

**TAIWAN STOCK EXCHANGE  
CORPORATION  
PARENT COMPANY ONLY FINANCIAL  
STATEMENTS AND INDEPENDENT AUDITOR'S  
REPORT  
DECEMBER 31, 2023 AND 2022**

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

## INDEPENDENT AUDITOR'S REPORT TRANSLATED FROM CHINESE

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Taiwan Stock Exchange Corporation (hereinafter referred to as “the Company”) as of December 31, 2023 and 2022, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of material accounting policies.

In our opinion, based on our audits and the reports of other auditors (refer to Other matter section of our report), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its 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 Parent Company Only Financial Statements* section of our report. We are independent of the Company 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 parent company only financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In our assessment, the financial position and financial performance of the Company's subsidiary, Taiwan Depository & Clearing Corporation (hereinafter referred to as the "TDCC," recognized as an investment accounted for using the equity method) has a significant impact to the Company's parent company only financial statements (The balance of the Company's investment accounted for using the equity method in the TDCC amounted to NT\$20,438,857,000, constituting 15.77% of the Company's total assets as of December 31, 2023, and the comprehensive income recognized from the investment in the TDCC amounted to NT\$2,806,919,000, constituting 29.83% of the Company's total comprehensive income for the year then ended). Therefore, the Company's key audit matters incorporated TDCC's financial assets - measurement of the fair value of unlisted stocks without an active market, accuracy of operating revenue, and existence and classification of cash in banks.

Please refer to Notes 4(13) and 6(8) for the accounting policies on and details of investments accounted for using the equity method.

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

Description

Please refer to Notes 4(7) 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 the TDCC invested in the stocks of the Taiwan Futures Exchange Corporation and the 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 involve 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 the Taiwan Futures Exchange Corporation and the 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 a sample of documents to evaluate the relevance and reliability of the data source.

## **Accuracy of operating revenue**

### Description

Please refer to Note 4(23) for the accounting policy on revenue recognition, and to Note 6(22) for the details of “Trading fees.” The Company and the TDCC have various types of operating revenue, consisting of various fees, related to trading services, securities settlement and account maintenance services, listing services, securities recording services and securities settlement 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 of the Company and the TDCC is significant, which affected both the Company’s operating revenue and comprehensive income accounted for using the equity method, 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, 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(5) for the accounting policy on cash equivalents, and to Notes 6(1)(7)(6) 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 was recognized as cash and cash equivalents amounting to NT\$2,011,109,000, other current financial assets amounting to NT\$24,453,660,000, a settlement and clearing fund amounting to NT\$3,438,825,000, and a compensation reserve amounting to NT\$9,625,394,000.

The cash in banks of the Company and the TDCC is 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 balance of cash in banks is significant to the balance sheets and affects the aforementioned items and investments accounted for using the equity method, 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 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 collections and disbursement transactions to confirm whether they were for operational purposes and to determine whether there were any significant unusual transactions.

***Other matter***

We did not audit the financial statements of certain investees accounted for using the equity method for the years ended December 31, 2023 and 2022. The balances of these investments amounted to NT\$20,605,743,000 and NT\$18,645,788,000, constituting 15.90% and 17.82% of total assets as of December 31, 2023 and 2022, respectively, and the share of profit (including share of other comprehensive income) of these investments, which were accounted for using the equity method, amounted to NT\$2,851,109,000 and NT\$2,416,388,000, constituting 30.30% and 30.70% of total comprehensive income 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 is based solely on the audit reports of the other auditors.

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

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

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

Those charged with governance, including supervisors, are responsible for overseeing the Company's financial reporting process.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements 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

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The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and 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  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
<b>Current Assets</b>					
Cash and cash equivalents	6(1)	\$ 9,802,290	8	\$ 12,991,860	12
Current financial assets at fair value through profit or loss	6(2)	5,194,693	4	3,691,114	4
Current financial assets at amortized cost	6(4)	703,629	-	900,422	1
Accounts receivable, net	6(5) and 7	892,734	1	660,953	1
Other receivables, net		113,885	-	82,080	-
Other current financial assets	6(1)	24,453,660	19	22,306,901	21
Settlement and clearing debit items	6(7)	41,719,447	32	20,683,453	20
Other current assets		3,614	-	2,363	-
<b>Total Current Assets</b>		<u>82,883,952</u>	<u>64</u>	<u>61,319,146</u>	<u>59</u>
<b>Non-current Assets</b>					
Non-current financial assets at fair value through other comprehensive income	6(3)	4,645,742	3	4,410,115	4
Non-current financial assets at amortized cost	6(4)	5,536,500	4	5,069,155	5
Compensation reserve	6(6)	10,575,394	8	10,243,822	10
Investments accounted for using the equity method	6(8)	21,426,660	17	18,860,709	18
Property and equipment	6(9)	2,040,821	2	2,159,306	2
Right-of-use assets	6(10)	1,186,066	1	1,352,344	1
Investment properties, net	6(11)	252,235	-	255,435	-
Intangible assets	6(12)	120,261	-	99,703	-
Deferred income tax assets	6(27)	28,712	-	28,181	-
Other non-current assets	6(13)	901,411	1	846,167	1
<b>Total Non-current Assets</b>		<u>46,713,802</u>	<u>36</u>	<u>43,324,937</u>	<u>41</u>
<b>TOTAL ASSETS</b>		<u>\$ 129,597,754</u>	<u>100</u>	<u>\$ 104,644,083</u>	<u>100</u>

(Continued)

**TAIWAN STOCK EXCHANGE CORPORATION**  
**PARENT COMPANY ONLY 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	%
<b>Current Liabilities</b>					
Securities lending and borrowing collateral payable	6(14)	\$ 996,846	1	\$ 2,651,912	3
Accrued expenses	7	1,513,664	1	1,227,491	1
Current income tax liabilities		713,083	1	535,844	1
Current lease liabilities	6(10) and 7	213,124	-	205,217	-
Settlement and clearing credit items	6(7)	41,719,447	32	20,683,453	20
Other current liabilities	6(15)	4,386,218	3	5,745,869	5
<b>Total Current Liabilities</b>		<u>49,542,382</u>	<u>38</u>	<u>31,049,786</u>	<u>30</u>
<b>Non-current Liabilities</b>					
Deferred income tax liabilities	6(27)	44,599	-	44,599	-
Non-current lease liabilities	6(10) and 7	1,124,456	1	1,297,396	1
Net defined benefit liability	6(16)	98,914	-	94,938	-
Guarantee deposits received		78,398	-	90,100	-
<b>Total Non-current Liabilities</b>		<u>1,346,367</u>	<u>1</u>	<u>1,527,033</u>	<u>1</u>
<b>Total Liabilities</b>		<u>50,888,749</u>	<u>39</u>	<u>32,576,819</u>	<u>31</u>
<b>Equity</b>					
Share Capital					
Common stock	6(17)	11,586,719	9	10,253,733	10
Capital Surplus					
Capital surplus	6(18)	3,568	-	3,176	-
Retained Earnings					
Legal reserve	6(19)	8,496,806	7	7,782,626	7
Special reserve	6(19)	44,910,128	35	42,589,043	41
Unappropriated retained earnings	6(20)	9,191,392	7	7,206,072	7
Other Equity Interest					
Other equity interest	6(21)	4,520,392	3	4,232,614	4
<b>Total Equity</b>		<u>78,709,005</u>	<u>61</u>	<u>72,067,264</u>	<u>69</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 129,597,754</u>	<u>100</u>	<u>\$ 104,644,083</u>	<u>100</u>

