively.

Note 3: Contract liabilities include annual listing fees received in advance, call (put) warrant listing fees received in advance, system construction service fees received in advance, internet user authorization service fees received in advance and others.

(17) Retirement benefits

A. Defined benefit plan

As of December 31, 2023 and 2022, amounts recognized based on actuarial reports are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of defined benefit obligations	\$ 4,903,126	\$ 4,833,731
Fair value of plan assets	(4,386,616)	(4,321,478)
Net defined benefit liability	<u>\$ 516,510</u>	<u>\$ 512,253</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2023</u>			
Balance at January 1	\$ 4,833,731	\$ 4,321,478	\$ 512,253
Current service cost	301,805	-	301,805
Settlement gain	1,502	-	1,502
Interest expense/income	61,972	57,788	4,184
	<u>5,199,010</u>	<u>4,379,266</u>	<u>819,744</u>
Remeasurements (Note 1):			
Return on plan assets (Note 2)	-	11,277	(11,277)
Change in demographic assumptions	(707)	-	(707)
Change in financial assumptions	15,373	-	15,373
Experience adjustments	(39,689)	-	(39,689)
	<u>(25,023)</u>	<u>11,277</u>	<u>(36,300)</u>
Pension fund contribution	-	256,228	(256,228)
Pension paid	(262,544)	(251,838)	(10,706)
Settlement	(8,317)	(8,317)	-
Balance at December 31	<u>\$ 4,903,126</u>	<u>\$ 4,386,616</u>	<u>\$ 516,510</u>

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 5,067,799	\$ 4,342,853	\$ 724,946
Current service cost	297,124	-	297,124
Past service cost	75,992	-	75,992
Settlement gain	13	-	13
Interest expense/income	31,602	27,913	3,689
	<u>5,472,530</u>	<u>4,370,766</u>	<u>1,101,764</u>
Remeasurements (Note 1):			
Return on plan assets (Note 2)	-	180,480	(180,480)
Change in demographic assumptions	325	-	325
Change in financial assumptions	(134,083)	-	(134,083)
Experience adjustments	98,238	-	98,238
	<u>(35,520)</u>	<u>180,480</u>	<u>(216,000)</u>
Pension fund contribution	-	284,182	(284,182)
Pension paid	(600,514)	(511,185)	(89,329)
Settlement	(2,765)	(2,765)	-
Balance at December 31	<u>\$ 4,833,731</u>	<u>\$ 4,321,478</u>	<u>\$ 512,253</u>

Note 1: Excluding tax effects.

Note 2: Excluding amounts included in interest income or expense.

- (b) Based on the internal policies and procedures for employees' retirement and termination of employment of the Company, the TDCC and its subsidiaries, the Company, the TDCC and its subsidiaries make monthly contributions to the workers' pension fund and the employees' retirement fund based on certain percentages of employees' salaries. These funds are administrated by the Labor Pension Fund Supervisory Committee and the Committee of Employee Pension Fund, respectively. The contributed amounts are deposited with the Bank of Taiwan under the names of the respective committees. Employees who have retired and resigned will receive benefits from the aforementioned funds.
- (c) TWCA has a pension plan covering all regular employees. Under the pension plan, pension benefits are based on the number of units accrued and the average monthly salary for the six-month period prior to retirement.

(d) The Bank of Taiwan was commissioned to manage the pension fund (the “Fund”) under the Company and its subsidiaries’ defined benefit pension plans and the Fund is administrated by the Labor Pension Fund Supervisory 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.). The minimum earnings from the utilization of the Fund in the annual distributions shall be no less than the earnings calculated using the two-year time deposits interest rates offered by local banks. If the minimum earnings are less than the earnings calculated under the aforementioned rates, the government shall make up for the shortfall after being authorized by the Competent Authority. The Company and its subsidiaries have no right to participate in managing and operating the Fund and hence the Company and its subsidiaries are unable to disclose the classification of the fair value of plan assets in accordance with paragraph 142 of IAS 19. The composition of the fair value of plan assets as of December 31, 2023 and 2022 is published in the “Annual Labor Retirement Fund Utilization Report” announced by the government. As of December 31, 2023 and 2022, the funds of the Company and its subsidiaries that were administered by the Committee of Employee Pension Fund consist of bank deposits only.

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

	<u>2023</u>	<u>2022</u>
Discount rate	<u>1.15%~1.625%</u>	<u>1.15%~1.75%</u>
Future salary increases	<u>2%~5%</u>	<u>2%~5%</u>

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

The sensitivity analysis of the present value of defined benefit obligation to changes in the significant actuarial assumptions was as follows:

	<u>Discount rate</u>		<u>Future salary increases</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>	<u>0.25%</u>
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	<u>(\$ 84,593)</u>	<u>\$ 87,367</u>	<u>\$ 46,110</u>	<u>(\$ 44,429)</u>
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	<u>(\$ 87,670)</u>	<u>\$ 90,552</u>	<u>\$ 49,785</u>	<u>(\$ 47,632)</u>

The sensitivity analysis above is based on a change in an assumption while holding all other assumptions constant. In practice, changes in some of the assumptions may be correlated.

(f) Expected contributions to the defined benefit pension plans of the Company and its subsidiaries for the year ending December 31, 2023 amount to \$274,176.

B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its subsidiaries have established 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 make a monthly contribution of an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. Employees will receive pension benefits based on the regulations of the Act. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The pension costs under the defined contribution pension plan of the Company and its subsidiaries for the years ended December 31, 2023 and 2022 were \$165,886 and \$151,646, respectively.

(c) TWCA and TIP have an employee severance pay plan. Under the plan, TWCA and TIP set aside a certain percentage of the employees’ annual salaries and wages as reserve for severance pay and pension.

(18) Share capital

A. In accordance with the resolution adopted at the shareholders’ meeting on June 21, 2023 and June 14, 2022, the Company issued 133,299 and 184,903 thousand shares of common stock by capitalizing the unappropriated retained earnings, respectively. The authorized and paid-in capital after the change as of December 31, 2023 and 2022 were \$11,586,719 and \$10,253,733, respectively, and the registration has been completed.

B. As of December 31, 2023, the Company’s authorized and paid-in capital was \$11,586,719 with a par value of \$10 (in New Taiwan dollars) per share. All proceeds from shares issued have been collected.

C. Pursuant to an amendment to Article 128 of the “Securities and Exchange Act” promulgated on July 19, 2000, the Company’s common stocks can only be sold to authorized securities companies starting January 15, 2001.

(19) Capital reserve

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

(20) Legal reserve/Special reserve

- A. According to the R.O.C. “Company Act,” 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 the legal reserve until it has reached 100% of contributed capital. The legal reserve shall be exclusively used to cover accumulated deficit or to issue new stocks or distribute cash to shareholders in proportion to their share ownership and shall not be used for any other purpose. The use of the legal reserve for the issuance of stocks or distribution of 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. As required under the regulations of the Securities and Futures Bureau (“SFB”), the Company shall appropriate a special reserve based on its net income annually. The rate of the appropriation was determined by the Competent Authority, which is at most 80% of the net income. Furthermore, pursuant to the regulations of the Competent Authority, the Company and its subsidiaries had reclassified the provision for the compensation reserve to a special reserve in their first financial statements prepared in accordance with IFRSs in 2013. The special reserve, as resolved by the shareholders, can only be used upon the Competent Authority’s approval to offset against deficit or transferred to capital.

(21) Unappropriated retained earnings

	<u>2023</u>	<u>2022</u>
At January 1	\$ 7,206,072	\$ 10,435,649
Profit for the year	9,100,923	7,006,959
Gains on remeasurements of defined benefit plans	21,455	134,403
(Losses) gains on remeasurements of defined benefit plans of associate accounted for by using the equity	(299)	439
Legal reserve	(714,180)	(1,037,915)
Special reserve	(2,321,085)	(3,954,455)
Cash dividends	(2,768,508)	(3,529,974)
Stock dividends	(1,332,986)	(1,849,034)
At December 31	<u>\$ 9,191,392</u>	<u>\$ 7,206,072</u>

- A. Under the Company’s Articles of Incorporation, the annual net income should be used initially to cover any accumulated deficit; 10% of the annual net income should be appropriated as the legal reserve and the 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 shareholders’ meeting.
- B. As approved by the shareholders during their meeting, cash dividends declared for 2022 and 2021 were \$2.7 (in New Taiwan dollars) per share and \$4.2 (in New Taiwan dollars) per share, respectively, and the stock dividends for 2022 and 2021 were \$1.3 (in New Taiwan dollars) per share and \$2.2 (in New Taiwan dollars) per share, respectively.

