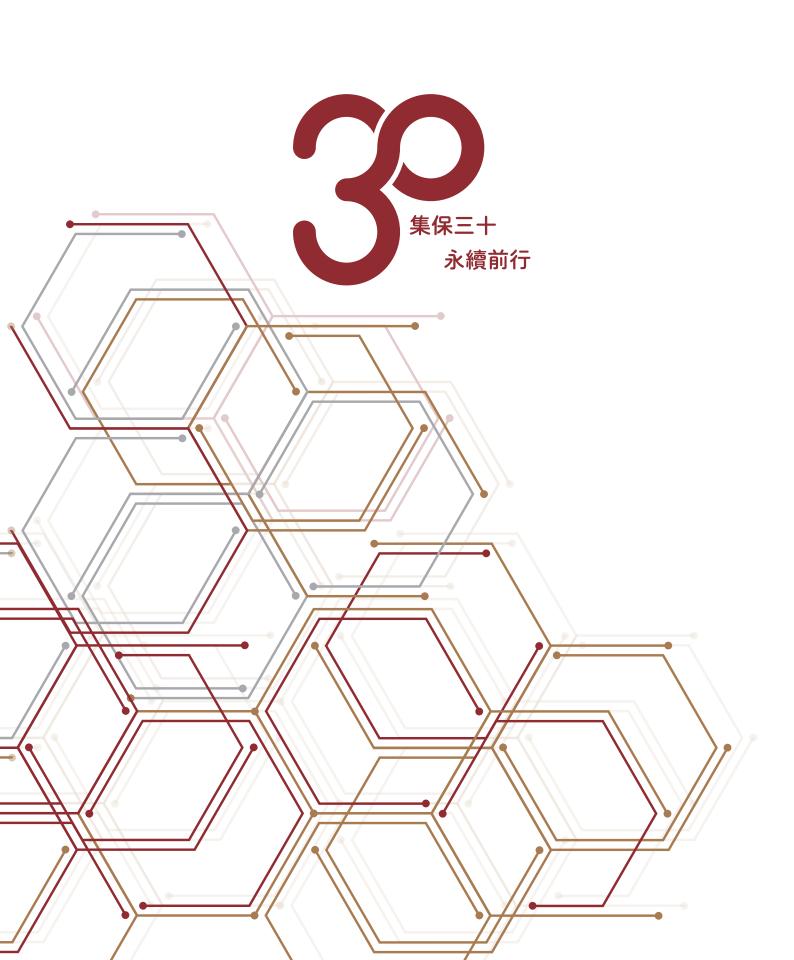


ANNUAL REPORT



CONTENTS

Letter to Shareholders	4
Review of Operations	8
Company Introduction	20
Corporate Social Responsibility	26
Supervisors' Report	36
Internal Control Statement	37
Independent Auditors' Report (Consolidated)	39
Consolidated Balance Sheets	42
Consolidated Statements of Comprehensive Income	44
Independent Auditors' Report	47
Balance Sheets	50
Statements of Comprehensive Income	52
Schedule for Appropriation of Earnings	54





Letter to Shareholders

Sherman Lin



Dear shareholders:

Looking back on 2018, the international political and economic environments were turbulent, while the global financial market encountered multiple risks. Besides, amidst the escalation of trade war between China and the US, along with economic and political turbulence, major stock market indexes around the world have reached a record high in the first half of 2018 but suffered a decline in the fourth quarter, with growth performance throughout the year being not as good as expected.

In the face of the ever-changing global situation and the era of rapid change, every country is competing to invest resources, along with digitization and intelligence as the main themes of innovation and through cross-disciplinary cooperation, to respond to various social and economic challenges. TDCC also actively keeps up with the times by continuously advancing our business development and creating diversified values for internal and external stakeholders, in hopes of striving for excellence to provide comprehensive financial services and implementing the spirit of financial inclusion. At the same time, TDCC also enhances infrastructure construction by building multiple information platforms to help the government supervise the market and exert a stable financial influence.

After spending years on diversification, TDCC's businesses are gradually blossoming and prospering, and have shown remarkable performance especially in 2018. The eight major themes of our businesses include "Pursue innovation to enhance the digital financial environment", "Continue to enhance the safety and efficiency of the primary market for commercial paper", "Optimize platforms to enhance fund services", "Promote e-voting in shareholders' meetings to improve the effectiveness of corporate governance in Taiwan", "Create an international core business information system", "Establish a public platform to help the government supervise and improve the market", "Promote international cooperation to enhance Taiwan's influence", and "Exercise social responsibility to become a model of corporate citizen".

With regard to "Pursue innovation to enhance the digital financial environment", TDCC has been actively implementing digital transformation in recent years to "optimize user experience". In 2018, TDCC launched the brand-new e-Passbook 2.0 App, which provides four new functions, including "integrated asset portfolio", "cloud transaction statement", "personalized push notifications" and "stock information enquiry", while the design of its interface and functions meet users' needs and habits. This App has been well received since its launch as the number of users doubled to nearly 500,000 users. The functions of e-Passbook will be continuously optimized; thus, it can be expected that investors will rely more on this App in the future, making this App an important channel for obtaining integrated market information and managing personal financial assets.

Regarding "Continue to enhance the safety and efficiency of the primary market for commercial paper", TDCC has offered electronic delivery service for commercial paper issuance documents. Following the successful launch of issuance service for financing commercial paper and foreign currency denominated commercial paper by registration mode in September 2017, TDCC completed the electronic delivery service for commercial paper issuance documents in 2018, in order to further improve the efficiency of issuing commercial paper in the primary market. This service acts as a point of convergence to link issuers, underwriters and guarantor banks, so that paper transaction documents and



issuance documents which have to be delivered manually in the past, can now be directly sent by electronic means through TDCC's issuance platform. In other words, the issuance of commercial paper can now be completed in one click, thereby fully utilizing financial technology to enhance the safety and efficiency of the primary market for commercial paper.

In terms of "Optimize platforms to enhance fund services", TDCC complies with the policies set by the competent authority and the businesses' operational needs. TDCC not only enhanced fund-related system services and operational procedures, collaborated with the Securities Investment Trust and Consulting Association of the Republic of China (SITCA) and FundRich Securities Co. Ltd. to promote fund products and retirement planning education in order to improve the personal financial planning ability among Taiwanese, established an integrated onshore and offshore fund information announcement system, but also planned a brand new visual fund announcement inquiry service by applying financial technology and smart software tools using existing data, in order to offer investor inquiry services through a more friendly operating method, thereby increasing the opportunities for investors to obtain fund information and promoting the positive development of the fund industry.

Regarding "Promote e-voting in shareholders' meetings to improve the effectiveness of corporate governance in Taiwan", TDCC has launched the "e-voting in shareholders' meetings" initiative for 10 years. In 2018, TDCC reached an important milestone in the adoption of e-voting systems by the board of shareholders of TWSE-listed and TPEx-listed companies in Taiwan, where the percentage of e-voting in shareholders' meetings in 2018 reached a new high of 50.86%, and a total of 6.23 million e-votes were cast, almost doubling that of 2017. In addition, TDCC's "E-Voting Innovative Application and Cross-Border Voting STP Service" project has won the Outstanding Award in the Open Digital Government category of the DTA Awards organized by the Digital Transformation Association, fully demonstrating the effectiveness of TDCC's application of financial technology to provide shareholders with more convenient, secure and diversified voting services.