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

**TAIWAN STOCK EXCHANGE CORPORATION**  
**PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 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(22) and 7				
Trading fees		\$ 6,928,372	59	\$ 6,142,183	56
Listing fees		2,355,681	20	2,421,868	22
Data processing fees		530,105	4	508,221	5
Royalty fees		436,561	4	464,215	4
System processing fees		428,177	4	360,326	3
Co-Location service fees		397,976	3	340,057	3
Securities lending and borrowing service fees		367,931	3	376,138	4
On-line processing fees		230,119	2	214,179	2
Others		85,207	1	56,757	1
Total Operating Revenue		<u>11,760,129</u>	<u>100</u>	<u>10,883,944</u>	<u>100</u>
Operating Expenses	6(23) and 7				
Personnel		( 1,609,113)	( 14)	( 1,585,341)	( 15)
General and administrative		( 3,919,640)	( 33)	( 3,501,823)	( 32)
Total Operating Expenses		<u>( 5,528,753)</u>	<u>( 47)</u>	<u>( 5,087,164)</u>	<u>( 47)</u>
Operating Profit		<u>6,231,376</u>	<u>53</u>	<u>5,796,780</u>	<u>53</u>
Non-operating Income and Expenses					
Share of profit of subsidiaries and associates accounted for using the equity method		2,840,055	24	2,244,799	21
Interest income		675,842	6	335,377	3
Other income	6(24)	290,963	2	268,814	2
Other gains and losses	6(25)	476,197	4	( 362,872)	( 3)
Finance costs	6(26) and 7	( 30,524)	-	( 33,689)	-
Total Non-operating Income and Expenses		<u>4,252,533</u>	<u>36</u>	<u>2,452,429</u>	<u>23</u>
<b>Profit before income tax</b>		<u>10,483,909</u>	<u>89</u>	<u>8,249,209</u>	<u>76</u>
Income tax expense	6(27)	( 1,382,986)	( 12)	( 1,242,250)	( 12)
<b>Profit for the year</b>		<u>\$ 9,100,923</u>	<u>77</u>	<u>\$ 7,006,959</u>	<u>64</u>
<b>Other comprehensive income, net</b>					
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>					
Gains on remeasurements of defined benefit plan	6(16)(20)	\$ 6,049	-	\$ 50,684	1
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	6(3)(21)	235,627	2	585,518	5
Share of other comprehensive income of subsidiaries and associates accounted for using the equity method	6(20)(21)	67,258	1	227,155	2
<b>Other comprehensive income, net</b>		<u>\$ 308,934</u>	<u>3</u>	<u>\$ 863,357</u>	<u>8</u>
<b>Total comprehensive income for the year</b>		<u>\$ 9,409,857</u>	<u>80</u>	<u>\$ 7,870,316</u>	<u>72</u>
Earnings per share (in New Taiwan dollars)					
Basic earnings per share	6(28)	<u>\$ 7.85</u>		<u>\$ 6.05</u>	

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

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

	Notes	Share capital- common stock	Capital surplus	Retained Earnings			Other equity	Total
				Legal reserve	Special reserve	Unappropriated retained earnings		
<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
Profit for the year		-	-	-	-	7,006,959	-	7,006,959
Other comprehensive income for the year	6(20)(21)	-	-	-	-	134,842	728,515	863,357
Total comprehensive income		-	-	-	-	7,141,801	728,515	7,870,316
Appropriations of 2021 retained earnings								
Legal reserve	6(20)	-	-	1,037,915	-	( 1,037,915)	-	-
Special reserve	6(20)	-	-	-	3,954,455	( 3,954,455)	-	-
Cash dividends	6(20)	-	-	-	-	( 3,529,974)	-	( 3,529,974)
Stock dividends	6(20)	1,849,034	-	-	-	( 1,849,034)	-	-
Capital surplus, other adjustments		-	527	-	-	-	-	527
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
<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
Profit for the year		-	-	-	-	9,100,923	-	9,100,923
Other comprehensive income for the year	6(20)(21)	-	-	-	-	21,156	287,778	308,934
Total comprehensive income		-	-	-	-	9,122,079	287,778	9,409,857
Appropriations of 2022 retained earnings								
Legal reserve	6(20)	-	-	714,180	-	( 714,180)	-	-
Special reserve	6(20)	-	-	-	2,321,085	( 2,321,085)	-	-
Cash dividends	6(20)	-	-	-	-	( 2,768,508)	-	( 2,768,508)
Stock dividends	6(20)	1,332,986	-	-	-	( 1,332,986)	-	-
Capital surplus, other adjustments		-	392	-	-	-	-	392
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

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

TAIWAN STOCK EXCHANGE CORPORATION  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022  
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 10,483,909	\$ 8,249,209
Adjustments			
Adjustments to reconcile profit (loss)			
(Gains) losses on financial assets at fair value through profit or loss	6(25)	( 557,037 )	381,063
Interest income		( 675,842 )	( 335,377 )
Dividend income	6(24)	( 186,580 )	( 161,186 )
Finance costs	6(26)	30,524	33,689
Depreciation	6(23)	419,265	443,767
Amortization	6(23)	52,692	104,709
Share of profit of subsidiaries and associates accounted for using the equity method		( 2,840,055 )	( 2,244,799 )
Expected credit impairment (gains) losses		( 1,008 )	739
Losses on disposal of property and equipment		33	85
Gains arising from modification of the lease	6(10)	( 6 )	-
Exchange losses (gains) on financial assets and liabilities		2,331	( 96,394 )
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable, net		( 231,941 )	223,355
Other receivables, net		1,073	( 1,557 )
Other current assets		( 1,251 )	1,555
Compensation reserve		( 1,772,922 )	( 1,032,836 )
Changes in operating liabilities			
Securities lending and borrowing collateral payable		( 1,654,326 )	( 18,019,168 )
Accrued expenses		286,526	91,421
Other current liabilities		( 1,359,651 )	( 2,147,352 )
Net defined benefit liability		10,025	( 41,938 )
Cash inflow (outflow) generated from operations		2,005,759	( 14,551,015 )
Interest received		673,580	366,170
Interest paid		( 30,877 )	( 33,630 )
Income tax paid		( 1,206,277 )	( 2,019,315 )
Net cash flows from (used in) operating activities		1,442,185	( 16,237,790 )
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of financial assets at fair value through profit or loss		( 1,774,077 )	( 1,561,552 )
Proceeds from disposal of financial assets at fair value through profit or loss		827,534	3,985,310
Acquisition of financial assets at amortized cost		( 1,200,000 )	( 1,943,324 )
Repayments of financial assets at amortized cost		900,000	3,850,000
Increase in other current financial assets		( 707,728 )	( 2,369,240 )
Acquisition of property, equipment and intangible assets	6(29)	( 234,651 )	( 121,327 )
Dividends received		1,127,942	1,150,650
Acquisition of investments accounted for using equity method-Subsidiary		( 600,000 )	-
(Increase) decrease in refundable deposits		( 1,960 )	20
Increase in operations guarantee deposits		-	( 300,000 )
Net cash flows (used in) from investing activities		( 1,662,940 )	2,690,537
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends paid		( 2,768,508 )	( 3,529,974 )
(Decrease) increase in guarantee deposits received		( 11,702 )	5,089
Repayments of the principal portion of lease liabilities		( 188,246 )	( 184,133 )
Unclaimed dividends reclassified to share premium		392	400
Net cash flows used in financing activities		( 2,968,064 )	( 3,708,618 )
Effect of exchange rate changes on cash and cash equivalents		( 751 )	4,506
Net decrease in cash and cash equivalents		( 3,189,570 )	( 17,251,365 )
Cash and cash equivalents at beginning of year	6(1)	12,991,860	30,243,225
Cash and cash equivalents at end of year	6(1)	\$ 9,802,290	\$ 12,991,860

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

TAIWAN STOCK EXCHANGE CORPORATION  
NOTES TO THE PARENT COMPANY ONLY 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 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 parent company only 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<sup>®</sup>”) 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 rules’	May 23, 2023

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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 continuously evaluates 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 parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These parent company only financial statements of the Company have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchange. However, the Company shall comply with the regulations issued by the FSC if they differ from the aforementioned standards.