(22) Other equity items

	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	
	2023	2022
At January 1	\$ 4,232,614	\$ 3,504,099
Revaluation	287,778	728,515
At December 31	<u>\$ 4,520,392</u>	<u>\$ 4,232,614</u>

(23) Trading fees

Trading fees mainly represent fees collected for the use of the Company's services 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 New Taiwan dollar for dealers and brokers. After reaching an agreement with the 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% from the time that the Company ceased to set it aside to the compensation reserve. 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 New Taiwan dollar) has been reduced by 20%.

(24) Additional information on operating expenses

	Operating expenses	
	Years ended December 31,	
	2023	2022
Employee benefit expense		
Salaries	\$ 2,679,993	\$ 2,637,200
Insurance	164,292	148,621
Pension	473,377	528,464
Others	87,855	111,218
	<u>\$ 3,405,517</u>	<u>\$ 3,425,503</u>
Depreciation	<u>\$ 769,640</u>	<u>\$ 785,959</u>
Amortization	<u>\$ 182,712</u>	<u>\$ 248,975</u>

- A. Under the Company's Articles of Incorporation, the Company shall distribute 1%~12% of annual profit as employees' compensation for each accounting year. However, the distribution of annual profit shall be first reserved to offset against accumulated deficit, if any.
- B. For the years ended December 31, 2023 and 2022, employees' compensation was accrued in the amounts of \$161,921 and \$168,848, respectively. The aforementioned amounts were recognized in salary expenses.

C. The difference of \$6,379 between the employees' compensation resolved by the Board of Directors and the employees' compensation of \$168,848 recognised in the 2022 financial statements had been adjusted in the profit or loss for 2023.

(25) Other income

	Years ended December 31,	
	2023	2022
Dividend income	\$ 325,258	\$ 277,544
Rental income	95,493	99,630
Others	14,955	16,316
	<u>\$ 435,706</u>	<u>\$ 393,490</u>

(26) Other gains and losses

	Years ended December 31,	
	2023	2022
Losses (gains) on financial assets at fair value through profit or loss	\$ 785,941	(\$ 497,616)
Foreign exchange gains	3,630	105,539
Others	(104,035)	(99,043)
	<u>\$ 685,536</u>	<u>(\$ 491,120)</u>

(27) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense-lease liabilities	\$ 31,420	\$ 31,519
Interest expense-securities lending and borrowing collateral	4,169	4,144
	<u>\$ 35,589</u>	<u>\$ 35,663</u>

(28) Income tax

A. Income tax expense

(a) Components of income tax expense

	Years ended December 31,	
	2023	2022
Current tax:		
Current tax on profits for the year	\$ 2,706,211	\$ 2,345,944
Tax on unappropriated earnings	252	1,828
Prior year income tax over estimation	(9,303)	(2,013)
Total current tax	<u>2,697,160</u>	<u>2,345,759</u>
Deferred tax:		
Origination and reversal of temporary differences	4,035	8,950
Income tax expense	<u>\$ 2,701,195</u>	<u>\$ 2,354,709</u>

(b) Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2023	2022
Tax calculated based on profit before tax and statutory tax rate	\$ 3,489,577	\$ 2,761,845
Tax on unappropriated earnings	252	1,828
Effect from permanent differences of income tax	(792,927)	(410,017)
Temporary differences not recognized as deferred tax assets	12,578	12,439
Effect from investment tax credits and tax incentives	(212)	(758)
Changes in assessment of realisation of deferred tax assets	1,230	(8,672)
Prior year income tax over estimation	(9,303)	(1,956)
Income tax expense	<u>\$ 2,701,195</u>	<u>\$ 2,354,709</u>

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

	Year ended December 31, 2023			
	January 1	Recognized in profit or loss	Recognized in other	
			comprehensive income	December 31
-Deferred tax assets				
Employees' welfare	\$ 14,793	(\$ 655)	\$ -	\$ 14,138
Unused annual paid leave	25,212	(433)	-	24,779
Unrealized exchange loss	8,655	(731)	-	7,924
Others	3,060	(2,216)	32	876
	<u>\$ 51,720</u>	<u>(\$ 4,035)</u>	<u>\$ 32</u>	<u>\$ 47,717</u>
-Deferred tax liabilities				
Goodwill	\$ 35,673	\$ -	\$ -	\$ 35,673
Reserve for land value increment tax	44,599	-	-	44,599
	<u>\$ 80,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,272</u>

	Year ended December 31, 2022			
	January 1	Recognized in profit or loss	Recognized in other	
			comprehensive income	December 31
-Deferred tax assets				
Employees' welfare	\$ 5,903	\$ 8,890	\$ -	\$ 14,793
Unused annual paid leave	25,746	(534)	-	25,212
Unrealized exchange loss	26,703	(18,048)	-	8,655
Others	2,118	742	200	3,060
	<u>\$ 60,470</u>	<u>(\$ 8,950)</u>	<u>\$ 200</u>	<u>\$ 51,720</u>
-Deferred tax liabilities				
Goodwill	\$ 35,673	\$ -	\$ -	\$ 35,673
Reserve for land value increment tax	44,599	-	-	44,599
	<u>\$ 80,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,272</u>

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

	December 31, 2023	December 31, 2022
Deductible temporary differences	<u>\$ 305,167</u>	<u>\$ 292,589</u>

(30) Supplemental cash flow information

Investing activities with partial cash payments

	Years ended December 31,	
	2023	2022
Additions and transfers from property and equipment	\$ 270,725	\$ 297,218
Additions and transfers from intangible assets	199,915	157,076
Less: Opening balance of prepayments for equipment and intangible assets	(21,283)	(22,650)
Add: Ending balance of prepayments for equipment and intangible assets	97,773	21,283
Cash paid during the year	<u>\$ 547,130</u>	<u>\$ 452,927</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Bank of Taiwan	Corporate director
Land Bank of Taiwan Co., Ltd.	"
Taiwan Power Company (Note 1)	"
First Commercial Bank Co., Ltd. (Note 1)	"
Fubon Securities Co., Ltd.	"
Mega International Commercial Bank Co., Ltd.	"
Taiwan Cement Corporation	"
Yuanta Securities Co., Ltd. ("YUANTA")	"
YFY Inc.	"
Yuanta Securities Finance Co., Ltd. ("Yuanta Securities Finance")	"
KGI Securities Co., Ltd.	"
IBF Securities Co., Ltd. (Note 2)	"
CPC Corporation (Note 2)	"
Taiwan Futures Exchange Corporation (the "TAIFEX")	Other related party
Taipei Financial Center Corporation (the "TFCC")	"
Taipei Exchange Corporation (the "TPEX")	"
Chang Hwa Commercial Bank, Ltd. (Note 3)	"
Taiwan Sugar Corporation (Note 3)	"
Jih Sun Securities Co., Ltd. (Note 4)	"
Hua Nan Commercial Bank, Ltd. (Note 5)	"

Note 1: In July 2022, the company served as a director of the Company, and the amounts disclosed below represent the transactions with the related party for the period starting from the beginning of its term as director.

Note 2: In June 2022, the company stepped down as a director of the Company, and the amounts disclosed below represent the transactions with the related party for the period until the end of its term as director.

Note 3: In July 2022, the company served as a supervisor of the Company, and the amounts disclosed below represent the transactions with the related party for the period until the end of its term as supervisor.

Note 4: In January 2022, the company stepped down as a supervisor of the Company, and the amounts disclosed below represent the transactions with the related party for the period starting from the beginning of its term as supervisor.

Note 5: In June 2022, the company stepped down as a supervisor of the Company, and the amounts disclosed below represent the transactions with the related party for the period starting from the beginning of its term as supervisor.

(2) Significant related party transactions

	Years ended December 31,	
	2023	2022
A. Trading fees:		
Corporate directors		
YUANTA	\$ 942,062	\$ 779,027
Others	670,717	427,119
Other related parties	9,093	20,176
	<u>\$ 1,621,872</u>	<u>\$ 1,226,322</u>
B. Listing fees:		
Corporate directors		
YUANTA	\$ 444,307	\$ 453,616
Others	94,935	169,579
Other related parties	450	712
	<u>\$ 539,692</u>	<u>\$ 623,907</u>
C. Securities recording service fees:		
Corporate directors		
YUANTA	\$ 312,853	\$ 254,524
KGI	272,214	224,109
Others	179,683	112,236
	<u>\$ 764,750</u>	<u>\$ 590,869</u>

	Years ended December 31,	
	2023	2022
D. Transfer process service fees:		
Corporate directors		
YUANTA	\$ 70,368	\$ 67,042
Others	65,220	55,672
Other related parties	19	5
	<u>\$ 135,607</u>	<u>\$ 122,719</u>
E. Future clearing fees:		
Other related parties		
The TAIFEX	\$ 382,163	\$ 467,710
F. Royalty fees:		
Other related parties		
The TAIFEX	\$ 277,654	\$ 342,872
Others	-	300
Corporate directors	1,050	1,680
	<u>\$ 278,704</u>	<u>\$ 344,852</u>
G. Securities settlement service fees:		
Other related parties		
The TPEX	\$ 418,913	\$ 347,992
H. Systems processing fee:		
Other related parties		
The TPEX	\$ 414,010	\$ 346,264
I. Co-Location service fee:		
Other related parties		
The TPEX	\$ 115,499	\$ 97,150
Others	-	950
Corporate directors		
YUANTA	69,114	54,801
Others	16,022	13,633
	<u>\$ 200,635</u>	<u>\$ 166,534</u>
J. Receivables from related parties:		
Corporate directors	\$ 280,373	\$ 163,364
Other related parties	134,898	127,824
	<u>\$ 415,271</u>	<u>\$ 291,188</u>

K. Lease transactions-lessee

(a) The Company leased buildings and structures from the TFCC for a period of 10 years, and the rents were paid monthly.