In terms of "Create an international core business information system", TDCC successfully created an international core business information system through detailed planning, in order to respond to market development, so that TDCC's securities depository system has better expansion flexibility. This new system adopts an open host architecture and relational database to replace the traditional mainframe and file system. It effectively optimizes and enhances TDCC's core business processing efficiency, so that the processing capability of the information system can be more flexible and timely.

Concerning "Establish a public platform to help the government supervise and improve the market", TDCC cooperated with the Ministry of Justice to establish the AML/CFT Screening Platform name list database in 2016. In response to user requirements, TDCC expanded the targets of this service and extended its service hours in 2018. At the same time, in line with government policies, TDCC assisted the Ministry of Economic Affairs in establishing the Company Transparency Platform in order to raise Taiwan's international obligations with regard to AML/CFT. Furthermore, in response to the business needs of the insurance authorities, TDCC provided the Information System for the Insurance Bureau in order to enhance the supervision of risks arising from foreign investments by insurance companies.

Regarding "Promote international cooperation to enhance Taiwan's influence", TDCC has been actively participating in business-related international conferences over the past few years. In 2018, with enthusiastic support from members of the Asia-Pacific Central Securities Depository

Group (ACG), TDCC successfully established the Investor Service task force under ACG, which attracted the participation of 23 members (accounting for nearly 70% of ACG members), thereby becoming the task force with the most number of members out of the six task forces established under ACG. As a member of the executive committee, TDCC will actively exert our international influence to organize exchanges related to investor services among the members, thereby improving the investment attractiveness and economic competitiveness of the Asia Pacific region, as well as the visibility of Taiwan.

Lastly, with respect to "Exercise social responsibility to become a model of corporate citizen", TDCC has been showing care for the society in various areas over the long run, as we continue to promote rural and remote education, care for the disadvantaged, and sponsor after-school programs and sports teams in schools. TDCC has also organized blood donation activities for 9 consecutive years. We work together with our corporate partners to implement the concept of corporate care. In 2018, TDCC expanded our charitable activities to arts, where we organized the TDCC Brainstorming Contemporary Arts Award in order to support young art workers. Moreover, in 2018, TDCC became the first peripheral unit of securities and futures to prepare the first corporate social responsibility (CSR) report, which has been verified by internationally renowned certification agency, and earned recognition by receiving Excellence in Corporate Social Responsibility given by CommonWealth Magazine Group and the Corporate Sustainability Report Gold Award given by TCSA.

In recent years, TDCC's efforts in diversifying our businesses have grown and borne fruit, which have also contributed significantly to the revenue growth in 2018. In the future, TDCC will continue to create more value through financial technology and innovative business models. In addition, TDCC will also establish the Investor Relations Platform (IR Platform) service in line with the "Promoting Shareholder Activism" initiative in the Corporate Governance Roadmap (2018-2020), to enhance the efficiency and quality of information exchange between issuing companies and investors. This service will make it easy for investors to search for information regarding issuing companies, thereby ensuring smooth communication between issuing companies and shareholders.

Furthermore, TDCC will also continue to assist our subsidiary, FundRich Securities Co. Ltd. to promote the Experimental Project for Self Pension Saving Investment, in hopes of encouraging people to engage in long-term investment and early retirement planning through the promotion of long-term systematic investments, thereby making an early reservation for a safe and peaceful retirement life.

Based on the business philosophy that "social value" is as important as "commercial value", TDCC not only pursues stable business and financial growth, but also hopes to realize the ideal of common good in the society through business operation results. TDCC will continue to optimize core businesses and advance with times in the aspect of business transformation and innovation. From our own businesses, we hope to act in cooperation with the UN Sustainable Development Goals through our efforts in three major areas, namely economic development, care for the society and environmental protection, thereby fulfilling corporate social responsibility for the sake of Taiwan.

Taiwan Depository & Clearing Corporation
Chairman & CEO



In 2018, the average daily trading value on Taiwan Stock Exchange (TWSE) was about NT\$ 130.2 billion, on Taipei Exchange (TPEx) about NT\$ 34.7 billion, and on the Emerging Stock Market about NT\$ 0.98 billion, totaling approximately NT\$ 165.9 billion, an increase of about 19.35% compared to 2017's average daily trading value of NT\$ 139.0 billion. In the bonds market, NT\$ 362.1 billion of government bonds, NT\$ 131.2 billion of financial debentures, and NT\$ 332.5 billion in corporate bonds were issued in 2018. For the bills market in 2018, shortterm bills issuance was more than NT\$ 14,414.8 billion, the outright transaction was more than NT\$ 24,919.1 billion, while the repo transaction amount was more than NT\$ 18,961.2 billion in secondary market.

Under the guidance of the competent authority, TDCC upholds the mission of serving the market, and continues to provide the market with highly efficient and secure registration, custody and book-entry transfer services. It also provides post-trading operations for fixed-income products and mutual funds market to reduce market operation costs. Moreover, TDCC has also achieved a number of specific results with regard to improving service quality, information systems efficiency and international business, where these achievements are described in the 2018 Business Review and the 2019 Operational Plan as follows.



President
Ching-Li Meng

2018 Business Review

1. Implementation of Important Business Projects

- I. Digital finance scales new heights with the launch of e-Passbook 2.0 version

 On November 12, 2018, the e-Passbook App 2.0 version was officially launched, where the new version of this App offers four new functions, including "integrated asset portfolio", "cloud transaction statement", "personalized push notifications" and "stock information enquiry". Furthermore, in conjunction with the Corporate Governance Roadmap, a number of functions which serve to provide users with new value-added data services including "e-Stock Search" and "Shareholders' Equity" were built and added to the e-Passbook App, while enabling investors to access important channels of integrated capital market information in real time through accurate notification and integrated search so that investors can enjoy more complete, real-time and convenient services. As of the end of 2018, e-Passbook had over 490 thousand users, which was 100% increase from the previous year, thereby effectively reducing the costs of passbook printing and manual operations borne by securities firms and enabling investors to enjoy the convenience of financial technology.
- II. Continue to promote the TDCC issuance platform to issuers to register the issuance of commercial paper by electronic means and provide value-added services

To promote the use of TDCC issuance platform to commercial paper issuers to register the issuance of commercial paper by electronic means, TDCC visited a total of 149 issuers in 2018 to assist them on registering the issuance of commercial paper by electronic means. As of the end of 2018, the number of issuers engaging in electronic issuance registration increased from 63 issuers at the beginning of the year to 162 issuers, which was an 1.6-fold increase. Besides, in order to extend the functions of the issuance platform, TDCC will continue to increase electronic value-added services to issuers and guarantors, including providing issuers and guarantors with online redemption application inquiry, providing issuers with account information correction application service, redemption payment withdrawal and early redemption, in order to increase issuance efficiency.