(2) Basis of preparation

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

- (a) Financial assets at fair value through profit or loss;
- (b) Financial assets at fair value through other comprehensive income; 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 International Financial Reporting Standards, International Accounting Standards, IFRIC<sup>®</sup> Interpretations, and SIC<sup>®</sup> Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

(3) Foreign currency translation

The parent company only financial statements are presented in New Taiwan dollars, which is the functional and presentation currency of the Company.

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.”

(4) 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.

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) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

Cash equivalents 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.

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

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
  - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
  - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using settlement date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:

- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be 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.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

- (a) The objective of the Company's business model is achieved by collecting contractual cash flows; 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 measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

(9) Accounts receivable

Accounts receivable entitle the Company 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.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortized cost including accounts receivable or contract assets that have a significant financing component, at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or 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 recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

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

(12) 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.

(13) Investments accounted for using the equity method

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

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

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

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

F. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Company-Type Stock Exchanges," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall be equal to the allocations of profit or loss during the period and other comprehensive income attributable to owners of the parent company presented in the consolidated financial statements. Owners' equity in the parent company only financial statements shall be equal to the equity attributable to owners of the parent company presented in the consolidated financial statements.

(14) Property and equipment

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

B. Land is not depreciated and computer equipment is depreciated using the fixed percentage on declining balance 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.

(15) 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 recognizes 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.

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.

(16) 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.

(17) Intangible assets

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

(18) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

(19) 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.

(20) 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 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.

(21) Income tax

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

B. An additional 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 parent company only balance sheet.

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

(22) Dividends

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

(23) Revenue recognition

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

Interest income arising from financial assets is 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.

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

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

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

The fair value of unlisted stocks held by the Company that are not traded in an active market is determined considering related financial information and 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's 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	\$ 700	\$ 300
Checking accounts and demand deposits	2,011,109	4,436,181
Cash equivalents		
Commercial papers	7,340,481	8,040,379
Reverse repos	450,000	515,000
	<u>\$ 9,802,290</u>	<u>\$ 12,991,860</u>

A. As of December 31, 2023 and 2022, the time deposits with initial maturity term of more than three months were \$24,453,660 and \$22,306,901, respectively, and were shown as "other current financial assets."

B. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(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>\$ 5,194,693</u>	<u>\$ 3,691,114</u>

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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Fair value change recognized in profit or loss	\$ 557,037	(\$ 381,063)
Dividend income recognized in profit or loss	43,577	28,923
	<u>\$ 600,614</u>	<u>(\$ 352,140)</u>

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

<u>Items</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 1,238,528	\$ 1,238,528
Valuation adjustment	3,407,214	3,171,587
	<u>\$ 4,645,742</u>	<u>\$ 4,410,115</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	\$ 235,627	\$ 585,518
Dividend income recognized in profit or loss	\$ 143,003	\$ 132,263

(4) Financial assets at amortized cost

Items	December 31, 2023	December 31, 2022
Current items:		
Financial bonds	\$ 703,629	\$ 900,702
Less: Allowance for impairment	-	( 280)
	<u>\$ 703,629</u>	<u>\$ 900,422</u>
Non-current items:		
Financial bonds	\$ 2,898,116	\$ 3,615,736
Corporate bonds	2,000,000	800,000
Government bonds	1,589,338	1,605,261
	6,487,454	6,020,997
Less: Allowance for impairment	( 954)	( 1,842)
	6,486,500	6,019,155
Less: Compensation reserve	( 950,000)	( 950,000)
	<u>\$ 5,536,500</u>	<u>\$ 5,069,155</u>

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	\$ 60,111	\$ 66,621
Impairment loss (recognized) reversed	1,168	383
	<u>\$ 61,279</u>	<u>\$ 67,004</u>

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

C. Information relating to the Company's financial assets at amortized cost pledged as collateral is provided in Notes 6(7) and 8.

D. 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	\$ 893,856	\$ 662,715
Less: Allowance for doubtful accounts	( 1,122)	( 1,762)
	<u>\$ 892,734</u>	<u>\$ 660,953</u>

- A. The Company does 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) 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. The Company 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).

- D. 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.
- E. 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 both \$3 billion.
- F. The movements of the compensation reserve are as follows:

	Years ended December 31,	
	2023	2022
Balance, beginning of year (Note)	\$ 7,243,822	\$ 6,888,345
Contributions		
5% of trading fees	320,818	344,217
3% of securities lending and borrowing service fees	10,754	11,260
	<u>7,575,394</u>	<u>7,243,822</u>
Special clearing fund	<u>3,000,000</u>	<u>3,000,000</u>
Balance, end of year	<u>\$ 10,575,394</u>	<u>\$ 10,243,822</u>

Note: The beginning balance of the special clearing fund was \$3 billion, and the balance of the compensation reserve was \$10,243,822 and \$9,888,345 as of January 1, 2023 and 2022, respectively.

- G. As of December 31, 2023, compensation reserve amounting to \$9,625,394 and \$950,000 were invested in time deposits and government bonds, respectively. As of December 31, 2022, compensation reserve amounting to \$9,293,822 and \$950,000 were invested in time deposits and government bonds, respectively.

(7) 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's 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

#### (8) Investments accounted for using the equity method

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Subsidiaries:		
Taiwan Depository & Clearing Corporation (the TDCC)	\$ 20,438,857	\$ 18,488,697
Taiwan-Ca. Inc. (the TWCA)	129,131	121,374
Taiwan Index Plus Corporation (the TIP)	227,898	214,922
Taiwan Carbon Solution Exchange (the TCX)(Note)	593,019	-
	<u>21,388,905</u>	<u>18,824,993</u>
Associate:		
Taiwan Ratings Co. (the TRC)	37,755	35,716
	<u>\$ 21,426,660</u>	<u>\$ 18,860,709</u>

Note: As resolved by the Board of Directors in May, 2023, the Company jointly established Taiwan Carbon Exchange Co., Ltd. with the National Development Fund of the Executive Yuan. The initial issuance was 100 million shares, with the Company subscribing to 60 million shares, 60% shareholding, totaling NT\$600 million. The registration had been completed on July 21, 2023.

A. Subsidiaries

Refer to Note 4(3) of the consolidated financial statements for the information on subsidiaries.

The carrying amount of the investment in subsidiaries and the share of profit of the subsidiaries, Taiwan Depository & Clearing Corporation (the TDCC) and Taiwan-Ca Inc. (the TWCA), accounted for using the equity method was based on their financial statements audited by other auditors.

B. Associates

The Company's share of the operating results from the individually immaterial associate is summarized below:

	Taiwan Ratings Co.	
	Years ended December 31,	
	2023	2022
Share of profit of associate accounted for using the equity method	\$ 14,066	\$ 12,968
Share of other comprehensive (loss) income of associate accounted for using the equity method	(\$ 153)	\$ 225

The percentage of ownership held by the Company in the above associate was 19.99% as of December 31, 2023 and 2022.