(b) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
The TFCC	<u>\$ 1,162,817</u>	<u>\$ 1,310,114</u>

For the years ended December 31, 2023 and 2022, the Company recognized interest expense arising from lease liabilities amounting to \$22,992 and \$25,690, respectively.

(3) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Salaries and other short-term employee benefits	\$ 118,311	\$ 120,328
Pensions	<u>10,769</u>	<u>10,956</u>
	<u>\$ 129,080</u>	<u>\$ 131,284</u>

8. PLEDGED ASSETS

Refer to Note 6(8) for the information on time deposits and government bonds pledged by the Company as collaterals for the loan facility with banks and Note 6(14) for collaterals for operation guarantee deposits.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACT

COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Future payments required for the contracts in relation to the acquisitions of computer equipment and information systems are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Computer equipment and other equipment	<u>\$ 199,523</u>	<u>\$ 126,037</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 are as follows:

A. Ensuring continued operations and returns to shareholders;

B. Supporting stability and growth of the Company; and

C. Providing capital to improve risk management ability.

(2) Financial instruments

A. Fair value information of financial instruments

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
<u>Financial assets</u>		
Fair value through profit or loss	\$ 11,045,552	\$ 8,880,530
Fair value through other comprehensive income	6,996,233	6,657,495
Amortized cost (Note 1)	<u>131,419,847</u>	<u>105,106,901</u>
	<u>\$ 149,461,632</u>	<u>\$ 120,644,926</u>
<u>Financial liabilities</u>		
Amortized cost (Note 2)	\$ 50,272,174	\$ 31,208,127
Lease liabilities	<u>1,598,363</u>	<u>1,813,639</u>
	<u>\$ 51,870,537</u>	<u>\$ 33,021,766</u>

Note 1: Including cash and cash equivalents, financial assets at amortized cost, accounts receivable, net, other receivables, net, other financial assets, settlement and clearing debit items, payments under cross-border custody, receipt and payment for mutual funds on behalf of others, receipt and payment for bills and bonds on behalf of others, compensation reserve, operations guarantee deposits and refundable deposits.

Note 2: Including securities lending and borrowing collateral payable, accrued expenses, settlement and clearing credit items, security borrowing performance bond payable, receipts under custody, deposits received for borrowing securities collateral and guarantee deposits received.

B. Financial risk management policies

- (a) The objective of financial risk management is to manage the following 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 have sufficient mechanisms to manage and control all financial risks to which the Company and its subsidiaries are exposed. Except for market risk that is controlled by external factors, other risks can be controlled internally or eliminated and the target is to minimize the risks to zero. The Company and its subsidiaries' overall risk management program focuses on the unpredictability of financial markets and seeks to optimize the overall positions to minimize potential adverse effects on the Company and its subsidiaries' financial performance.

(c) Risk management is carried out by a central finance department (“Finance Department”) in accordance with the capital management policies approved by the Board of Directors. The Finance Department identifies and evaluates a variety of financial instruments, transaction flow, and transaction counterparties. Moreover, the Finance Department regularly proposes recommendation reports and reviews the business performance. The internal auditor is in charge of conducting the audit of the business function.

C. Significant financial risks and degrees of exposure

(a) Market risk

The market risk the Company and its subsidiaries is exposed to is caused by losses resulting from fluctuations in exchange rates, interest rates and securities prices.

Foreign exchange risk

Foreign exchange risk arises from value changes in assets and liabilities denominated in foreign currencies due to fluctuations in exchange rates. The Company and its subsidiaries provide services for securities borrowing and lending transactions, and according to the regulations, specific security borrowers can deposit cash denominated in United States Dollars or other currencies. Some funds of the Company and its subsidiaries are also denominated in foreign currencies.

December 31, 2023					
(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
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	39,913	30.71	\$ 1,225,743	1%	\$ 12,257
December 31, 2022					
(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
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	35,050	30.71	\$ 1,076,386	1%	\$ 10,764
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD:NTD	1,049	30.71	32,215	1%	322

The total exchange gains arising from significant fluctuations in foreign exchange rates on the monetary items held by the Company and its subsidiaries for the years ended December 31, 2023 and 2022 amounted to \$3,630 and \$105,539, respectively.

Interest rate risk

Interest rate risk arises from changes in fair value of financial instruments resulting from fluctuations in market interest rates, and the risk mainly arises from bond investments and investments in money market funds. As of December 31, 2023 and 2022, the financial assets measured at amortized cost consisted of fixed-rate products amounting to \$20,950,868 (Note) and \$15,657,862 (Note), respectively. Changes in market interest rates will result in fluctuations in the fair value of the financial instruments. However, as these financial instruments are held until maturity in order to receive returns based on the effective interest rates during the expected lives of these instruments, consequently no disposal or valuation gains or losses will arise as a result of the fluctuations in fair values.

Note: As of December 31, 2023 and 2022, the amount includes the government bonds stated in the compensation reserve and other non-current assets.

Price risk

The Company and its subsidiaries are exposed to the equity price risk arising from financial assets classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income for the years ended December 31, 2023 and 2022.

The market risk of holding these equity securities includes the specific risks related to changes in market quoted prices of individual equity securities and general market risks related to changes in market quoted prices in the overall markets. In order to manage the equity price risks, investments in beneficiary certificates are made in accordance with the Company and its subsidiaries' related policies and procedures on capital management, and the Company and its subsidiaries choose appropriate investment targets, set maximum amounts and limitations for prudent investments practice, and prepare summaries of investment gains/losses and capital usage reports regularly. Equity investment has to be approved by the Company's Board of Directors before initialization.

Sensitivity analysis of price risk of beneficiary certificates is based on calculations of the changes in fair value at the end of the reporting period. If the prices of the beneficiary certificates had increased/decreased by 1% for the years ended December 31, 2023 and 2022, due to the effects of the fair value movement of financial assets at fair value through profit or loss, the profit or loss for the year, net of tax, would have increased/decreased by \$110,456 and \$88,805, respectively.

The Company and its subsidiaries' unlisted stocks are susceptible to market price risk arising from uncertainties in the future values of the underlying investments. The fair value level of these unlisted stocks belongs to level 3. The sensitivity analysis is provided in Notes 12(3) H and 12(3) I.

(b) Credit risk

- i. Credit risk arises from the risk that a client or a counterparty defaults on its contractual obligations resulting in financial losses to the Company and its subsidiaries. The Company and its subsidiaries are exposed to the credit risks from cash and cash equivalents, other financial assets and accounts receivable and other receivables for which counterparties could not repay in full based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost.
- ii. The Company and its subsidiaries' policy requires that all transactions be conducted with the counterparties meeting the specified credit rating requirements. As the counterparties are all well-known domestic financial institutions with good credit standing, probabilities of the defaults by the counterparties are remote. As for the transaction objects, the default on the underlying assets of the financial assets held by the Company and its subsidiaries might result in losses to the Company and its subsidiaries.
- iii. The Company and its subsidiaries adopt the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- iv. If the credit rating grade of an investment target drops two scales, there has been a significant increase in the credit risk on that instrument since initial recognition.
- v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:
 - (i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;
 - (ii) Default or delinquency in interest or principal repayments; and
 - (iii) Adverse changes in national or regional economic conditions that are expected to cause a default.
- vi. The credit quality information of financial assets is as follows:

Cash and cash equivalents

The Company and its subsidiaries transact with a variety of financial institutions all with high credit quality to disperse credit risk, and thus, it expects that the probability of counterparty default is remote. The Company and its subsidiaries recognize the impairment loss allowance for 12 months expected credit losses. No loss allowance was provided by the Company and its subsidiaries against cash and cash equivalents for the years ended December 31, 2023 and 2022.