III. Offer electronic delivery service for commercial paper issuance documents, sufficiently increase the efficiency of issuance of dematerialized commercial paper

In response to the requirements of R.O.C. Bills Finance Association and issuers, TDCC plans to offer electronic delivery service for commercial paper issuance documents in order to further improve the efficiency of commercial paper issuance in the primary market. Paper transaction and issuance documents delivered among the issuers, underwriters and guarantor banks, such as transaction statement, underwriting agreement, guarantee exemption declaration, letter of proxy and letter of commitment, have to be delivered by electronic means through the TDCC issuance platform. The platform was launched on October 29, 2018. As of the end of 2018, the number of issuers engaging in electronic issuance registration in the entire market grew by 23% and the issuance balance rate grew by 14% compared to the time before the platform went online, fully demonstrating the safety and convenience level with respect to the application of financial technology to commercial paper in the primary market. The convenience and effectiveness of this service has gained high praise from bills houses and issuers.

IV. Integrate information on the Fund Clear platform to provide complete and visualized services with regard to onshore and offshore funds

To provide investors with a more complete and convenient information inquiry services of funds, TDCC collaborated with the Securities Investment Trust and Consulting Association of the Republic of China (SITCA) to establish an integrated onshore and offshore funds information announcement system by connecting the systems of both parties. Launched on March 21, 2018, this platform provides investors with a single portal and humanized interface, which enables quick search for information regarding onshore and offshore funds, significantly improved the efficiency and convenience of the search for fund information. In addition, to further enhance the

role of fund announcement information as an ancillary function for investors to make decisions on fund trading, TDCC constantly strives for perfection, and thus plans a brand new visualized fund announcement inquiry service by applying financial technology and smart software tools using existing data to provide investors with easy-to-understand and intuitively integrated visualization, helping investors to keep abreast of ever-changing fund market developments, as well as providing the most neutral and objective fund information.

V. Cooperate to promote Taiwan's fund products and retirement financial planning education, thereby implementing financial inclusion

In response to the competent authority's measures to boost Taiwan stocks market, TDCC collaborated with SITCA, the Securities and Futures Institute (SFI) and FundRich Securities Co., Ltd. to promote fund knowledge, in order to assist investors in learning about high-quality Taiwan stock funds and increase the participation of young people in Taiwan's capital market, thereby expanding the scale of Taiwan stock funds and creating a new capital momentum. In view of pension reform as an important current issue, with funds serving as a mainstream financial instrument for retirement financial planning, TDCC collaborated with the relevant government agencies, SITCA, SFI and fund distributors to jointly promote retirement financial planning education and assist the long-term development of the fund market. In 2018, TDCC held a total of 42 seminars, which were attended by a total of 1,718 participants. These seminars promoted financial education and fund knowledge, thereby implementing financial inclusion.

VI. Achieve 100% e-voting in shareholders' meetings to enhance the image of corporate governance in Taiwan

With active promotion by TDCC and the support of policies set by the competent authorities, shareholders' meetings held by TWSE-listed and TPEx-listed companies have fully adopted e-voting since 2018. In line with the competent authorities' efforts to promote the full adoption of e-voting in TWSE-listed and TPEx-listed companies, TDCC hosted the "100% E-voting in 2018 and Enhancement of Corporate Value" Forum on March 5, 2018, which not only commemorated the full adoption of e-voting in shareholders' meetings held by TWSE-listed and TPEx-listed companies, but also arranged a number of seminars, in which domestic and overseas speakers from the International Corporate Governance Network (ICGN) and the Institutional Shareholder Services, Inc. (ISS) were invited to discuss about e-voting and corporate value enhancement. This forum received an overwhelming response as it successfully attracted over 250 directors of issuing companies and institutional investors. In addition, domestic corporate leaders and international institutional investors were also invited to speak about various issues, including strengthening corporate governance, creating corporate value and shareholder engagement in practice. In addition, TDCC participated in the 2018 Asian Roundtable on Corporate Governance organized by the Organization for Economic Cooperation and Development (OECD), and the Multinational Pensions Forum organized by J.P. Morgan in October 2018 as a panelist to actively promote the effectiveness of corporate governance in Taiwan, thereby raising the visibility of corporate governance in Taiwan on the international stage.

VII. Conduct big data analysis on e-voting to continuously strengthen stewardship voting statistics services

In order to promote communication between issuing companies and shareholders, and assist issuing companies in understanding the characteristics of shareholders and shareholding structure by geography, institution attributes and foreign investment patterns, TDCC actively conducted big data analysis on e-voting, and regularly reports the progress and research results of big data analysis on e-voting, its relations with corporate governance, and the trend of e-voting among investors during the Big Data Analysis Application Research Proposal Review Meeting. The relevant big data analysis research results have also been published in domestic and overseas journals and financial websites, thereby showing international markets the use of technology to implement shareholder activism in Taiwan, and the effects of emphasizing corporate governance. Furthermore, to implement responsible investment among institutional investors, TDCC continues to strengthen stewardship voting statistics services. On November 27,



2018, TDCC added a new scale function for investment targets based on corporate governance evaluation results, which can help individual professional investment institutions conduct further examination and analysis. Using corporate governance level as an indicator, investment targets are distributed in percentage at each level. At the same time, investment targets can be compared using individual and market averages, thereby serving as reference values for responsible investment targets.

VIII.Plan and develop the Investor Relations Platform in line with the Corporate Governance Roadmap to promote communication between investors and companies

In line with the goals of the Corporate Governance Roadmap (2018-2020) set by the Financial Supervisory Commission (FSC), TDCC launched the bilingual (Chinese and English) version of the Investor Relations Platform on December 28, 2018, offering multiple functions including corporate governance news, investor service information, corporate governance evaluation information, and links to strategic partners. By collaborating with international institutions, TDCC hopes to provide a two-way channel of communication between investors and issuing companies by extending this service, in order to achieve strategic goals in the Corporate Governance Roadmap (2018-2020), including making it convenient for shareholders to exercise shareholders' rights and urging companies to implement corporate governance.

IX. Launch new securities depository system, which effectively enhances core business capabilities and improves data processing performance

TDCC's core business information system - the new securities depository system, has been launched in April 2018 after approximately 4 years of development. The new securities depository system adopts an open system architecture, and possess a mechanism which rapidly increases processing capacity. Its advantages include the use of the host of a new open computer and related peripheral information equipment to enhance the system's onsite backup mechanism, thereby improving the stability of system operation, as well as the use of new information equipment which increases processing performance, thereby improving the system's processing capability by more than 3 times. The new system provides a more solid foundation for the rapid expansion of processing capacity in response to business development needs in the market.

X. Enhance the functions of AML/CFT Screening Platform, and assist the competent authorities in AML promotion programs

To assist enterprises with AML obligations in Taiwan, in response to the third-round mutual evaluation of the Asia/Pacific Group on Money Laundering, as well as to enhance the AML/CFT Screening Platform in line with government policies, TDCC added a self-built list classification function to provide users with real-time search service. In addition, TDCC also offered a new function that allows users to download the list of suspicious money laundering transactions based on customer batch comparison, and extend system service time. As of the end of 2018, a total of 5,229 users have used the search function of the system. These users not only include securities firms, bills houses and futures commission merchants, but have also gradually expanded to finance enterprises which are required to assume AML/CFT obligations according to the law, and designated non-finance enterprises or personnel. Moreover, TDCC assisted the government in organizing the First National Risk Assessment Presentation on May 2, 2018 and AML-related promotion programs, showing that the Taiwanese government attaches great importance to preventing to AML/CFT.