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

(9) 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	\$ 692,004	\$ 1,003,633	\$ 335,912	\$ 1,087,515	\$ 267,617	\$ 3,386,681
Additions	-	-	30,101	26,960	-	57,061
Disposals	-	-	( 83,312)	( 28,103)	-	( 111,415)
Transfers (Note)	-	-	40,062	10,994	-	51,056
Closing book amount	<u>\$ 692,004</u>	<u>\$ 1,003,633</u>	<u>\$ 322,763</u>	<u>\$ 1,097,366</u>	<u>\$ 267,617</u>	<u>\$ 3,383,383</u>
<u>Accumulated depreciation</u>						
At January 1	\$ -	\$ 130,378	\$ 251,500	\$ 640,153	\$ 205,344	\$ 1,227,375
Depreciation	-	17,922	73,894	101,300	33,453	226,569
Disposals	-	-	( 83,279)	( 28,103)	-	( 111,382)
Closing book amount	<u>\$ -</u>	<u>\$ 148,300</u>	<u>\$ 242,115</u>	<u>\$ 713,350</u>	<u>\$ 238,797</u>	<u>\$ 1,342,562</u>
At January 1						
net book amount	<u>\$ 692,004</u>	<u>\$ 873,255</u>	<u>\$ 84,412</u>	<u>\$ 447,362</u>	<u>\$ 62,273</u>	<u>\$ 2,159,306</u>
At December 31						
net book amount	<u>\$ 692,004</u>	<u>\$ 855,333</u>	<u>\$ 80,648</u>	<u>\$ 384,016</u>	<u>\$ 28,820</u>	<u>\$ 2,040,821</u>

<u>2022</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	\$ 692,004	\$ 1,003,633	\$ 467,646	\$ 1,278,447	\$ 267,617	\$ 3,709,347
Additions	-	-	31,890	2,916	-	34,806
Disposals	-	-	( 200,361)	( 193,848)	-	( 394,209)
Transfers (Note)	-	-	36,737	-	-	36,737
Closing book amount	<u>\$ 692,004</u>	<u>\$ 1,003,633</u>	<u>\$ 335,912</u>	<u>\$ 1,087,515</u>	<u>\$ 267,617</u>	<u>\$ 3,386,681</u>
<u>Accumulated depreciation</u>						
At January 1	\$ -	\$ 112,456	\$ 365,147	\$ 719,778	\$ 171,892	\$ 1,369,273
Depreciation	-	17,922	86,628	114,223	33,452	252,225
Disposals	-	-	( 200,275)	( 193,848)	-	( 394,123)
Closing book amount	<u>\$ -</u>	<u>\$ 130,378</u>	<u>\$ 251,500</u>	<u>\$ 640,153</u>	<u>\$ 205,344</u>	<u>\$ 1,227,375</u>
At January 1						
net book amount	<u>\$ 692,004</u>	<u>\$ 891,177</u>	<u>\$ 102,499</u>	<u>\$ 558,669</u>	<u>\$ 95,725</u>	<u>\$ 2,340,074</u>
At December 31						
net book amount	<u>\$ 692,004</u>	<u>\$ 873,255</u>	<u>\$ 84,412</u>	<u>\$ 447,362</u>	<u>\$ 62,273</u>	<u>\$ 2,159,306</u>

Note: Transfers 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 years
Other equipment	3 ~ 10 years
Rental assets	5 ~ 8 years

(10) Lease transactions-lessee

A. Right-of-use assets

- (a) The Company leases 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	\$ 1,178,834	\$ 1,348,849
Other equipment	7,232	3,495
	<u>\$ 1,186,066</u>	<u>\$ 1,352,344</u>

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

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Buildings	\$ 187,748	\$ 187,171
Other equipment	1,748	1,173
	<u>\$ 189,496</u>	<u>\$ 188,344</u>

(d) For the years ended December 31, 2023 and 2022, the additions to right-of-use assets resulting from lease additions or modifications were \$23,218 and \$8,590, respectively.

#### 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	\$ 213,124	\$ 205,217
Non-current portion	1,124,456	1,297,396
	<u>\$ 1,337,580</u>	<u>\$ 1,502,613</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>\$ 26,355</u>	<u>\$ 29,545</u>
Gains arising from modification of the lease	<u>\$ 6</u>	<u>\$ -</u>

#### C. Other information on leases is as follows:

(a) For the years ended December 31, 2023 and 2022, the Company's total cash outflows for leases were \$214,601 and \$213,678, respectively.

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

(11) Investment properties

2023	Land	Buildings and structures	Total
<u>Cost</u>			
At January 1 and December 31	\$ 195,187	\$ 179,111	\$ 374,298
<u>Accumulated depreciation</u>			
At January 1	\$ -	\$ 118,863	\$ 118,863
Depreciation	-	3,200	3,200
Closing book amount	\$ -	\$ 122,063	\$ 122,063
At January 1 net book amount	\$ 195,187	\$ 60,248	\$ 255,435
At December 31 net book amount	\$ 195,187	\$ 57,048	\$ 252,235

  

2022	Land	Buildings and structures	Total
<u>Cost</u>			
At January 1 and December 31	\$ 195,187	\$ 179,111	\$ 374,298
<u>Accumulated depreciation</u>			
At January 1	\$ -	\$ 115,665	\$ 115,665
Depreciation	-	3,198	3,198
Closing book amount	\$ -	\$ 118,863	\$ 118,863
At January 1 net book amount	\$ 195,187	\$ 63,446	\$ 258,633
At December 31 net book amount	\$ 195,187	\$ 60,248	\$ 255,435

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

	Years ended December 31,	
	2023	2022
Rental income from investment properties	\$ 25,409	\$ 28,202
Direct operating expenses arising from the investment properties that generated rental income during the year	\$ 4,307	\$ 2,913

B. The fair values of the investment properties held by the Company as of December 31, 2023 and 2022 were \$871,879 and \$950,879, respectively. The fair values of the above assets were determined by management by comparing with the transaction information of similar properties in the market and applying appropriate adjustments in the valuations. The comparative approach was used for the valuations which is 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.

(12) Intangible assets

	Years ended December 31,	
	2023	2022
<u>Cost</u>		
At January 1	\$ 218,845	\$ 517,792
Additions	53,776	22,974
Disposals	( 70,964)	( 354,139)
Transfer from prepayments for equipment	19,474	32,218
Closing book amount	<u>\$ 221,131</u>	<u>\$ 218,845</u>
<u>Accumulated amortization</u>		
At January 1	\$ 119,142	\$ 368,572
Amortization	52,692	104,709
Disposals	( 70,964)	( 354,139)
Closing book amount	<u>\$ 100,870</u>	<u>\$ 119,142</u>
At January 1 net book amount	<u>\$ 99,703</u>	<u>\$ 149,220</u>
At December 31 net book amount	<u>\$ 120,261</u>	<u>\$ 99,703</u>

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

(13) Other non-current assets

	December 31, 2023	December 31, 2022
Operations guarantee deposits	\$ 800,000	\$ 800,000
Refundable deposits	34,403	32,443
Prepayments for equipment and intangible assets	67,008	13,724
	<u>\$ 901,411</u>	<u>\$ 846,167</u>

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.

(14) 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 (Note 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.

(15) 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
Contract liabilities (Note 2)	890,025	561,513
Deposits received for borrowing securities collateral	-	174,000
Others	15,979	8,167
	<u>\$ 4,386,218</u>	<u>\$ 5,745,869</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 company should appropriate a performance guarantee in proportion to the total amount of borrowed marketable securities to the Company.

Note 2: Contract liabilities include call (put) warrant listing fees received in advance.

(16) 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	\$ 2,387,103	\$ 2,392,294
Fair value of plan assets	( 2,288,189)	( 2,297,356)
Net defined benefit liability	<u>\$ 98,914</u>	<u>\$ 94,938</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	\$ 2,392,294	\$ 2,297,356	\$ 94,938
Current service cost	148,792	-	148,792
Interest expense/income	34,406	34,249	157
	<u>2,575,492</u>	<u>2,331,605</u>	<u>243,887</u>
Remeasurements:			
Return on plan assets (Note)	-	( 1,301)	1,301
Change in financial assumptions	9,323	-	9,323
Experience adjustments	( 16,673)	-	( 16,673)
	( 7,350)	( 1,301)	( 6,049)
Pension fund contribution	-	134,134	( 134,134)
Pension paid	( 181,039)	( 176,249)	( 4,790)
Balance at December 31	<u>\$ 2,387,103</u>	<u>\$ 2,288,189</u>	<u>\$ 98,914</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 2,414,300	\$ 2,226,740	\$ 187,560
Current service cost	127,769	-	127,769
Interest expense/income	14,753	14,110	643
	<u>2,556,822</u>	<u>2,240,850</u>	<u>315,972</u>
Remeasurements:			
Return on plan assets (Note)	-	83,811	( 83,811)
Change in financial assumptions	( 39,334)	-	( 39,334)
Experience adjustments	72,461	-	72,461
	<u>33,127</u>	<u>83,811</u>	<u>( 50,684)</u>
Pension fund contribution	-	162,836	( 162,836)
Pension paid	( 197,655)	( 190,141)	( 7,514)
Balance at December 31	<u>\$ 2,392,294</u>	<u>\$ 2,297,356</u>	<u>\$ 94,938</u>

Note: 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 Company makes 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) The Bank of Taiwan was commissioned to manage the pension fund (the "Fund") under the Company's 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 has no right to participate in managing and operating the Fund and hence the Company is 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 Company's fund administrated by the Committee of Employee Pension Fund consists of bank deposits only.
- (d) The principal actuarial assumptions used were as follows:

	2023	2022
Discount rate	1.25%	1.5%
Future salary increases	3%	3%

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

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2023</u>				
Effect on present value of defined benefit obligation	(\$ 43,475)	\$ 45,073	\$ 41,651	(\$ 40,388)
<u>December 31, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 44,769)	\$ 46,406	\$ 43,096	(\$ 41,793)

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.