Accounts receivable and other receivables

- (i) The Company and its subsidiaries apply the simplified approach using the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- (ii) The Company and its subsidiaries used the forecast ability to adjust historical and timely information over a specified period to assess the probabilities of defaults of accounts receivable and other receivables. As of December 31, 2023 and 2022, the loss rate methodology is as follows:

The Company and other subsidiaries:

	Group 1	Group 2	Total
<u>At December 31, 2023</u>			
Expected loss rate	0%	100%	
Total book value			
Accounts Receivable	\$ 949,560	\$ 1,122	\$ 950,682
Other Receivables	\$ 117,732	\$ -	\$ 117,732
Loss allowance	\$ -	\$ 1,122	\$ 1,122
<u>At December 31, 2022</u>			
Expected loss rate	0%	100%	
Total book value			
Accounts Receivable	\$ 626,202	\$ 1,762	\$ 627,964
Other Receivables	\$ 82,705	\$ 250	\$ 82,955
Loss allowance	\$ -	\$ 2,012	\$ 2,012

TDCC:

	Not past due	1~180 days past due	181~365 days past due	Over 365 days past due	Total
<u>At December 31, 2023</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value					
Accounts Receivable	\$ 760,839	\$ -	\$ -	\$ -	\$ 760,839
Other Receivables	\$ 109,864	\$ -	\$ -	\$ -	\$ 109,864
Loss allowance	\$ -	\$ -	\$ -	\$ -	\$ -
<u>At December 31, 2022</u>					
Expected loss rate	0%	0%	0%	0%	
Total book value					
Accounts Receivable	\$ 699,477	\$ -	\$ -	\$ 82	\$ 699,559
Other Receivables	\$ 66,980	\$ -	\$ -	\$ -	\$ 66,980
Loss allowance	\$ -	\$ -	\$ -	\$ 82	\$ 82

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

	<u>2023</u>	<u>2022</u>
At January 1	\$ 2,094	\$ 972
Provision for impairment	160	1,122
Write-offs	(1,132)	-
At December 31	<u>\$ 1,122</u>	<u>\$ 2,094</u>

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Up to 30 days	\$ 1,608,152	\$ 1,255,175
31 to 90 days	98,563	59,836
91 to 180 days	2,844	10,789
Over 180 days	1,962	1,723
	<u>\$ 1,711,521</u>	<u>\$ 1,327,523</u>

Other financial assets

The Company and its subsidiaries transact with multiple financial institutions counterparties with high credit ratings to mitigate credit risk, and thus, it expects that the probability of counterparty's default to be remote. The Company and its subsidiaries recognize the impairment loss allowance for 12 months expected credit losses. No loss allowance was provided by the Company and its subsidiaries for the years ended December 31, 2023 and 2022.

Debt instruments at amortized cost

(i) The Company and its subsidiaries' investments in debt instruments at amortized cost were all issued by banks with high credit rating or companies with investment grade rating, and they were all classified as Group 1. As the probability of default is remote, the Company and its subsidiaries recognize the impairment loss allowance for 12 months expected credit losses.

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

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

	2023		
	12 months	Lifetime	
		Significant increase in credit risk	Impairment of credit
At January 1	\$ 5,094	\$ -	\$ -
Provision of impairment loss	27	-	-
At December 31	<u>\$ 5,121</u>	<u>\$ -</u>	<u>\$ -</u>
	2022		
	12 months	Lifetime	
		Significant increase in credit risk	Impairment of credit
At January 1	\$ 5,619	\$ -	\$ -
Reversal of impairment loss	(525)	-	-
At December 31	<u>\$ 5,094</u>	<u>\$ -</u>	<u>\$ -</u>

(c) Liquidity risk

Liquidity risk refers to the risk that the Company and its subsidiaries will be unable to repay financial debts with cash or other financial assets. The Company and its subsidiaries apply the expected cash flow approach to manage liquidity risk, and to ensure that the Company and its subsidiaries have sufficient funds to pay for all maturing debts and to meet all known capital requirements. The amounts disclosed here are the contractual undiscounted cash flows. The Company and its subsidiaries' non-derivative financial liabilities will all mature within one year, except for non-current lease liabilities and guarantee deposits received which will mature over one year.

December 31, 2023	12 months	Over 12 months
<u>Non-derivative financial liabilities</u>		
Guarantee deposits	\$ -	\$ 165,772
Lease liability	331,743	1,358,614
December 31, 2022	12 months	Over 12 months
<u>Non-derivative financial liabilities</u>		
Guarantee deposits	\$ -	\$ 156,638
Lease liability	315,840	1,624,261

(3) Fair value estimation

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair values of the Company and its subsidiaries' investments in bank debentures, bonds and government bonds are included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair values of the Company and its subsidiaries' investments in unlisted stocks are included in Level 3.

B. Financial instruments not measured at fair value

Except for those listed in the table below, the carrying amounts of the Company and its subsidiaries' financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, net, other receivables, other financial assets, settlement and clearing debit items, payments under cross-border custody, receipt and payment for mutual funds on behalf of others, receipt and payment for bills and bonds on behalf of others, compensation reserve, operations guarantee deposits, refundable deposits, securities lending and borrowing collateral payable, accrued expenses, settlement and clearing credit items, security borrowing performance bond payable, deposits received for borrowing securities collateral and guarantee deposits received) approximate their fair values.

	December 31, 2023			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortized cost (Note)	\$20,950,868	\$ -	\$20,757,163	\$ -
		December 31, 2022		
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets:				
Financial assets at amortized cost (Note)	\$15,657,862	\$ -	\$15,286,092	\$ -

Note: As of December 31, 2023 and 2022, the amount includes the government bonds stated in the compensation reserve and other non-current assets. Refer to Notes 6(7) and (14) for details.

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

Financial assets at amortized cost and guarantee deposits paid - bonds: 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 quotes from counterparties.

- C. The related information on 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 is as follows:

<u>December 31, 2023</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	\$ 11,045,552	\$ -	\$ -	\$ 11,045,552
Financial assets at fair value through other comprehensive income:				
Unlisted stocks	-	-	6,996,233	6,996,233

<u>December 31, 2022</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	\$ 8,880,530	\$ -	\$ -	\$ 8,880,530
Financial assets at fair value through other comprehensive income:				
Unlisted stocks	-	-	6,657,495	6,657,495

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

- (a) If the Company and its subsidiaries used market quoted prices as the fair values of the instruments (that is, Level 1), the market quoted prices are the net value of funds or closing prices.
- (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 which refer to the current fair value of instruments with substantially similar terms and characteristics, discounted cash flow method or other valuation methods, including calculations based on models using market information available on the consolidated balance sheet date.

- (c) When assessing non-standard and low-complexity financial instruments, the Company and its subsidiaries adopt a 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 a 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 from using a valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk, 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 adjustments to valuation are necessary in order to reasonably represent the fair value of financial and non-financial instruments on 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, 2023 and 2022, there was no transfer between Level 1 and Level 2.
- F. For the years ended December 31, 2023 and 2022, there was no transfer into or out from Level 3.
- G. The Finance Department and commissioned appraisers are in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify the independent fair value of financial instruments. Such assessment is to ensure that the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the source of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating the 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 the valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2023	Valuation technique	Significant unobservable input		Relationship of inputs to fair value
Unlisted stocks:					
Taiwan Futures Exchange Corporation	\$ 4,153,500	Dividend discount method	Dividend growth rate (Note 1)	1.75%	The higher the dividend growth rate, the higher the fair value
			Discount rate (Note 2)	7.38%	The lower the discount rate, the higher the fair value
			Average cash dividends over the last 5 years (in New Taiwan dollars)	2.25	The higher the average cash dividends over the last 5 years, the higher the fair value
Taipei Financial Center Corporation	2,831,709	Discounted cash flow method	Discount rate (Note 2)	4.36%	The lower the discount rate, the higher the fair value
Taiwan Mobile Payment Co., Ltd.	11,024	Net asset value	N/A	-	N/A

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value	
Unlisted stocks:					
Taiwan Futures Exchange Corporation	\$ 3,971,104	Dividend discount method	Dividend growth rate (Note 1) Discount rate (Note 2) Average cash dividends over the last 5 years (in New Taiwan dollars)	1.75% 7.31% 2.47	The higher the dividend growth rate, the higher the fair value The lower the discount rate, the higher the fair value The higher the average cash dividends over the last 5 years, the higher the fair value
Taipei Financial Center Corporation	2,675,743	Discounted cash flow method	Discount rate (Note 2)	3.95%	The lower the discount rate, the higher the fair value
Taiwan Mobile Payment Co., Ltd.	10,648	Net asset value	N/A	-	N/A

Note 1: Dividend growth rate was estimated based on Taiwan's long-run economic growth rate.

Note 2: Discount rate was estimated taking into consideration the capital cost structure and operational risk of Taiwan Futures Exchange Corporation and Taipei Financial Center Corporation.