XI. Establish the Company Transparency Platform (CTP), highlighting Taiwan's determination to observe its international obligation of implementing AML/CFT

In line with AML policies, and in order to establish a complete AML system and improve the transparency of juridical persons (companies), the Ministry of Economic Affairs (MOEA) added the provisions of Article 22-1 to the Company Act, and assigned TDCC to establish and run the Company Transparency Platform (CTP). TDCC began to offer declaration services on November 1, 2018. As of the end of 2018, a total of 321,325 companies completed the first declaration, accounting for 46.49% of the total number of companies which are required to submit declaration. This platform can improve corporate information transparency in Taiwan and enhance the effectiveness of AML, thereby highlighting Taiwan's determination to observe its international obligation of implementing AML/CFT.

XII. Successfully established the Investor Service task force under the Asia-Pacific Central Securities Depository Group (ACG), thereby enhancing Taiwan's international visibility

In response to the continuous innovation and rapid development of financial technology, TDCC has successfully transformed our traditional central depository business into "information service business". To actively exert our international influence, TDCC has shared experiences with ACG members in respect to the investor service business. Therefore, TDCC organized the International Corporate and Investor Services Seminar on August 22 and 23, 2018 to share and exchange opinions and ideas on how the central securities depository industry can transform itself to provide organizations and investors with better services. The seminar was a great success, and was well received by the competent authorities and attendees. On the other hand, TDCC successfully established the Investor Service task force under ACG, and became an executive member of the task force with enthusiastic support from ACG members. TDCC will actively exert our international influence and promote exchanges with central securities depositories in more countries in regard to investor service, information exchange and cross-border cooperation, with a view to driving joint development of central securities depository business in the Asia Pacific region and enhancing Taiwan's international visibility.

XIII.Become the first peripheral unit of securities and futures to prepare the first corporate social responsibility (CSR) report, which has been verified by internationally renowned verification institutions

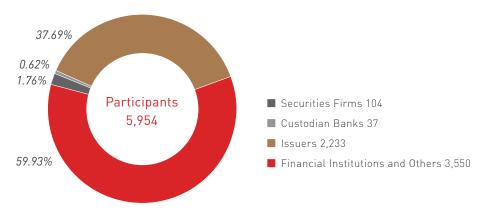
Adhering to the goal of sustainable development of the market, and the philosophy of giving back to the society, TDCC has been actively participating in charitable activities, promoting financial literacy education and employment matching, promoting care for rural folks and disadvantaged groups, supporting the cultivation of sports talents and the development of arts and the cultural industry to implement the concept of corporate care. In recent years, TDCC has also been actively engaging in digital transformation, and has implemented the platform concept with innovative thinking in order to practice green economy and environmental protection. In 2018, TDCC published our first ever CSR report, and became the first peripheral unit of securities and futures to publish the first CSR report verified by internationally renowned verification institutions. Besides, TDCC also earned recognition as we received Excellence in Corporate Social Responsibility in the Medium-Sized Enterprises category from CommonWealth Magazine, as well as the Gold Award in the finance and insurance industry group under the Corporate Sustainability Report category during the 2018 Taiwan Corporate Sustainability Awards.

XIV. Provide related comprehensive services in line with business development in the overall market

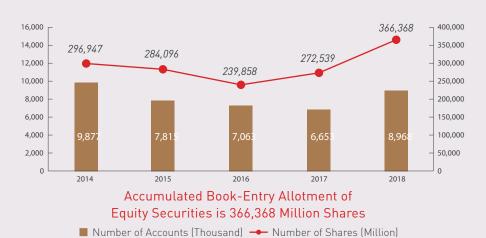
In response to government policies and the market's needs, TDCC has completed successively the following key tasks in 2018: (1) plan to provide book-entry transfer services in line with exchange traded note (ETN); (2) provide investment consulting companies with services to purchase securities investment trust funds for investors in their own names, thereby enabling investment consulting companies to further diversify their products for investors; (3) provide related book-entry transfer services in line with the issuance of call (put) warrants linked to futures by companies; (4) provide book-entry transfer services related to market making, hedging, cancellation and performance involving foreign issuers for call (put) warrants; (5) provide the online real-time and interactive Bills Settlement Information System and the Information System for the Supervision of Foreign Securities Investments by Insurance Companies to meet supervision requirements set by the financial authorities; (6) simplify the document transfer process for the inheritance and gifting of centrally deposited securities to reduce participants' operational time and costs; (7) offer the foreign currency denominated bonds cross-border transfer automated service in order to reduce participants' and TDCC's operational burden. TDCC has demonstrated remarkable performance in these tasks, thus earning high recognition as a result.

2. Operational Performance

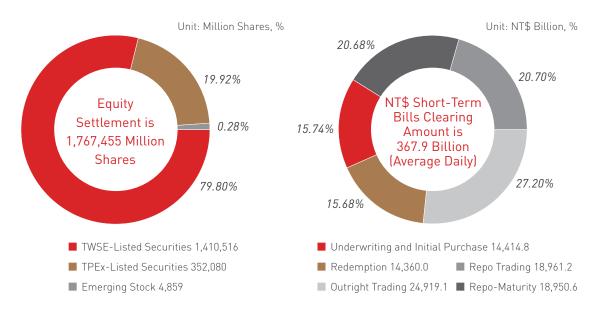
Participants



Book-Entry Transfer Business

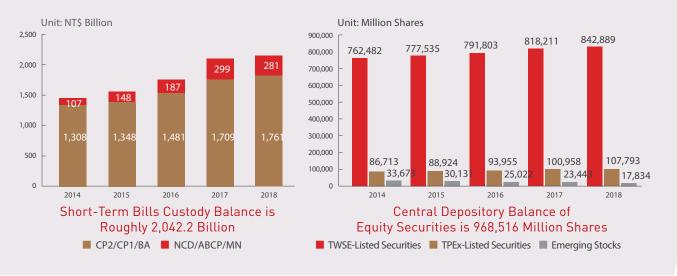


Clearing and Settlement Business

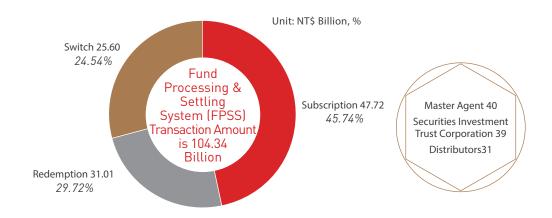


REVIEW OF OPERATION

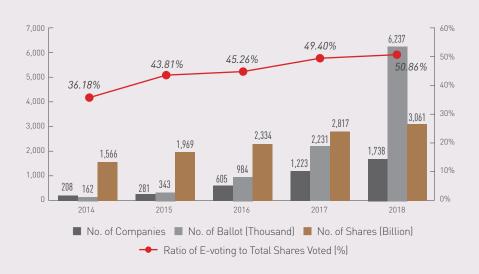
Custody Business



Fund Business



E-voting Business



2019 Operational Plan

In 2019, TDCC will intensify infrastructure with technology to meet the diversified financial needs of investors, connect with market participants through platforms so as to create leveraged benefits, and enhance the value of Taiwan's capital market via international cooperation. In terms of business development, TDCC will focus mainly on the application of financial technology, combined with the strategy of business diversification, to improve the efficiency of the domestic clearing and custody system. Furthermore, TDCC will continue to strengthen book-entry transfer services for centrally deposited securities, expand the scope of services for the securities, bonds, bills and fund markets, and provide safer and more efficient value-added services in the market. TDCC's key business plans in 2019 are as follows:

I. Enhance mobile financial services for central securities depository

TDCC will continue to optimize the e-Passbook App using innovative financial technology applications for the securities market. In the future, TDCC will offer "e-Stock Search" which provides market value-added data analysis information and new value-added services for fund markets, and strengthen interactive functions for investors. TDCC will also continue to collect users' feedbacks and optimize the interface and functions of our e-Passbook App to propose mechanisms which optimize user interface, such as customized message notification and flexible data output, and comprehensively improve customer experience, thereby providing investors and the securities market with a convenient and fast financial environment.