- (e) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2024 amount to \$138,157.

**B. Defined contribution plan**

- (a) Effective July 1, 2005, the Company has 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 makes 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 for the years ended December 31, 2023 and 2022 were \$93,426 and \$90,700, respectively.

**(17) 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.

(18) 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.

(19) 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 had reclassified the provision for the compensation reserve to a special reserve in its 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.

(20) 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
Losses on remeasurements of defined benefit plan	6,049	50,684
Losses on remeasurements of defined benefit plans of subsidiaries and associates accounted for using the equity method	15,107	84,158
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.

(21) Other equity items

	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	
	2023	2022
January 1	\$ 4,232,614	\$ 3,504,099
Revaluation	235,627	585,518
Revaluation - subsidiaries	52,151	142,997
December 31	<u>\$ 4,520,392</u>	<u>\$ 4,232,614</u>

(22) 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%.

(23) Additional information on operating expenses

	Operating expenses	
	Years ended December 31,	
	2023	2022
Employee benefit expense		
Salaries	\$ 1,318,663	\$ 1,307,244
Insurance	79,663	78,086
Pension	242,375	219,112
Others	48,075	58,985
	<u>\$ 1,688,776</u>	<u>\$ 1,663,427</u>
Depreciation	<u>\$ 419,265</u>	<u>\$ 443,767</u>
Amortization	<u>\$ 52,692</u>	<u>\$ 104,709</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.

D. As of December 31, 2023 and 2022, the Company had 639 and 609 employees, respectively.

(24) Other income

	Years ended December 31,	
	2023	2022
Dividend income	\$ 186,580	\$ 161,186
Rental income	94,505	96,848
Others	9,878	10,780
	<u>\$ 290,963</u>	<u>\$ 268,814</u>

(25) Other gains and losses

	Years ended December 31,	
	2023	2022
Gains on financial assets at fair value through profit or loss	\$ 557,037	(\$ 381,063)
Foreign exchange losses	2,416	101,577
Others	(83,256)	(83,386)
	<u>\$ 476,197</u>	<u>(\$ 362,872)</u>

(26) Finance costs

	Years ended December 31,	
	2023	2022
Interest expense-lease liability	\$ 26,355	\$ 29,545
Interest expense-securities lending and borrowing collateral	4,169	4,144
	<u>\$ 30,524</u>	<u>\$ 33,689</u>

(27) 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	\$ 1,385,454	\$ 1,232,076
Tax on unappropriated earnings	252	389
Prior year income tax over estimation	( 2,189)	( 2,999)
Total current tax	<u>1,383,517</u>	<u>1,229,466</u>
Deferred tax:		
Origination and reversal of temporary differences	( 531)	12,784
Income tax expense	<u>\$ 1,382,986</u>	<u>\$ 1,242,250</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	\$ 2,096,782	\$ 1,649,842
Tax on unappropriated earnings	252	389
Effect from permanent differences of income tax	( 716,504)	( 404,986)
Temporary differences not recognized as deferred tax assets	3,415	4
Change in assessment of deferred tax asset realizability	1,230	-
Prior year income tax over estimation	( 2,189)	( 2,999)
Income tax expense	<u>\$ 1,382,986</u>	<u>\$ 1,242,250</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	December 31
-Deferred tax assets:			
Employees' welfare	\$ 8,705	\$ 1,614	\$ 10,319
Unused annual paid leave	10,821	( 321)	10,500
Unrealized exchange loss	8,655	( 762)	7,893
	<u>\$ 28,181</u>	<u>\$ 531</u>	<u>\$ 28,712</u>
-Deferred tax liabilities:			
Reserve for land value increment tax	<u>\$ 44,599</u>	<u>\$ -</u>	<u>\$ 44,599</u>

	Year ended December 31, 2022		
	January 1	Recognized in profit or loss	December 31
-Deferred tax assets:			
Employees' welfare	\$ 3,961	\$ 4,744	\$ 8,705
Unused annual paid leave	10,301	520	10,821
Unrealized exchange loss	26,703	( 18,048)	8,655
	<u>\$ 40,965</u>	<u>(\$ 12,784)</u>	<u>\$ 28,181</u>
-Deferred tax liabilities:			
Reserve for land value increment tax	<u>\$ 44,599</u>	<u>\$ -</u>	<u>\$ 44,599</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>\$ 169,163</u>	<u>\$ 165,748</u>

D. The Company's income tax returns through 2021 have been assessed and approved by the Tax Authority.

(28) Earnings per share

	Year ended December 31, 2023		
	Amount after tax	Weighted-average number of shares outstanding (in thousands of shares)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	<u>\$ 9,100,923</u>	<u>1,158,672</u>	<u>\$ 7.85</u>

	<u>Year ended December 31, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted-average number of shares outstanding (in thousands of shares)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders	\$ 7,006,959	1,158,672	\$ 6.05

After the retrospective adjustment due to stock dividend issuance for the year ended December 31, 2022, the weighted-average number of shares outstanding increased from 1,025,373 thousand shares to 1,158,672 thousand shares, and the earnings per share was adjusted from \$6.83 (in dollars) to \$6.05 (in dollars).

(29) Supplemental cash flow information

Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2023</u>	<u>2022</u>
Additions and transfers from property and equipment	\$ 108,117	\$ 71,543
Additions and transfers from intangible assets	73,250	55,192
Less: Opening balance of prepayments for equipment and intangible assets	( 13,724)	( 19,132)
Add: Ending balance of prepayments for equipment and intangible assets	67,008	13,724
Cash paid during the year	<u>\$ 234,651</u>	<u>\$ 121,327</u>

## 7. RELATED PARTY TRANSACTIONS

### (1) Names of related parties and relationship

Names of related parties	Relationship with the Company
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.	//
IBF Securities Co., Ltd. (Note 2)	//
CPC CORPORATION, TAIWAN (Note 2)	//
Taiwan Depository & Clearing Corporation (the “TDCC”)	Subsidiary
TAIWAN-CA Inc. (the “TWCA”)	//
Taiwan Index Plus Corporation (the “TIP”)	//
Taiwan Carbon Solution Exchange Corporation (the “TCX”)	//
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 amount 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 amount 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 amount disclosed below represent the transactions with the related party for the period starting from the beginning of its term as supervisor.