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

		December 31, 2023				
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable Change	Favourable Change	Unfavourable Change
Financial assets						
Taiwan Futures Exchange Corporation	Dividend growth rate	±1%	\$ -	\$ -	\$ 505,992	\$ 353,570
	Discount rate	±1%	\$ -	\$ -	\$ 479,755	\$ 334,829
	Average cash dividends over the last 5 years (in New Taiwan dollars)	± \$0.5	\$ -	\$ -	\$ 494,122	\$ 494,122
Taipei Financial Center Corporation						
	Discount rate	±1%	\$ -	\$ -	\$ 593,348	\$ 459,570
		December 31, 2022				
			Recognized in profit or loss		Recognized in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable Change	Favourable Change	Unfavourable Change
Financial assets						
Taiwan Futures Exchange Corporation	Dividend growth rate	±1%	\$ -	\$ -	\$ 498,100	\$ 346,314
	Discount rate	±1%	\$ -	\$ -	\$ 472,346	\$ 328,231
	Average cash dividends over the last 5 years (in New Taiwan dollars)	± \$0.5	\$ -	\$ -	\$ 436,180	\$ 436,180
Taipei Financial Center Corporation						
	Discount rate	±1%	\$ -	\$ -	\$ 628,248	\$ 481,953

J. Changes to level 3 financial instruments for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
	<u>Equity instrument</u>	<u>Equity instrument</u>
At January 1	\$ 6,657,495	\$ 5,789,306
Gains recognized in other comprehensive income	<u>338,738</u>	<u>868,189</u>
At December 31	<u>\$ 6,996,233</u>	<u>\$ 6,657,495</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 and associates): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company and its subsidiaries' paid-in capital: Please refer to table 2.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company and its subsidiaries' transactions during the reporting periods: Please refer to Note 7 on the parent company only financial statement.

(2) Information on investees

Names, locations and other information of investees: Please refer to table 4.

14. SEGMENT INFORMATION

(1) General information

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

(2) Segment information

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

	Year ended December 31, 2023			
	Stock exchange	Stock custodian	Others	Total
Revenue from external customers	\$ 11,746,362	\$ 7,718,851	\$ 728,808	\$ 20,194,021
Inter-segment revenue	13,767	1,441,037	96,040	1,550,844
Total segment revenue	<u>\$ 11,760,129</u>	<u>\$ 9,159,888</u>	<u>\$ 824,848</u>	<u>\$ 21,744,865</u>
Segment income before tax	<u>\$ 9,165,288</u>	<u>\$ 5,298,737</u>	<u>\$ 128,448</u>	<u>\$ 14,592,473</u>

	Year ended December 31, 2022			
	Stock exchange	Stock custodian	Others	Total
Revenue from external customers	\$ 10,874,026	\$ 7,011,777	\$ 631,301	\$ 18,517,104
Inter-segment revenue	9,918	1,280,779	97,222	1,387,919
Total segment revenue	<u>\$ 10,883,944</u>	<u>\$ 8,292,556</u>	<u>\$ 728,523</u>	<u>\$ 19,905,023</u>
Segment income before tax	<u>\$ 7,380,349</u>	<u>\$ 4,086,084</u>	<u>\$ 95,639</u>	<u>\$ 11,562,072</u>

(3) Information on product

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

(4) Geographical information

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

(5) Major customer information

Major customer information for the years ended December 31, 2023 and 2022 is as follows:

	Years ended December 31,	
	2023	2022
	Revenue	Revenue
Client A	<u>\$ 1,963,107</u>	<u>\$ 1,727,997</u>

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
HOLDING OF MARKETABLE SECURITIES AT THE END OF THE PERIOD (NOT INCLUDING SUBSIDIARIES AND ASSOCIATES)
DECEMBER 31, 2023

Table 1

Expressed in thousands of New Taiwan Dollars
(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2023			Footnote
				Number of shares (in thousands)	Book value	Fair value	
	Beneficiary Certificates						
Taiwan Stock Exchange Corporation	Yuanta MSCI Taiwan Financials ETF	None	Financial assets at fair value through profit or loss - current	2,631	\$ 63,460	\$ 63,460	None
"	Yuanta Taiwan Top 50 ETF	"	Financial assets at fair value through profit or loss - current	6,933	939,075	939,075	"
"	SinoPac TWD Money Market Fund	"	Financial assets at fair value through profit or loss - current	49,386	706,273	706,273	"
"	SinoPac Taiwan Strategic No.1 Fund	"	Financial assets at fair value through profit or loss - current	32,242	476,220	476,220	"
"	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	"	Financial assets at fair value through profit or loss - current	1,746	38,063	38,063	"
"	Cathay Non-Finance Non-Electronics Sub-index Fund	"	Financial assets at fair value through profit or loss - current	1,847	35,449	35,449	"
"	Cathay Premier Strategy Fund	"	Financial assets at fair value through profit or loss - current	50,000	433,300	433,300	"
"	Cathay Korea/Taiwan IT Premier ETF	"	Financial assets at fair value through profit or loss - current	359	11,201	11,201	"
"	Fubon FTSE TWSE Taiwan 50 ETF	"	Financial assets at fair value through profit or loss - current	2,656	204,910	204,910	"
"	Fubon TWSE Corporate Governance 100 ETF	"	Financial assets at fair value through profit or loss - current	1,233	40,122	40,122	"
"	Fubon Optimal Selection Bond Fund	"	Financial assets at fair value through profit or loss - current	50,000	475,935	475,935	"
"	Fubon Taiwan Strategic No.1 Fund	"	Financial assets at fair value through profit or loss - current	19,385	355,722	355,722	"
"	Fubon Taiwan Strategic No.2 Fund	"	Financial assets at fair value through profit or loss - current	16,211	433,812	433,812	"
"	Fubon Prime Selection Fund	"	Financial assets at fair value through profit or loss - current	49,646	511,355	511,355	"
"	Fubon Interest Income Fund	"	Financial assets at fair value through profit or loss - current	52,312	452,498	452,498	"
"	Capital Tip Customized Taiwan ESG Low Carbon 50 ETF	"	Financial assets at fair value through profit or loss - current	997	17,298	17,298	"
Taiwan Depository & Clearing Corporation	Mega Diamond Bond Fund	"	Financial assets at fair value through profit or loss - current	38,764	500,035	500,035	"
"	Yuanta De-Li Money Market Fund	"	Financial assets at fair value through profit or loss - current	14,913	250,016	250,016	"
"	Yuanta De- Bao Money Market Fund	"	Financial assets at fair value through profit or loss - current	20,249	250,018	250,018	"
"	Yuanta Wan Tai Money Market Fund	"	Financial assets at fair value through profit or loss - current	16,075	250,018	250,018	"
"	Hua Nan Phoenix Money Market Fund	"	Financial assets at fair value through profit or loss - current	29,898	500,033	500,033	"
"	PGIM Money Market Fund	"	Financial assets at fair value through profit or loss - current	15,377	250,017	250,017	"
"	SinoPac TWD Money Market Fund	"	Financial assets at fair value through profit or loss - current	17,483	250,017	250,017	"
"	Taishin 1699 Money Market Fund	"	Financial assets at fair value through profit or loss - current	17,932	250,018	250,018	"
"	FSITC Taiwan Money Market	"	Financial assets at fair value through profit or loss - current	31,771	500,035	500,035	"
"	FSITC Money Market	"	Financial assets at fair value through profit or loss - current	2,730	500,036	500,036	"
"	Allianz Global Investors Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss - current	19,398	250,017	250,017	"
"	CTBC Hua Win Money Market Fund	"	Financial assets at fair value through profit or loss - current	22,096	250,018	250,018	"
"	FUBON CHI-HSIANG MONEY MARKET FUND	"	Financial assets at fair value through profit or loss - current	15,526	250,017	250,017	"
"	Shin Kong Chi-Shin Money-Market Fund	"	Financial assets at fair value through profit or loss - current	15,722	250,016	250,016	"
"	Taishin Ta-Chong Money Market Fund	"	Financial assets at fair value through profit or loss - current	17,114	250,017	250,017	"
"	Eastspring Investments Well Pool Money Market Fund	"	Financial assets at fair value through profit or loss - current	7,162	100,006	100,006	"
"	Yuanta Taiwan Top 50 ETF	"	Financial assets at fair value through profit or loss - current	1,557	210,896	210,896	"
"	Yuanta Taiwan Dividend Plus ETF	"	Financial assets at fair value through profit or loss - current	276	10,323	10,323	"
"	Cathay MSCI Taiwan ESG Sustainability High Dividend Yield ETF	"	Financial assets at fair value through profit or loss - current	948	20,666	20,666	"
"	Fubon Taiwan Strategic No.5 Fund	"	Financial assets at fair value through profit or loss - current	50,000	533,500	533,500	"