II. Offer electronic bond passbook service for repo transactions

In order to improve settlement efficiency in the bond market, TDCC will propose the issuance of bond passbooks for repo transactions involving bond dealers and customers of custodian banks so that transactions can be submitted to custodian banks by electronic means. TDCC will also propose that trade confirmation slip information is submitted via Virtual Matching Unit (VMU) to exempt bond dealers from the procedure of manually submitting paper trade confirmation slips and bond passbooks.

III.platfProvide the value-added service of statistical information inquiry on Fund Clear platform

Based on the rich information of onshore and offshore fund market on the Fund Clear platform, TDCC will use smart tools to present market information in digital and visual form in order to provide inquiry service for investor and fund companies, so as to fully utilize and enliven information in the Fund Clear. Moreover, TDCC will also increase the consistency and transparency of market information in order to promote positive development of the asset management business.

IV. Provide the Chinese and English versions of the Investor Relations Platform, and continue with plans to provide integrated information services for shareholders via the ePassbook App

In response to the Corporate Governance Roadmap (2018-2020) set by the competent authority, TDCC has launched the Chinese and English versions of the Investor Relations Platform on December 28, 2018 so that TWSE-listed or TPEx-listed companies can import information related to investor relations into the system designated by TDCC. In addition, to promote the use of this platform, TDCC plans to organize a Launch Ceremony and the ESG International Forum in March 2019, and invite issuing companies, domestic and overseas institutional investors and international service agencies to witness this new milestone together. TDCC will continuously plan to provide integrated information, including those regarding corporate actions and market information, via the ePassbook App, so as to smoothen channels of communication between issuing companies and shareholders and make it convenient for investors to search for information on issuing companies. TDCC will also enhance corporate governance transparency to further improve corporate governance level in Taiwan, thereby increasing the incentives for international investors to add Taiwanese stocks into their asset allocation, working hand in hand to boost Taiwan's stock markets.

V. Assist TDCC's subsidiary, FundRich Securities, in launching the Experimental Project for Self Pension Saving Investment

To convey the correct idea of preparation for retirement and financial management to people, TDCC will continue to assist our subsidiary, FundRich Securities, in promoting the Experimental Project for Self Pension Saving Investment, in hopes of encouraging people to engage in long-term investment and early retirement planning through the promotion of long-term systematic investment plans, making an early reservation for a safe and peaceful retirement life.

VI. Launch the continuous trading system in line with the securities market

TDCC plans to optimize both software and hardware for data transmission between the Taiwan Stock Exchange (TWSE) and securities firms, as well as to expand and adjust hardware and software for the host data exchange system, the depository system and the data exchange automation system. Furthermore, TDCC will also assist TWSE in promoting the continuous trading system via various channels including our official website, business promotion sessions, ePassbook, Facebook, bimonthly magazines and newsletters.



30

Outlook

TDCC is about to celebrate our 30th anniversary in 2019. Under the guidance of the competent authority and full support from the industry, TDCC saw stable growth in central depository, clearing and settlement, and book-entry transfer businesses, and has worked towards providing diversified services. Looking forward to 2019, TDCC will continue to create a digital book-entry transfer environment, drive dematerialization of commercial paper, promote cross-border custody business, optimize fund platform functions, promote e-voting services, enhance the AML/CFT Screening Platform, as well as international cooperation and exchange, in order to build a platform economy with information flow, thereby providing customers with a more complete experience and establishing a stable and trustworthy backstage for Taiwan's financial industry. At the same time, TDCC will continue to engage in relevant operations, including information security equipment defense management, security monitoring, equipment upgrade, as well as calibration and maintenance, in order to increase the protection capability of TDCC's information security equipment, and ensuring the safe operation of TDCC's information systems.

With regard to business innovation, TDCC will actively comply with policies set by the competent authorities and refer international peer practices to launch brand new services focusing on the integration of cross-border business, payment business, digital finance business and market information, and utilize financial technology to satisfy the diverse needs of investors. In recent years, TDCC has been actively responding to business innovation and development needs, and has continued to recruit new blood with innovative thinking and courage to accept challenges in the areas of financial technology and international business to join the capital market, in order to adapt to the rapid development of fintech, so that "digital central securities depositories" can ride on the wave of financial technology to lead Taiwan's capital market, providing safe, convenient and innovative financial services in Taiwan's capital market. In addition, TDCC will continue to uphold the philosophy of giving back to society, continue to invest in long-term public charitable activities, and actively participate in various public charitable activities to practice social responsibility.





TDCC was formally Taiwan Securities Central Depository Co., Ltd. (TSCD), which was established in line with the direction of the competent authority, to increase the efficiency of securities market and resolve the heavy workload of processing paper securities, thereby providing a secure and efficient central depository. It was co-invested by Taiwan Stock Exchange (TWSE), Yuanta Securities Finance Co., Ltd and securities firms, and was officially established in October 1989, and went into operation in January 1990, providing securities central depository and book-entry, centralized trading and over-the-counter market securities settlement, emerging stocks clearing and settlement, and registration of securities issued in dematerialized form. It was also entrusted by the competent authority to conduct audit on stock related matters.

To provide convenience to the market participants, prevent repeat resource investment and follow the trend of back-office integration in the international securities market, the competent authority resolved to make TSCD under the jurisdiction of the Ministry of Finance in July 2005, and to merge TSCD with Debt Instruments Depository and Clearing Co., Ltd. Taiwan (DIDC), which handled short-term bills. Through the integration of clearing, settlement and depository platform, it aims to effectively reduce the cost of investment, increase operational efficiency, expand scope of service, and stimulate market development. The merging of the two companies was completed on March 27, 2006, and renamed as Taiwan Depository & Clearing Corporation (TDCC).

Subsequently, considering the development trend of the operations of shareholders meeting in the global securities market in recent years, TDCC and Taiwan Integrated Shareholder Service Company (TISSC) resolved to promote the merging of the two companies in November 2013. The merging was completed on March 24, 2014, with TDCC as the surviving company.

Through the above merger and reorganization, TDCC has become Taiwan's only backend organization in the securities market, a diversified market platform that provides equity securities, fixed-income securities, bills, mutual funds, futures and corporate action services.

The Multiple Roles of TDCC

TDCC was established in line with the competent authority's promotion of securities central depository, book-entry transfer and settlement mechanism. Our service scope has gradually extended from equity products to more diversified products, such as fixed-income securities, bills, futures, mutual funds, corporate actions, etc. We provide registration, custody, clearing, settlement, information transmission, payment, e-voting and other value-added services. Using compliance technology to assist in policy promotion, we offer multiple services such as the AML/CFT Screening Platform and the Company Transparency Platform.