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

Note 5: In June 2022, the company stepped down as a supervisor of the Company, and the amount 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. Information processing fees:		
Other related parties		
The TPEX	\$ 414,010	\$ 346,264
Subsidiaries	12,567	8,718
	<u>\$ 426,577</u>	<u>\$ 354,982</u>
D. 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>
E. Co-Location service fees		
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>

	Years ended December 31,	
	2023	2022
F. Securities settlement service fees (recorded as general and administrative expenses):		
Subsidiary		
The TDCC	\$ 1,377,999	\$ 1,221,599
G. Accounts receivable:		
Corporate directors		
YUANTA	\$ 103,241	\$ 65,386
Others	73,354	35,775
Other related parties	65,421	62,117
	<u>\$ 242,016</u>	<u>\$ 163,278</u>
H. Payable for securities settlement services: (recorded as accrued expenses)		
Subsidiary		
The TDCC	\$ 134,734	\$ 91,268

I. 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

	December 31, 2023	December 31, 2022
The TFCC	\$ 1,162,817	\$ 1,310,114

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

	Years ended December 31,	
	2023	2022
Salaries and other short-term employee benefits	\$ 35,871	\$ 35,764
Pensions	4,135	4,109
	<u>\$ 40,006</u>	<u>\$ 39,873</u>

8. PLEDGED ASSETS

Refer to Note 6(7) for the information on time deposits and government bonds pledged by the Company as collaterals for the loan facility with banks and Note 6(13) 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	\$ 99,106	\$ 58,154

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives of capital management 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	\$ 5,194,693	\$ 3,691,114
Fair value through other comprehensive income	4,645,742	4,410,115
Amortized cost (Note 1)	<u>94,631,942</u>	<u>73,771,089</u>
	<u>\$ 104,472,377</u>	<u>\$ 81,872,318</u>
<u>Financial liabilities</u>		
Amortized cost (Note 2)	\$ 47,788,569	\$ 29,829,145
Lease liabilities	<u>1,337,580</u>	<u>1,502,613</u>
	<u>\$ 49,126,149</u>	<u>\$ 31,331,758</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, 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, 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 has sufficient mechanisms to manage and control all financial risks to which the Company is 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's 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's 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 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 provides 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 are also denominated in foreign currencies.

	December 31, 2023				
	Foreign Currency Amount (In Thousands)	Exchange Rate	Book Value (NTD)	Sensitivity analysis Degree of variation	Effect on profit or loss
<u>Financial assets</u>					
<u>Monetary items</u>					
USD:NTD	39,213	30.71	\$ 1,204,232	1%	\$ 12,042

December 31, 2022

(Foreign currency: functional currency)	Foreign Currency		Book Value (NTD)	Sensitivity analysis	
	Amount (In Thousands)	Exchange Rate		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 losses arising from significant fluctuations in foreign exchange rates on the monetary items held by the Company for the years ended December 31, 2023 and 2022 amounted to \$2,416 and \$101,577, 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. As of December 31, 2023 and 2022, the financial assets measured at amortized cost consisted of fixed-rate products amounting to \$7,190,129 (Note) and \$6,919,577 (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.

Price risk

The Company is 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 price risks, investments in beneficiary certificates are made in accordance with the Company's related policies and procedures on capital management, and the Company chooses appropriate investment targets, sets maximum amounts and limitations for prudent investments practice, and prepares 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 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 \$51,947 and \$36,911, respectively.

The Company's 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. The Company is exposed to the credit risks from cash and cash equivalents, other financial assets and accounts receivable and other receivable 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. Most of the Company's counterparties of accounts receivable and other receivable are securities companies, listed companies and other security peripheral organizations which have high credit quality, so it expects that the credit risk of accounts receivable and other receivable is remote.
- iii. The Company adopts 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 transacts 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 recognizes the impairment loss allowance for 12 months expected credit losses. No loss allowance was provided by the Company against cash and cash equivalents for the years ended December 31, 2023 and 2022.

Accounts receivable and other receivables

- (i) The Company applies the simplified approach using the loss rate methodology to estimate expected credit loss under the provision matrix basis.
- (ii) The Company used the forecast ability to adjust historical and timely information over a specified period to assess the probabilities of default of accounts receivable and other receivables. As of December 31, 2022 and 2021, the loss rate methodology is as follows:

	<u>Group 1</u>		<u>Group 2</u>		<u>Total</u>
<u>At December 31, 2023</u>					
Expected loss rate	0%		100%		
Total book value					
Accounts receivable	\$ 892,734	\$	1,122	\$	893,856
Other receivables	\$ 113,885	\$	-	\$	113,885
Loss allowance	\$ -	\$	1,122	\$	1,122
	<u>Group 1</u>		<u>Group 2</u>		<u>Total</u>
<u>At December 31, 2022</u>					
Expected loss rate	0%		100%		
Total book value					
Accounts receivable	\$ 660,953	\$	1,762	\$	662,715
Other receivables	\$ 82,080	\$	250	\$	82,330
Loss allowance	\$ -	\$	2,012	\$	2,012

- (iii) Movements in relation to the Company 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	\$ 2,012	\$	890
Provision for impairment	160		1,122
Write-offs	(1,050)		-
At December 31	\$ 1,122	\$	2,012

- (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	\$ 879,013	\$	652,603
31 to 90 days	13,479		4,486
91 to 180 days	242		4,014
Over 180 days	1,122		1,612
	<u>\$ 893,856</u>	<u>\$</u>	<u>662,715</u>

### Other financial assets

The Company transacts 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 recognizes the impairment loss allowance for 12 months expected credit losses. No loss allowance was provided by the Company for the years ended December 31, 2023 and 2022.

### Debt instruments at amortized cost

(i) The Company's 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 recognizes 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	\$ 2,122	\$ -	\$ -
Reversal for impairment	( 1,168)	-	-
At December 31	\$ 954	\$ -	\$ -

  

	2022		
	12 months	Lifetime	
		Significant increase in credit risk	Impairment of credit
At January 1	\$ 2,505	\$ -	\$ -
Reversal for impairment	( 383)	-	-
At December 31	\$ 2,122	\$ -	\$ -

(c) Liquidity risk

Liquidity risk refers to the risk that the Company will be unable to repay financial debts with cash or other financial assets. The Company applies the expected cash flow approach to manage liquidity risk to ensure that the Company has 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.

Apart from those mentioned in the following table, the Company's non-derivative financial liabilities will all mature within one year.

	<u>12 months</u>	<u>Over 12 months</u>
At December 31, 2023		
<u>Non-derivative financial liabilities:</u>		
Guarantee deposits	\$ -	\$ 78,398
Lease liability	215,331	1,208,731
	<u>12 months</u>	<u>Over 12 months</u>
At December 31, 2022		
<u>Non-derivative financial liabilities:</u>		
Guarantee deposits	\$ -	\$ 90,100
Lease liability	207,265	1,407,596

(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's 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's 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's 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's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, net, other receivables, net, other financial assets, settlement and clearing debit items, compensation reserve, operations guarantee deposits, refundable deposits, securities lending and borrowing collateral payable, accrued expenses, dividends payable, 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			
	Book value	Fair value		
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at amortized cost				
(Note)	\$ 7,190,129	\$ -	\$ 6,909,504	\$ -
	December 31, 2022			
	Book value	Fair value		
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets at amortized cost				
(Note)	\$ 6,919,577	\$ -	\$ 6,572,205	\$ -

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

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

Financial assets at amortized cost: 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>At 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	\$ 5,194,693	\$ -	\$ -	\$ 5,194,693
Financial assets at fair value through other comprehensive income:				
Unlisted stocks	-	-	4,645,742	4,645,742

<u>At 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	\$ 3,691,114	\$ -	\$ -	\$ 3,691,114
Financial assets at fair value through				
other comprehensive income:				
Unlisted stocks	-	-	4,410,115	4,410,115

- D. The methods and assumptions the Company used to measure fair value are as follows:
- (a) If the Company 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 balance sheet date.
  - (c) When assessing non-standard and low-complexity financial instruments, the Company adopts 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's 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's 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 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	\$ 1,814,033	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

	Fair value at December 31, 2022	Valuation technique	Significant unobservable input	Relationship of inputs to fair value	
Unlisted stocks:					
Taiwan Futures Exchange Corporation	\$ 1,734,372	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

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 has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different 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:



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

	Equity instrument	
	2023	2022
At January 1	\$ 4,410,115	\$ 3,824,597
Gains recognized in other comprehensive income	235,627	585,518
At December 31	<u>\$ 4,645,742</u>	<u>\$ 4,410,115</u>

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

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

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: None.
- C. Holding of marketable securities at the end of the period (not including subsidiaries and associates): Please refer to table 1.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company’s paid-in capital: Please refer to table 2.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: None.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to Note 7.