				As of December 31, 2023			
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value	Fair value	Footnote
Beneficiary Certificates							
Taiwan Depository & Clearing Corporation	Cathay strategic Fund	None	Financial assets at fair value through profit or loss - current	10,294	\$ 107,362	\$ 107,362	None
Taiwan-Ca Inc.	UPAMC James Bond Fund	"	Financial assets at fair value through profit or loss - current	1,767	30,297	30,297	"
"	Fubon Taiwan Strategic No.2 Fund	"	Financial assets at fair value through profit or loss - current	1,620	43,363	43,363	"
"	Fubon Taiwan Strategic No.5 Fund	"	Financial assets at fair value through profit or loss - current	1,000	10,670	10,670	"
"	Capital Money Market Fund	"	Financial assets at fair value through profit or loss - current	604	10,016	10,016	"
FundRich Securities Co., Ltd.	FSITC Taiwan Money Market Fund	"	Financial assets at fair value through profit or loss - current	1,308	20,587	20,587	"
Taiwan Index Plus Corporation	Yuanta FTSE4Good TIP Taiwan ESG ETF Feeder Fund	"	Financial assets at fair value through profit or loss - current	81	2,845	2,845	"
					<u>\$ 11,045,552</u>	<u>\$ 11,045,552</u>	
Total financial assets at fair value through profit or loss - current							
Stock							
Taiwan Stock Exchange Corporation	Taiwan Futures Exchange Corporation	None	Financial assets at fair value through other comprehensive income - non-current	27,283	\$ 1,814,033	\$ 1,814,033	None
"	Taipei Financial Center Corporation	"	Financial assets at fair value through other comprehensive income - non-current	83,853	2,831,709	2,831,709	"
Taiwan Depository & Clearing Corporation	Taiwan Futures Exchange Corporation	"	Financial assets at fair value through other comprehensive income - non-current	35,185	2,339,467	2,339,467	"
"	Taiwan Mobile Payment Co., Ltd.	"	Financial assets at fair value through other comprehensive income - non-current	1,200	7,347	7,347	"
Taiwan-Ca Inc.	Taiwan Mobile Payment Co., Ltd.	"	Financial assets at fair value through other comprehensive income - non-current	600	3,677	3,677	"
					<u>\$ 6,996,233</u>	<u>\$ 6,996,233</u>	
Total financial assets at fair value through other comprehensive income - non-current							
Financial bonds							
Taiwan Stock Exchange Corporation	103 Yuanta Bank Bond 1B (G10820)	None	Financial assets at amortized cost - current	-	\$ 202,024	\$ 200,788	None
"	103 Yuanta Bank Bond 1B-1 (G10820)	"	Financial assets at amortized cost - current	-	100,857	100,394	"
"	103 SinoPac Bank bond 3B (G11098)	"	Financial assets at amortized cost - current	-	100,226	100,445	"
"	108 SinoPac Bank bond 3B (G110AG)	"	Financial assets at amortized cost - current	-	300,522	299,124	"
Taiwan Depository & Clearing Corporation	106 Taiwan Business Bank 1A (G12124)	"	Financial assets at amortized cost - current	-	199,932	200,094	"
"	106 Chang Hwa Commercial Bank 1A (G14933)	"	Financial assets at amortized cost - current	-	199,921	200,121	"
"	106 Cathay United Bank 2A (G179C4)	"	Financial assets at amortized cost - current	-	199,921	200,137	"
"	106 Shanghai Commercial Bank 1A (G10155)	"	Financial assets at amortized cost - current	-	199,944	200,135	"
"	106 Taiwan Cooperative Bank 1A (G12433)	"	Financial assets at amortized cost - current	-	199,944	199,985	"
"	106 Taipei Fubon Bank 3 (G107BG)	"	Financial assets at amortized cost - current	-	199,921	199,883	"
"	106 Shanghai Commercial Bank 2A (G10157)	"	Financial assets at amortized cost - current	-	199,944	199,771	"
"	103 Chang Hwa Commercial Bank 1B (G14929)	"	Financial assets at amortized cost - current	-	200,391	200,309	"
"	103 Taipei Fubon Bank 2 (G107BD)	"	Financial assets at amortized cost - current	-	201,297	200,856	"
"	103 Shanghai Commercial Bank 1B (G10151)	"	Financial assets at amortized cost - current	-	200,208	200,257	"
"	106 Taipei Fubon Bank 1 (G107BE)	"	Financial assets at amortized cost - current	-	299,901	299,864	"
					<u>3,004,953</u>	<u>3,002,163</u>	
Corporate bonds							
Taiwan Depository & Clearing Corporation	103 CPC Corporatio Corporate Bond 2C (B71884)	None	Financial assets at amortized cost - current	-	\$ 101,161	\$ 201,076	None
"	106 Taipower Corporate Bond 1B (B903WD)	"	Financial assets at amortized cost - current	-	149,943	150,079	"
					<u>251,104</u>	<u>351,155</u>	
					<u>\$ 3,256,057</u>	<u>\$ 3,353,318</u>	
Total financial assets at amortized cost - current							
Financial bonds							
Taiwan Stock Exchange Corporation	111 Land Bank of Taiwan bond 1 (G12734)	None	Financial assets at amortized cost - non-current	-	\$ 199,861	\$ 195,171	None
"	103 Chinatrust Commercial Bank bond 2A (G11466)	"	Financial assets at amortized cost - non-current	-	209,402	203,257	"

As of December 31, 2023

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value	Fair value	Footnote
	Financial bonds						
Taiwan Stock Exchange Corporation	108 Taipei Fubon Bank bond 1 (G107BP)	None	Financial assets at amortized cost - non-current	-	\$ 101,939	\$ 96,685	None
"	108 Taipei Fubon Bank bond 5 (G107BT)	"	Financial assets at amortized cost - non-current	-	303,955	287,771	"
"	110 Taipei Fubon Bank bond 3 (G107C4)	"	Financial assets at amortized cost - non-current	-	399,723	369,065	"
"	104 Taishin International Bank bond 3A (G19983)	"	Financial assets at amortized cost - non-current	-	101,206	101,093	"
"	108 SinoPac Bank bond 2B (G110AF)	"	Financial assets at amortized cost - non-current	-	308,790	297,501	"
"	108 SinoPac Bank bond 5B (G110AK)	"	Financial assets at amortized cost - non-current	-	203,811	193,391	"
"	109 SinoPac Bank bond 4 (G110AP)	"	Financial assets at amortized cost - non-current	-	355,699	333,225	"
"	109 E.SUN Commercial Bank bond 2 (G102B2)	"	Financial assets at amortized cost - non-current	-	300,224	297,119	"
"	107 KGI Bank bond 4 (G12807)	"	Financial assets at amortized cost - non-current	-	212,552	195,905	"
"	108 KGI Bank bond 1 (G12808)	"	Financial assets at amortized cost - non-current	-	200,000	199,995	"
Taiwan Depository & Clearing Corporation	104 Taiwan Business Bank 3 (G12121)	"	Financial assets at amortized cost - non-current	-	202,509	201,959	"
"	107 E.Sun Bank 1A (G102AX)	"	Financial assets at amortized cost - non-current	-	450,686	449,371	"
"	106 Taiwan Business Bank 4 (G12127)	"	Financial assets at amortized cost - non-current	-	202,892	201,384	"
"	107 Shanghai Commercial Bank 1A (G10159)	"	Financial assets at amortized cost - non-current	-	299,916	299,094	"
"	107 Taipei Fubon Bank 2A (G107BJ)	"	Financial assets at amortized cost - non-current	-	199,921	198,998	"
"	106 Cathay United Bank 2B (G179C5)	"	Financial assets at amortized cost - non-current	-	153,385	151,314	"
"	108 Taiwan Business Bank 1A (G12130)	"	Financial assets at amortized cost - non-current	-	199,932	198,498	"
"	105 Hua Nan Bank 1 (G189AM)	"	Financial assets at amortized cost - non-current	-	101,487	100,144	"
"	107 Taiwan Business Bank 2 (G12129)	"	Financial assets at amortized cost - non-current	-	154,470	148,325	"
"	104 Agricultural Bank of Taiwan 1 (G13105)	"	Financial assets at amortized cost - non-current	-	201,801	201,200	"
"	111 Shanghai Commercial Bank 2 (G10170)	"	Financial assets at amortized cost - non-current	-	299,916	299,774	"
"	111 Mega Commercial Bank 4(G11842)	"	Financial assets at amortized cost - non-current	-	199,944	205,933	"
"	111 Land Bank of Taiwan 4 (G12737)	"	Financial assets at amortized cost - non-current	-	199,921	206,669	"
"	111 Mega Commercial Bank 5 (G11843)	"	Financial assets at amortized cost - non-current	-	199,944	205,891	"
"	111 E.Sun Bank 4 (G102B9)	"	Financial assets at amortized cost - non-current	-	199,921	206,690	"
"	112 Chang Hwa Commercial Bank 1 (G14940)	"	Financial assets at amortized cost - non-current	-	99,960	99,246	"
"	112 E.Sun Bank 1 (G102BA)	"	Financial assets at amortized cost - non-current	-	499,802	496,101	"
"	112 Taiwan Cooperative Bank 2 (G12446)	"	Financial assets at amortized cost - non-current	-	499,861	496,715	"
"	112 Mega Commercial Bank 1 (G11844)	"	Financial assets at amortized cost - non-current	-	499,861	496,710	"
"	112 Export-Import Bank 25 (G13436)	"	Financial assets at amortized cost - non-current	-	299,917	298,389	"
"	112 Taipei Fubon Bank 3 (G107CE)	"	Financial assets at amortized cost - non-current	-	299,881	297,519	"
"	112 Bank of Taiwan 1 (G13506)	"	Financial assets at amortized cost - non-current	-	499,861	496,276	"
"	112 Taiwan Business Bank 1 (G12135)	"	Financial assets at amortized cost - non-current	-	399,865	407,699	"
"	112 Export-Import Bank 25-2 (G13437)	"	Financial assets at amortized cost - non-current	-	299,917	300,142	"
"	112 Export-Import Bank 25-3 (G13439)	"	Financial assets at amortized cost - non-current	-	299,917	300,334	"
					<u>9,862,649</u>	<u>9,734,553</u>	
	Corporate bonds						
Taiwan Stock Exchange Corporation	111 Taipower Corporate Bond 1B (B903Y4)	None	Financial assets at amortized cost - non-current	-	\$ 300,000	\$ 288,877	None
"	111 Taipower Corporate Bond 2A (B903Y6)	"	Financial assets at amortized cost - non-current	-	100,000	100,481	"
"	111 Taipower Corporate Bond 6A (B903YL)	"	Financial assets at amortized cost - non-current	-	200,000	201,675	"
"	111 Taipower Corporate Bond 7A (B903YP)	"	Financial assets at amortized cost - non-current	-	200,000	201,917	"