Shareholder Structure

As of the end of 2018, TDCC has 1,799 shareholders, comprising 104 institutional and 1,695 individual shareholders. Taiwan Stock Exchange is the principal shareholder, holding 50.59% of shares, followed by Yuanta Securities Finance Co., Ltd, holding 8.78% of shares. The shareholding structure as at end of 2018 is as follows:

December 31, 2018

Shareholders	Number of Shares	Shareholding Ratio
Taiwan Stock Exchange Corporation	187,365,816	50.59
Yuanta Securities Finance Co., Ltd.	32,520,457	8.78
Institutional shareholders such as securities firms, financial Institutions and bills dealers, and individual shareholders	150,466,331	40.63

Board of Directors and Supervisors

The Board of Directors is formed by seven directors, representing Taiwan Stock Exchange, Yuanta Securities Finance Co., Ltd. and Fubon Securities Co., Ltd. There are three supervisors, including one standing supervisor. Our company's directors, supervisors and shareholder representatives are as follows:

December 31, 2018

Title	Name	Shareholder Represented
Chairman	Sherman Lin	Taiwan Stock Exchange Corporation
Director	Jan-yau Hsu	Taiwan Stock Exchange Corporation
Director	Ching-Li Meng	Taiwan Stock Exchange Corporation
Director	Ho-Sheng Wang	Taiwan Stock Exchange Corporation
Director	Ren-Wen Gong	Taiwan Stock Exchange Corporation
Director	Arthur Cheng	Yuanta Securities Finance Co., Ltd.
Director	Ming-Chien Cheng	Fubon Securities Co., Ltd.
Standing Supervisor	Hung-Wen Chien	Taiwan Securities Association
Supervisor	David S. Hong	Taiwan Securities Association
Supervisor	Chia-Ying Hong	Taiwan Futures Exchange Corporation

COMPANY INTRODUCTION

M ain Business Scope

Equity Securities Products Services

Securities Custody

- · Physical Securities Depository Service
- · Dematerialized Securities Registration Service

Book-Entry Transfer Services

- · TWSE/OTC Trading
- · Book-Entry Transfer Settlement
- · Emerging Stocks Settlement Service
- · Cross-Border Book-Entry Transfer Service
- · Other Book-Entry Transfer Service

Corporate Action Services

- · StockVote
- · C.A.Net
- E-voting with Straight Through Processing (STP)

Futures Services

Delegated by TAIFEX to Process Computer
Data of Futures Settlement

Strengthen Security

Elevate Efficiency Cost

TDCC business

Fixed-Income Products Services

Bonds, Short-Term Bills Registration and Custody

- · Physical Bonds/Bills Custody Service
- Dematerialized Bonds/Bills Registration Service

Book-Entry Transfer Service

- · RTGS Service
- · Cross-Border Book-Entry Transfer Service
- · Other Book-Entry Transfer Service

Repayment of Bonds and Redemption of Short-Term Bills Services

Taiwan Bills Index Rate (TAIBIR)

Mutual Fund Services

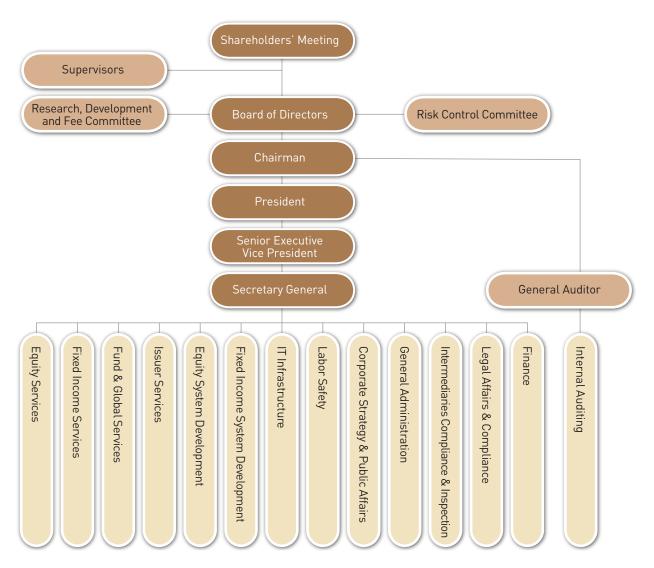
Domestic Fund

- Reporting and Announcement (Futures Trust Fund)
- Dematerialized Registration
- · Virtual Matching Utility (VMU)
- · Information Transmission and Cash Payment
- Payment and Settlement of Open Fund Transaction Platform and Book-Entry Transfer