#### (2) Information on investees

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

### 14. SEGMENT INFORMATION

Not applicable.

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

Table 1

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

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	
<b>Beneficiary Certificates</b>						
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 E'	"	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	"
		Total financial assets at fair value through profit or loss - current		<u>\$ 5,194,693</u>	<u>\$ 5,194,693</u>	
<b>Stock</b>						
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	"
		Total financial assets at fair value through other comprehensive income - non-current		<u>\$ 4,645,742</u>	<u>\$ 4,645,742</u>	

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	
Financial bonds						
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	-	<u>300,522</u>	<u>299,124</u>	"
				<u>\$ 703,629</u>	<u>\$ 700,751</u>	
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	"
108 Taipei Fubon Bank bond 1 (G107BP)	"	Financial assets at amortized cost - non-current	-	101,939	96,685	"
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	-	<u>200,000</u>	<u>199,995</u>	"
				<u>\$ 2,897,162</u>	<u>\$ 2,770,178</u>	
Corporate bonds						
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	"
112 Taipower Corporate Bond 2B (B903YX)	"	Financial assets at amortized cost - non-current	-	300,000	299,545	"
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	-	<u>200,000</u>	<u>199,935</u>	"
				<u>2,000,000</u>	<u>1,989,871</u>	

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	
Government bonds						
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	"
				1,589,338	1,448,704	
		Less: Compensation reserve (Note 2)	-	( 950,000)	( 950,000)	
				639,338	498,704	
		Total financial assets at amortized cost - non-current		<u>\$ 5,536,500</u>	<u>\$ 5,258,753</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).

TAIWAN STOCK EXCHANGE CORPORATION  
ACQUISITION OR SALE OF THE SAME SECURITY WITH THE ACCUMULATED COST EXCEEDING \$300 MILLION OR 20% OF THE COMPANY'S PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2023

Table 2

Expressed in thousands of New Taiwan Dollars

(Except as otherwise indicated)

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	
SinoPac TWD Money Market Fund	Financial assets at fair value through profit or loss - current	-	-	-	\$ -	49,386	\$ 700,000	-	\$ -	\$ -	\$ -	-	49,386	\$ 706,273	Note1
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	"
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	"

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.

TAIWAN STOCK EXCHANGE CORPORATION  
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 STOCK EXCHANGE CORPORATION  
 NAMES, LOCATIONS AND OTHER INFORMATION 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	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	-	

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF CASH AND CASH EQUIVALENTS  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 1

	Description	Amount
Cash and cash in banks		
Petty cash		\$ 700
Checking accounts		2,063
Demand deposits		1,961,860
Foreign currency deposits	USD 1,449 thousand, exchange rate 30.71	44,512
	Other currencies (Note)	2,674
Cash equivalents		
Time deposits with terms of 3-months or shorter	From January 2, 2024 to March 14, 2024 Interest rate 1.28%~1.31%	7,340,481
Reverse repos	From January 31, 2024 to February 22, 2024 Interest rate between 1.30%	450,000
		\$ 9,802,290

Note: Including GBP 57 thousand (exchange rate 39.15), HKD 56 thousand (exchange rate 3.929),  
EUR 4 thousand (exchange rate 33.98), CNY 14 thousand (exchange rate 4.327)  
SGD 1 thousand (exchange rate 23.29.), JPY 20 thousand (exchange rate 0.2172)

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF ACCOUNTS RECEIVABLE  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 2

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>Non-related parties</u>			
KGI Securities Co., Ltd.		\$ 76,068	None of other clients individually has a balance exceeding 5% of this account balance.
Others		575,772	
<u>Related parties</u>			
Yuanta Securities Co., Ltd.		103,241	None of other clients individually has a balance exceeding 5% of this account balance.
Fubon Securities Co., Ltd.		55,742	
Others		<u>83,033</u>	
		893,856	
Less: Allowance for doubtful accounts		( <u>1,122</u> )	
		<u>\$ 892,734</u>	

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 3

Name	Balance, January 1, 2023		Addition (Note 1, 3)		Decrease (Note 2)		Balance, December 31, 2023			Market Value or Net Assets Value		Basis for Valuation	Collateral
	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Percentage of Ownership	Amount	Unit Price (NT\$)	Total Amount		
Taiwan Depository & Clearing Corporation	295,434	\$ 18,488,697	35,452	\$ 2,806,919	-	(\$ 856,759)	330,886	50.59%	\$ 20,438,857	\$ 61.77	\$ 20,438,857	Equity method	None
Taiwan-Ca. Inc.	7,557	121,374	-	30,277	-	( 22,520)	7,557	30.23%	129,131	\$ 16.64	125,724	Equity method	None
Taiwan Index Plus Corporation	15,000	214,922	-	63,185	-	( 50,209)	15,000	100.00%	227,898	\$ 15.19	227,898	Equity method	None
Taiwan Carbon Solution Exchange	-	-	60,000	593,019	-	-	60,000	60.00%	593,019	\$ 9.88	592,863	Equity method	None
Taiwan Ratings Co.	1,399	<u>35,716</u>	-	<u>13,913</u>	-	( <u>11,874</u> )	1,399	19.99%	<u>37,755</u>	\$ 26.99	37,755	Equity method	None
		<u>\$ 18,860,709</u>		<u>\$ 3,507,313</u>		<u>(\$ 941,362)</u>			<u>\$ 21,426,660</u>				

Note 1: Including investment income and other comprehensive income accounted for using the equity method.

Note 2: Including cash dividends paid by the investees and other comprehensive loss accounted for using the equity method.

Note 3: As resolved by the Board of Directors in May, 2023, the Company jointly established Taiwan Carbon Exchange Co., Ltd. with the National Development Fund of the Executive Yuan.

The initial issuance was 100 million shares, with the Company subscribing to 60 million shares, 60% shareholding, totaling NT\$600 million. The registration has been completed on July 21, 2023.

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF ACCRUED EXPENSES  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 4

<u>Item</u>	<u>Description</u>	<u>Amount</u>	<u>Note</u>
<u>Non-related parties</u>			
Salary and bonus payable		\$ 594,476	
Promotion and advertisement fees payable		166,647	
Employees' compensation payable		161,921	
Electrification fees payable		153,377	
Others		259,309	The amount of individual items included in this category does not exceed 5% of this account's balance.
<u>Related parties</u>			
Taiwan Depository & Clearing Corporation		145,752	
Others			The amount of individual clients included in this category does not exceed 5% of this account's balance.
		<u>32,182</u>	
		<u>\$ 1,513,664</u>	

Note: The accrued expenses relating to individual clients that are considered non-related parties all do not exceed 5% of the balance, hence these amounts are disclosed according to their nature.

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 5

<u>Item</u>	<u>Amount</u>	<u>Note</u>
Personnel		
Salaries	\$ 1,163,121	
Pension	242,375	
Employees' compensation	155,542	
Others	48,075	Note
	<u>1,609,113</u>	
General and administrative		
Securities settlement service fees	1,377,999	
Electrification fees	524,066	
Depreciation	419,265	
Promotion and advertisement	285,489	
Taxes	256,857	
Donation	252,079	
Others	803,885	Note
	<u>3,919,640</u>	
	<u>\$ 5,528,753</u>	

Note: The amount of individual items included in this category does not exceed 5% of personnel or general and administrative expenses.