As of December 31, 2023

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousands)	Book value	Fair value	Footnote
	Corporate bonds						
Taiwan Stock Exchange Corporation	112 Taipower Corporate Bond 2B (B903YX)	None	Financial assets at amortized cost - non-current	-	\$ 300,000	\$ 299,545	None
"	112 Taipower Corporate Bond 2C (B903YY)	"	Financial assets at amortized cost - non-current	-	200,000	199,209	"
"	112 Taipower Corporate Bond 4B (B903Z6)	"	Financial assets at amortized cost - non-current	-	300,000	299,801	"
"	112 Taipower Corporate Bond 5C (B903ZB)	"	Financial assets at amortized cost - non-current	-	200,000	198,431	"
"	112 Taipower Corporate Bond 6C (B903ZE)	"	Financial assets at amortized cost - non-current	-	200,000	199,935	"
Taiwan Depository & Clearing Corporation	104 Taipower Corporate Bond 3C (B903WB)	"	Financial assets at amortized cost - non-current	-	203,309	201,064	"
"	108 Taipower Corporate Bond 1B (B903WY)	"	Financial assets at amortized cost - non-current	-	200,683	197,488	"
"	111 Taipower Corporate Bond 5A (B903YH)	"	Financial assets at amortized cost - non-current	-	199,950	200,891	"
"	111 CPC Corporatio Corporate Bond 3A (B718A7)	"	Financial assets at amortized cost - non-current	-	199,950	200,249	"
"	112 CPC Corporatio Corporate Bond 1B (B718AA)	"	Financial assets at amortized cost - non-current	-	499,874	498,653	"
"	112 Taipower Corporate Bond 3C (B903Z3)	"	Financial assets at amortized cost - non-current	-	339,915	338,477	"
"	112 CPC Corporatio Corporate Bond 2C (B718AE)	"	Financial assets at amortized cost - non-current	-	499,874	498,325	"
"	112 Taipower Corporate Bond 4D (B903Z8)	"	Financial assets at amortized cost - non-current	-	499,874	496,439	"
"	112 Taipower Corporate Bond 5B (B903ZA)	"	Financial assets at amortized cost - non-current	-	299,925	298,290	"
"	112 Taipower Corporate Bond 5C (B903ZB)	"	Financial assets at amortized cost - non-current	-	299,925	297,646	"
"	112 CPC Corporatio Corporate Bond 1A (B718A9)	"	Financial assets at amortized cost - non-current	-	199,757	199,883	"
"	111 Taipower Corporate Bond 5B (B903YJ)	"	Financial assets at amortized cost - non-current	-	201,081	200,627	"
"	112 Taipower Corporate Bond 6B (B903ZD)	"	Financial assets at amortized cost - non-current	-	199,950	200,050	"
"	112 Taipower Corporate Bond 6C (B903ZE)	"	Financial assets at amortized cost - non-current	-	199,950	199,935	"
Taiwan Index Plus Corporation	112 Taipower Corporate Bond 5A (B903Z9)		Financial assets at amortized cost - non-current	-	50,000	50,000	
					<u>6,094,017</u>	<u>6,067,888</u>	
	Government bonds						
Taiwan Stock Exchange Corporation	97 Central Government Bond 5A (A97105)	None	Financial assets at amortized cost - non-current	-	\$ 51,556	\$ 53,297	Note 1
"	108 Central Government Bond 8A (A08108)	"	Financial assets at amortized cost - non-current	-	206,242	183,967	"
"	101 Central Government Bond 8A (A01108)	"	Financial assets at amortized cost - non-current	-	119,819	104,217	"
"	100 Central Government Bond 7A (A00107)	"	Financial assets at amortized cost - non-current	-	330,637	314,827	Note 1、2
"	101 Central Government Bond 4A (A01104)	"	Financial assets at amortized cost - non-current	-	119,719	106,282	"
"	103 Central Government Bond 12A (A03112)	"	Financial assets at amortized cost - non-current	-	135,565	115,171	"
"	104 Central Government Bond 12A (A04112)	"	Financial assets at amortized cost - non-current	-	203,209	200,084	"
"	108 Central Government Bond 10A (A08110)	"	Financial assets at amortized cost - non-current	-	110,873	89,043	"
"	109 Central Government Bond 13A (A09113)	"	Financial assets at amortized cost - non-current	-	49,312	42,665	"
"	93 Central Government Bond 6A (A93106)	"	Financial assets at amortized cost - non-current	-	133,350	125,722	"
"	99 Central Government Bond 2A (A99102)	"	Financial assets at amortized cost - non-current	-	129,056	113,429	"
Taiwan Depository & Clearing Corporation	111 Central Government Bond 10A (A11110)	"	Financial assets at amortized cost - non-current	-	49,665	52,219	None
"	92 Central Government Bond 3A (A92103)	"	Financial assets at amortized cost - non-current	-	99,142	100,481	Note 1、3
					<u>1,738,145</u>	<u>1,601,404</u>	
			Less: Compensation reserve (Note 2)	-	(950,000)	(950,000)	
			Less: Other non-current assets - refundable deposits (Note 3)	-	(99,142)	(100,481)	
					<u>689,003</u>	<u>550,923</u>	
			Total financial assets at amortized cost - non-current		<u>\$ 16,645,669</u>	<u>\$ 16,353,364</u>	

Note 1: Information relating to the Company's government bonds pledged as collateral is provided in Note 8.

Note 2: The balance of the government bonds was \$1,211,721 (\$261,721 from the financial assets at amortized cost - non-current and \$950,000 from the compensation reserve).

Note 3: The balance of the government bonds was \$99,142 (from the other non-current assets - refundable deposits).