Offshore Fund

- · Reporting and Announcement
- · Information Transmission and Cash Payment

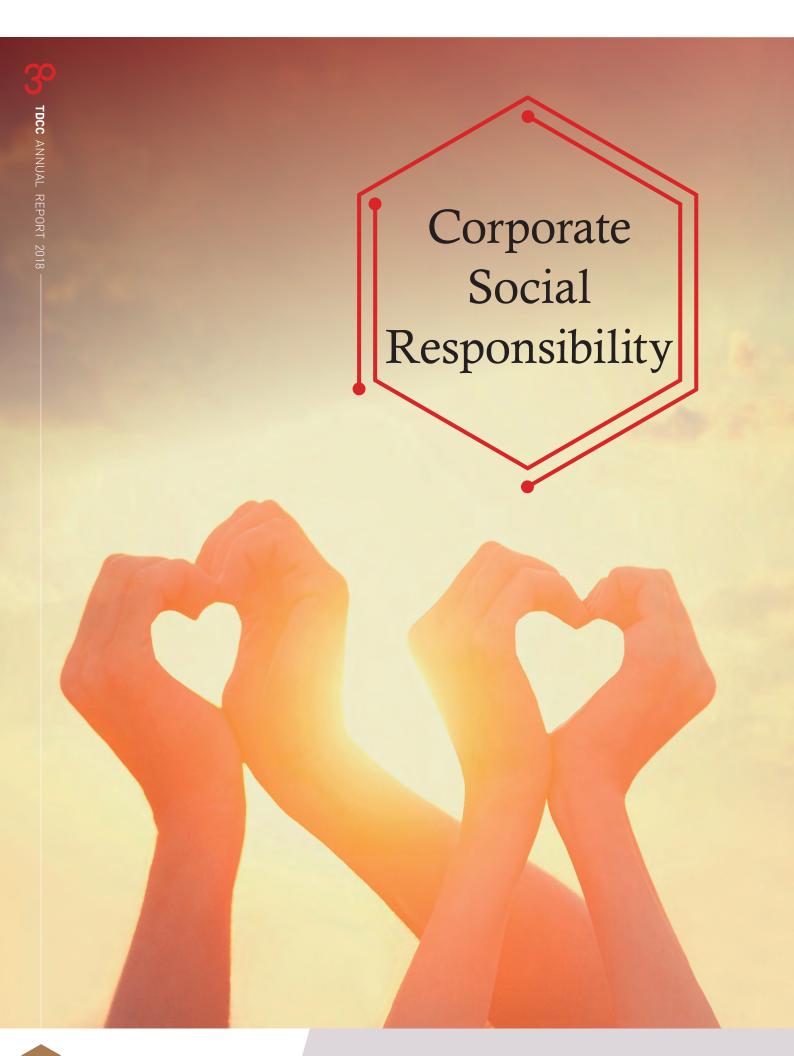
Organization Chart



Title	Name	Title	Name
Chairman & CEO	Sherman Lin	Senior Vice President of Issuer Services	Julie Wang
President	Ching-Li Meng	Executive Vice President of Equity System Development	Jane Chang
Senior Executive Vice President	Han-Chiang Chu	Senior Vice President of Fixed Income System Development	Win-Cheng Wang
Senior Executive Vice President	Suh-Yann Tsaur	Senior Vice President of IT Infrastructure	Cheng Hsu
Secretary General	Gloria Ching	Senior Vice President of Corporate Strategy & Public Affairs	Susan Huang
General Auditor of Internal Auditing	Olivia Chang	Senior Vice President of General Administration and Labor Safety	Jennifer Chen
Executive Vice President of Equity Services	Kuang-Hui Chen	Senior Vice President of Intermediaries Compliance & Inspection	Tzu-Ting Chen
Senior Vice President of Fixed Income Services	Victor Wang	Senior Vice President of Legal Affairs & Compliance	Yuan-Hua Hsiao
Senior Vice President of Fund & Global Services	Eric Hsu	Vice President of Finance	Szu-Yu Lin

M anagement Team





Corporate social responsibility has become a global trend, and is widely valued by governments all over the world and recognized by companies. As a peripheral unit of securities and futures, TDCC upholds the goal of sustainable development of the market, and the philosophy of giving back to the society. Besides playing our backend role in the securities market by providing secure, convenient and diversified services for the securities market, and increasing market efficiency, TDCC also actively participates in charities, promotes financial literacy education, environmental protection, and corporate social responsibility. Through concrete actions of giving back to the society, NPOs and underprivileged groups, TDCC aims to implement the concept of corporate care, and fulfill our social responsibilities.









© Continue to conduct the Industry-Academia Internship Program

In response to the policies rolled out by the government, and with the guidance of the competent authority, TDCC engaged other units such as Taiwan Stock Exchange (TWSE), Taipei Exchange (TPEx) and Taiwan Futures Exchange (TAIFEX) in cooperating with the Department of Technological and Vocational Education and the Department of Higher Education of the Ministry of Education to establish the Industry-Academia Internship Program. Together with the peripheral units, TDCC actively comes up with specific methods to promote industry-academia cooperation, and encourages TWSE or TPEx listed companies, emerging companies, financial institutions and professional firms to provide internship for tertiary students, and job opportunities upon their graduation, assisting schools in cultivating talents that are sought after by enterprises, satisfying the staffing needs of enterprises, and increasing job opportunities. In 2018, TDCC assisted the competent authority in promoting the program in order to encourage enterprises to offer high-quality internships. Through an effective matching mechanism, TDCC completed 343 employment matching sessions, with a matching rate of more than 85%, which have brought universities and the industry together to jointly nurture talents, thereby achieving a positive winwin cycle for enterprises, students and the society.

© Continue to conduct the Financial Literacy for Youth (FLY) Program

In line with the competent authority's policy of encouraging financial industry to contribute to charity, TDCC cooperates with peripheral units of financial, securities and futures units in promoting the Financial Literacy for Youth (FLY) program, to provide fresh college graduates from families in straitened circumstances with relevant finance courses, counseling on license examination, and assistance in finance job matching. The program aims to assist needy tertiary youths to obtain stable and well-paid finance jobs, and help their families in overcoming financial stress, establishing a "flipping students" future and fulfilling financial goal" future.







© Continue to sponsor the Sports Talent Cultivation Program

In view of the promotion of the New Breakthroughs through Competitive Edge Program by the Sports Administration, Ministry of Education to enhance the training mechanism of outstanding sports talents, TDCC sponsors basic training for focus sports in schools, so as to cultivate more seeded sportsmen and promote the development of key sports. TDCC also supports sportsmen with great potential by providing them with an environment or competition funding to train at ease and increase their competencies in winning medals, thereby contributing to the development of sports. The key sports sponsored by TDCC in 2018 include archery, football, badminton and speed skating, which benefited 14 schools.

O Continue to organize the Rural and Remote School Care Program

To assist the competent authority in pushing the financial industry to contribute to social charity, as well as to support the government's education policies and show concern for education problems in rural areas, especially providing after-school care and improving the learning capabilities of rural students, TDCC continues to organize after-school care for rural areas' elementary school students. Its main purpose is to provide after-school service for students from rural areas who have nobody to take care of them, preventing them from loitering after school and affecting their studies and development of the body and mind. The program also provides dinner, so that less privileged students can receive proper care in a safe environment, and also allow parents to focus on their work without worries. In 2018, TDCC sponsored a few programs, including the Cultural and Creative Talents Program, the After School Care Program and the Talent Development Program, which benefited a total of 6 schools.

© Conduct a nation-wide call for artwork submissions for the TDCC Brainstorming Contemporary Arts Award

To cultivate new generation of artists and enhance the level of artistic creations, TDCC conducted a nation-wide call for artwork submissions for the 2018 TDCC Brainstorming Contemporary Arts Award, which aims to continuously pay attention to social issues and the development of artistic creation, as well as to encourage students in the relevant departments of universities and colleges in Taiwan to ignite creative sparks through diverse brainstorming techniques, expressing love and care for mankind and social developments through artistic creation. In this event, a total of 324 artworks were submitted by 172 students. After going through three-level reviews, a total of 10 winning artworks were selected for the first prize, the jury special prize and honorable mention prize. The winning artworks were exhibited in TDCC's public space, allowing our staff and guests to experience contemporary art personally.

© Charity Donation

- · Donate to family support center and participant in charitable activities for the less privileged
- · Organize blood donation activities and donate empty blood bags
- · Company's anniversary cum charitable donation and charity bazaar
- Donate to supplies bank, purchase household supplies regularly, and assist rural, poor or distressed families
- Donate to the School Education Special Savings Account Program launched by the Ministry of Education to help economically disadvantaged students to successfully complete their studies
- Donate to the Finance Service Charity Carnival organized by the Taiwan Federation of Financial Unions
- Donate to the Kanner Support Group and the Taipei Autism Children Social Welfare Foundation
- · Donate to the Eden Social Welfare Foundation
- · Participate in the donation to the Hualien earthquake relief
- · Participate in the donation to the Southern Taiwan flood relief



The Taiwan Stock Museum has been established for six years, and has become an important base for domestic financial literacy education

The Taiwan Stock Museum has been established for six years. Through the exhibits of stock evolution process, collectibles, documentation and interactive multimedia, it presents in detail, the development history of Taiwan's securities market, and the close relationship between Taiwan's stock market and economy. It is a financial literary education platform which peripheral units of the securities market, issuing companies, and the academia and education agencies concurrently promote. Since its six years of establishment, it has attracted more than 124,000 visitors, which fully portrays the efficiency of financial literary education.

The Taiwan Stock Museum continues to cooperate with tertiary institutions in selecting outstanding students as docents, and organizes various types of teaching packages as field trips for schools from various levels. The exhibits are portrayed using not only static cultural artifacts, but also interactive multimedia, thereby bringing out the characteristics of the museum in a diverse, lively and interesting manner, which are well received by the public.