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF THE JOINT SETTLEMENT AND CLEARING FUND  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 6

<u>Securities Company</u>			<u>Securities Company</u>		
<u>Code</u>	<u>Name</u>	<u>Amount</u>	<u>Code</u>	<u>Name</u>	<u>Amount</u>
102	Taiwan Cooperative Securities Co., Ltd.	\$ 44,995	526	GOOD FINANCE SECURITIES CO., LTD.	\$ 26,904
103	LANDBANK OF TAIWAN	24,810	532	GOLDEN GATE SECURITIES CO., LTD	9,598
104	BANK OF TAIWAN DEPARTMENT OF SECURITIES	57,283	538	FIRST SECURITIES INC.	52,188
111	TAIWAN BUSINESS BANK	22,832	546	PAO SHIN SECURITIES CO., LTD.	4,397
123	CHANG HWA COMMERCIAL BANK, LTD.	11,412	560	YUNG SHIN SECURITIES CO., LTD.	7,571
126	HORIZON SECURITIES CO., LTD.	31,590	566	FORTUNE SECURITIES CO., LTD.	5,079
136	Macquarie Capital Limited, Taiwan Securities Branch	57,379	585	PRESIDENT SECURITIES CORPORATION	77,530
138	CL Securities Taiwan Company Limited	70,970	586	YING YI SECURITIES CO., LTD.	5,095
144	Merrill Lynch Securities (Taiwan) Limited	160,831	592	MASTERLINK SECURITIES CO., LTD.	87,267
147	MORGAN STANLEY TAIWAN LIMITED	196,293	596	JEE MACH SECURITIES CO., LTD.	6,078
148	GOLDMAN SACHS (ASIA) L.L.C. TAIPEI BRANCH	117,053	601	Primasia Securities Company Limited	16,204
152	CREDIT SUISSE AG, TAIPEI SECURITIES BRANCH	175,399	611	TAICHUNG COMMERCIAL BANK	16,795
156	NOMURA INTERNATIONAL (HONG KONG) LTD., TAIPEI BRANCH	68,886	616	CHINATRUST SECURITIES CO., LTD.	45,752
157	SG SECURITIES (HK) LTD., TAIPEI BRANCH	29,443	621	NEW HUNDRED KING SECURITIES CO., LTD.	4,938
159	Citigroup Global Markets Taiwan Securities Co., Ltd.	130,876	638	KUANZ HO SECURITIES CO., LTD.	11,419
165	UBS SECURITIES PTE.LTD., TAIPEI BRANCH	138,126	645	YUNG CHUAN SECURITIES CO., LTD.	8,109

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF THE JOINT SETTLEMENT AND CLEARING FUND (Cont.)  
DECEMBER 31, 2023  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 6

Securities Company			Securities Company		
Code	Name	Amount	Code	Name	Amount
218	ORIENTAL SECURITIES CO., LTD.	\$ 19,824	646	DAH CHANG SECURITIES CO., LTD.	\$ 15,238
220	Yuanta Futures Co., Ltd.	5,672	648	GRAND FORTUNE SECURITIES CO., LTD.	13,869
221	CAPITAL FUTURES CORP.	5,350	662	POCKET SECURITIES CO, LTD	3,698
505	TACHAN SECURITIES CO., LTD.	11,615	691	RELIANCE SECURITIES CO., LTD.	13,659
511	FULL LONG SECURITIES CO.,LTD.	5,434	695	FUSHAN SECURITIES CO., LTD.	5,271
700	MEGA SECURITIES CO., LTD.	84,756	871	SUNNY SECURITIES CO., LTD.	7,948
703	CONCORD INTERNATIONAL SECURITIES CO., LTD.	16,713	884	E.SUN SECURITIES CO., LTD.	63,645
708	BRIDGE STONE SECURITIES CO., LTD.	3,973	888	CATHAY SECURITIES CO., LTD.	98,361
775	PEI CHENG SECURITIES CO., LTD.	5,092	889	Daiwa-Cathay Capital Markets Co., Ltd.	32,953
779	WATERLAND SECURITIES CO., LTD.	50,396	890	BNP PARIBAS SECURITIES (TAIWAN) CO., LTD.	54,238
815	TAISHIN SECURITIES CO., LTD.	58,935	896	HSBC SECURITIES (TAIWAN) CO., LTD.	69,167
838	ANTAY SECURITIES CO., LTD.	6,822	910	CAPITAL SECURITIES CORP.	98,117
844	J.P. MORGAN SECURITIES (TAIWAN) LIMITED	179,556	920	KGI Securities Co. Ltd.	177,717
845	CONCORD SECURITIES CO., LTD.	48,961	930	HUA NAN SECURITIES CO., LTD.	85,894
849	WAN TAI SECURITIES CO., LTD.	11,025	960	FUBON SECURITIES CO., LTD.	238,462
852	CHUNG NOURN SECURITIES CO., LTD.	4,619	980	Yuanta Securities Co., Ltd.	334,094

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF THE JOINT SETTLEMENT AND CLEARING FUND (Cont.)  
DECEMBER 31, 2023  
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 6

<u>Securities Company</u>			<u>Securities Company</u>		
<u>Code</u>	<u>Name</u>	<u>Amount</u>	<u>Code</u>	<u>Name</u>	<u>Amount</u>
856	SHIN KONG INTERNATIONAL SECURITIES CO., LTD.	\$ 37,737	9A0	SinoPac Securities Corporation	\$ 120,098
858	UNION BANK	14,120		Total	<u>\$ 3,726,131</u>

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF SETTLEMENT AND CLEARING FUND AND CREDIT FACILITIES WITH BANKS  
DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 7

Bank name	Credit Facility (Note 1)	Deposit Amount (Note 2 ~ 3)	Interest Rate	Other conditions	Pledged time deposits recognized as settlement and clearing fund
	<u>NTD</u>				
Cathay United Bank	<u>\$ 10,000,000</u>	<u>\$ 500,000</u>	Interest is paid monthly based on the weighted average interest rate of pledged time deposits plus agreed interest rate. Other collaterals are paid monthly based on one-month TAIBOR plus an agreed interest rate.	1. Interest is calculated under the average daily balance method. 2. Fully pledged with time deposits, government bonds or financial bonds provided.	\$ 500,000 (Note 1)
					Expressed in thousands of US dollars
	<u>USD</u>				
Cathay United Bank	<u>\$ 10,000</u>	<u>\$ -</u>	Interest is paid based on one-month TAIFX3 plus an agreed interest rate.	Fully pledged with time deposits, government bonds or financial bonds provided.	- (Note 1)

Note 1: 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 and government bonds with a face value of \$1.3 billion (\$350,000 from the financial assets at amortized cost, \$650,000 from the compensation reserve and \$300,000 from the special clearing fund) to Cathay United Bank 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.

Note 2: Deposit amount is the balance of time deposits recognized in settlement and clearing fund at each financial institution.

Note 3: For the balance of time deposits recognized in settlement and clearing fund at Land Bank of Taiwan and Mega International Commercial Bank, refer to Statement 8.

TAIWAN STOCK EXCHANGE CORPORATION  
STATEMENT OF THE UTILIZATION OF SETTLEMENT AND CLEARING FUND  
FOR THE YEAR ENDED DECEMBER 31, 2023

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

STATEMENT 8

1 Details of settlement and clearing fund for 2023 are as follows:

Beginning balance of settlement and clearing fund (excluding yields from settlement and clearing fund)	\$ 3,715,395
Additions	1,781,499
Reimburse settlement and clearing fund to the securities companies	( 1,770,763)
Ending balance of deposits from securities companies	3,726,131
Yields from settlement and clearing fund	23,152
Ending balance of settlement and clearing fund	<u>\$ 3,749,283</u>

2 Utilization

Bank	Type of deposit	Annual rate (%)	Amount
Land Bank of Taiwan	Time deposits	0.705~1.575%	\$ 2,068,300
Mega International Commercial Bank	"	1.440%	808,000
Cathay United Bank	"	0.430~0.555%	500,000
			<u>3,376,300</u>
Commercial papers			306,312
Yields receivables from settlement and clearing fund			1,969
Settlement and clearing fund in Cathay United Bank			62,520
Settlement and clearing fund in Mega International Commercial Bank			5
Prepaid income tax from settlement and clearing fund			1,799
Administration fees for settlement and clearing fund			378
			<u>\$ 3,749,283</u>