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
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 2

Expressed in thousands of New Taiwan Dollars
(Except as otherwise indicated)

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as of January 1, 2023		Acquisition		Disposal			Balance as of December 31, 2023		Footnote	
					Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Selling price	Book value	Gain (loss) on disposal	Number of shares (in thousands)		Amount
Taiwan Stock Exchange Corporation	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	49,386	\$ 700,000	-	\$ -	\$ -	-	49,386	\$ 706,273	Note 1
"	Yuanta Taiwan Top 50 ETF	Financial assets at fair value through profit or loss - current	-	-	6,566	723,573	3,434	423,182	(3,067)	415,910	(415,910)	-	6,933	939,075	"
Taiwan Depository & Clearing Corporation	Mega Diamond Bond Fund	Financial assets at fair value through profit or loss - current	-	-	39,230	500,027	467,802	6,000,000	(468,268)	6,005,989	(6,005,989)	-	38,764	500,035	"
"	FSITC Taiwan Money Market	Financial assets at fair value through profit or loss - current	-	-	32,157	500,026	255,333	4,000,000	(255,719)	4,003,486	(4,003,486)	-	31,771	500,035	"
"	Jih Sun Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	16,590	250,015	115,688	1,750,000	(132,278)	2,001,796	(2,001,796)	-	-	-	"
"	Yuanta De-Li Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	15,089	250,017	159,004	2,650,000	(159,180)	2,652,276	(2,652,276)	-	14,913	250,016	"
"	CTBC Hua Win Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	244,313	2,750,000	(222,217)	2,502,444	(2,502,444)	-	22,096	250,018	"
"	FUBON CHI-HSIANG MONEY MARKET FUND	Financial assets at fair value through profit or loss - current	-	-	-	-	171,658	2,500,000	(156,132)	2,502,465	(2,502,465)	-	15,526	250,017	"
"	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	18,163	250,018	216,457	3,000,000	(216,688)	3,003,201	(3,003,201)	-	17,932	250,018	"
"	Hua Nan Phoenix Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	30,270	500,030	360,843	6,000,000	(361,215)	6,006,170	(6,006,170)	-	29,898	500,033	"
"	FSITC Money Market	Financial assets at fair value through profit or loss - current	-	-	2,762	500,025	17,548	3,200,000	(17,580)	3,202,597	(3,202,597)	-	2,730	500,036	"
"	Yuanta De- Bao Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	20,490	250,016	244,345	3,000,000	(244,586)	3,002,961	(3,002,961)	-	20,249	250,018	"
"	Taishin Ta-Chong Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	102,936	1,500,000	(85,822)	1,251,159	(1,251,159)	-	17,114	250,017	"
"	SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	17,701	250,014	211,014	3,000,000	(211,232)	3,003,101	(3,003,101)	-	17,483	250,017	"
"	Allianz Global Investors Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	19,632	250,016	234,092	3,000,000	(234,326)	3,002,997	(3,002,997)	-	19,398	250,017	"
"	PGIM Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	92,489	1,500,000	(77,112)	1,251,119	(1,251,119)	-	15,377	250,017	"
"	Eastspring Investments Well Pool Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	18,112	250,011	50,506	950,000	(61,456)	850,567	(850,567)	-	7,162	100,006	"
"	Yuanta Wan Tai Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	16,267	250,015	197,840	3,060,000	(198,032)	3,062,941	(3,062,941)	-	16,075	250,018	"
"	TCB Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	20,584	212,010	79,907	824,000	(100,491)	1,036,559	(1,036,559)	-	-	-	"
"	Shin Kong Chi-Shin Money-Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	-	78,764	1,250,000	(63,042)	1,000,941	(1,000,941)	-	15,722	250,016	"
Taiwan-Ca Inc.	UPAMC James Bond Fund	Financial assets at fair value through profit or loss - current	-	-	4,727	80,100	584	10,000	(3,544)	60,120	(60,120)	-	1,767	30,297	"
Taiwan Stock Exchange Corporation	112 Taipower Corporate Bond 2B (B903YX)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	300,000	None
"	112 Taipower Corporate Bond 4B (B903Z6)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	300,000	"
Taiwan Depository & Clearing Corporation	112 E.Sun Bank 1 (G102BA)	Financial assets at amortized cost - non-current	-	-	-	-	-	500,000	-	-	-	-	-	499,802	Note 2
"	112 Taiwan Cooperative Bank 2 (G12446)	Financial assets at amortized cost - non-current	-	-	-	-	-	500,000	-	-	-	-	-	499,861	"
"	112 Mega Commercial Bank 1 (G11844)	Financial assets at amortized cost - non-current	-	-	-	-	-	500,000	-	-	-	-	-	499,861	"
"	112 Export-Import Bank 25 (G13436)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	299,917	"
"	112 Taipei Fubon Bank 3 (G107CE)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	299,881	"
"	112 Bank of Taiwan 1 (G13506)	Financial assets at amortized cost - non-current	-	-	-	-	-	500,000	-	-	-	-	-	499,861	"
"	112 Taiwan Business Bank 1 (G12135)	Financial assets at amortized cost - non-current	-	-	-	-	-	400,000	-	-	-	-	-	399,865	"
"	112 Export-Import Bank 25-2 (G13437)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	299,917	"
"	112 Export-Import Bank 25-3 (G13439)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	299,917	"
"	112 CPC Corporatio Corporate Bond 1B (B718AA)	Financial assets at amortized cost - non-current	-	-	-	-	-	500,000	-	-	-	-	-	499,874	"
"	112 Taipower Corporate Bond 3C (B903Z3)	Financial assets at amortized cost - non-current	-	-	-	-	-	340,000	-	-	-	-	-	339,915	"
"	112 CPC Corporatio Corporate Bond 2C (B718AE)	Financial assets at amortized cost - non-current	-	-	-	-	-	500,000	-	-	-	-	-	499,874	"
"	112 Taipower Corporate Bond 4D (B903Z8)	Financial assets at amortized cost - non-current	-	-	-	-	-	500,000	-	-	-	-	-	499,874	"
"	112 Taipower Corporate Bond 5B (B903ZA)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	299,925	"
"	112 Taipower Corporate Bond 5C (B903ZB)	Financial assets at amortized cost - non-current	-	-	-	-	-	300,000	-	-	-	-	-	299,925	"

Note 1: The ending balance would not exactly reconcile to the beginning balance add/deduct the amount of acquisitions/disposals, as the fair value adjustments were included in the selling price and the carrying amount of securities.

Note 2: The balance at the end of the year does not equal to the sum of the balance at the beginning of the year and acquisition during the year, less the disposal during the year, due to the amortization and the allowance for impairment.

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
RECEIVABLES FROM RELATED PARTIES REACHING NT\$100 MILLION OR 20% OF PAID-IN CAPITAL OR MORE
DECEMBER 31, 2023

Table 3

Expressed in thousands of New Taiwan Dollars
(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2023	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Taiwan Stock Exchange Corporation	Yuanta Securities Co., Ltd.	Director	Accounts Receivable \$ 103,241	18.16	\$ -	N/A	\$ 103,241	\$ -
Taiwan Depository & Clearing Corporation	Taiwan Stock Exchange Corporation	Parent Company	Accounts Receivable 141,479	12.05	-	N/A	141,479	-

TAIWAN STOCK EXCHANGE CORPORATION AND SUBSIDIARIES
 NAMES, LOCATIONS AND OTHER INFORMATIONS OF INVESTEES
 FOR THE YEAR ENDED DECEMBER 31, 2023

Table 4

Expressed in thousands of New Taiwan Dollars
 (Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as of December 31, 2023			Net profit (loss) of the investee for the year ended December 31, 2023	Investment income recognized by the Company for the year ended December 31, 2023	Footnote
				Balance as of December 31, 2023	Balance as of December 31, 2022	Number of shares (in thousands)	Ownership (%)	Book value			
Taiwan Stock Exchange Corporation	Taiwan Depository & Clearing Corporation	11F, No. 363, Fusing N. Rd., Taipei City	Custodian of securities and other services	\$ 583,107	\$ 583,107	330,886	50.59%	\$ 20,438,857	\$ 5,415,081	\$ 2,739,508	The Company's subsidiaries
"	Taiwan-Ca Inc.	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	87,720	87,720	7,557	30.23%	129,131	99,267	30,277	"
"	Taiwan Index Plus Corporation	11F-1, No.36, Songren Rd., Taipei City	Index compilation, maintenance and dissemination	150,000	150,000	15,000	100.00%	227,898	63,185	63,185	"
"	Taiwan Carbon Solution Exchange Corporation	2F., No. 1, Fuxing 4th Rd., Qianzhen Dist., Kaohsiung City	Carbon credit trading and consulting	600,000	-	60,000	60.00%	593,019 (11,894) (6,981)	"
"	Taiwan Ratings Corporation	2F, No. 167, Dunhua N Rd., Taipei City	Credit rating services	15,045	15,045	1,399	19.99%	37,755	70,363	14,066	The investee company accounted for using the equity method
Taiwan Depository & Clearing Corporation	Fundrich Securitates Co., Ltd.	8F, No. 365, Fusing N. Rd., Songshan Dis., Taipei City	Sales of funds	443,844	443,844	34,261	57.10%	575,448	159,046	-	
"	Taiwan-Ca Inc.	10F, No. 85, Yanping S. Rd., Taipei City	Online verification services	9,700	9,700	4,521	18.08%	75,209	99,267	-	
"	Taiwan Ratings Corporation	2F, No. 167, Dunhua N Rd., Taipei City	Credit rating services	13,300	13,300	1,330	19.00%	35,885	70,363	-	
Taiwan- Ca Inc.	Taiwan Ratings Corporation	2F, No. 167, Dunhua N Rd., Taipei City	Credit rating services	4	4	1	0.01%	4	70,363	-	