O Continue to optimize the Taiwan Securities and Futures Virtual Museum website

The Taiwan Securities and Futures Virtual Museum website, which officially went online at the end of 2015, is the first virtual museum in Taiwan to integrate securities and futures in the financial system. TDCC implements Augmented Reality (AR) technologies and uses 360 degree panorama shooting at its Taiwan Securities and Futures Virtual Museum website. By putting the physical museum online, and continuing to update and maintain the information and content of the official website, it allows the general public to visit the Taiwan Stock Museum and obtain financial related knowledge of securities and futures anytime and anywhere, regardless of distance and time difference. A cumulative total of 115,000 people have visited the website.

© Conduct "Financial Literacy Program: Financial Literary Lectures at Campus"

To assist the competent authority in promoting financial literary, TDCC continues to entrust Securities and Futures Institute (SFI) in conducting the yearly Financial Literary Lectures at Campus in 2018, allowing students to acquire financial knowledge in a progressive and systematic manner. It enables them to gradually apply such knowledge on their personal financial management, and increase personal financial literary. From 2008 to 2018, TDCC entrusted SFI to conduct the program, and a total of 270 lectures were hosted at tertiary schools in Taiwan, as well as in offshore islands, with the number of people reaching 34,580 participants. In 2018, 33 sessions were conducted, with a total of 3,782 participants.

O Continue to donate to financial education fund and assist in organizing Lectures on Financial Issues for tertiary institutions

TDCC continues to sponsor the Taiwan Financial Services Roundtable and Taiwan Financial Services Scholarships to strengthen talent cultivation and technology incubation. Through specific actions, it aims to fulfill the idea of giving back to the society by the financial industry, thereby contributing to the development of domestic financial industry.

TDCC also continues to assist Taiwan Federation of Financial Unions and other peripheral units of the securities market by conducting Lectures on Financial Issues at Taiwan's tertiary institutions. Through the above courses, it aims to narrow the gap between the courses offered by the department of finance and actual practice, and include financial practice into general education offered by the department of finance at universities and colleges.

Participate in financial literacy programs organized by peripheral units in the financial industry, and conduct education programs to financial consumer or investor

In order to cooperate with the Financial Service Charity Carnival organized by the Taiwan Federation of Financial Unions, as well as FinTech Taipei 2018 jointly organized by the Taiwan Federation of Financial Unions and the Taiwan Academy of Banking and Finance, to promote various financial topics and related knowledge, TDCC set up booths in these events to promote our e-Passbook and StockVote services, and provide personal consultation services, so as to disseminate financial knowledge and information about our business services to the public.





Electronic Central Depository Operations (e-service)

Build Shareholders Meeting E-Voting Platform

TDCC completed the establishment of e-voting platform for shareholders meeting, and named it StockVote (website: www.stockvote.com.tw) upon seeking the public's opinions. Officially in operation since March 2009, the platform reduces the risk and cost of issuing companies and shareholder services units, and improves the standardization and quality of corporate action affairs. It facilities investors in using e-voting to exercise their voting rights, thereby increasing issuing companies' shareholders meeting attendance rate and voting rate, improving the quality of corporate governance.

In 2018, e-voting was fully adopted by shareholders' meetings of TWSE-listed and TPEx-listed companies, writing a new chapter regarding corporate governance in Taiwan. A total of 305.2 billion e-voting shares with an average e-voting ratio of 50.86% was achieved. Not only has it increased the efficiency of shareholders' meetings, but also reduced manpower and time for issuing companies to convene meetings, and saving on paper cost during voting sessions at TWSE-listed and TPEx-listed companies.

TDCC and Broadridge, an international organization that handles proxy voting services, signed the memorandum of understanding and confidentiality agreement. Through foreign shareholders' straight through processing (STP) mechanism, custodian banks and the issuer's shareholder services units are able to establish voting standardization, automation and single-track process, increasing the efficiency of voting process, reducing operational risk, and saving overall workload.

As of the end of 2018, foreign shareholders were found in shareholders' meetings held by a total of 1,723 TWSE-listed companies, TPEx-listed companies and emerging stock companies, which have already been scheduled for STP, while the relevant operation schedule is controlled by TDCC. TDCC receives information regarding voting instructions for foreign shareholders which is transmitted by Broadridge, and completed the processing of voting operations for foreign clients of six major custodian banks according to the voting deadline for shareholders' meetings held by each target security. A total of 97,624 votes cast by foreign shareholders were processed, with TDCC controlling the relevant operation schedule and system processing. Hence, we provide reconciliation of shares held by foreign clients of custodian banks, standardization of shareholders' meeting agenda in English, as well as the



O Promote e-Passbook

In response to the Financial Technology Development and Promotion Project led by the competent authority, and with the core ideas of "mobile" and "integration", TDCC established the e-Passbook App, a mobile passbook which was officially launched in late March 2017. On November 12, 2018, TDCC launched the e-Passbook App 2.0 version, which provides users with various functions, including brand new value-added services such as "e-Stock Search" and "Shareholders' Equity" free of charge.

The average number of paper passbooks issued in Taiwan's securities market is 650,000 per year, with the cost of passbook and magnetic strip amounting to more than NT\$ 3 million. By switching to electronic passbook, there is a significant saving in management and operating cost. e-Passbook not only saves social resources, resolves the problem of safekeeping the passbook and inconvenience of carrying it, but it also reduces securities firms' manpower in issuing the passbook and serving the customers. e-Passbook leads the securities market towards the FinTech era, as well as supports the government's energy-saving and carbon reduction policy, and actively implements green services.

© Established Corporate Action Network (C.A.Net)

TDCC established Corporate Action network (C.A.Net) to provide electronic services for information transmission and handling of split voting application between the custodian banks and stock affairs units. Information transmission operations of corporate action such as dividend distribution and tax incentive rate between custodian banks and stock affairs units are also included into the service scope of C.A.Net.

In line with the recommendations given by the Taiwan Stock Affairs Association and the Trust Association of the Republic of China, TDCC plans to add the cash capital increase and subscription data transmission function to the C.A.Net on the issuer's operation platform in order to help overcome the previous issue of no standardized format for cash capital increase reconciliation data, and reduce the labor burden of custodian banks and stock affairs units. The service has been officially launched on May 11, 2018. As of the end of 2018, a total of 18 stock affairs agencies have uploaded cash capital increase information of 66 TWSE-listed, TPEx-listed and emerging stock companies.

Suance of commercial paper in dematerialized form

To promote dematerialization of short-term bills in Taiwan's primary market, and assist enterprises in simplifying commercial paper (CP) issuance process and reduce risk, dematerialized issuance of commercial paper was officially launched in September 2017. Dematerialized issuance is in line with the government's policy of establishing a digitized financial environment. Electronic operation saves manpower cost and reduces the risk of manual operation, which significantly increases the efficiency and security of commercial paper issuance. As of the end of 2018, nearly 3,400 issuers have opened an issuance registration account, with over NT\$ 16.4 trillion successfully registered the issuance of commercial papers in the entire market. Issuers and bills houses highly commended the operational benefits arising from the issuance of commercial paper in dematerialized form and the elimination of risks arising from the loss of commercial paper in physical form.

O Provide electronic delivery of commercial paper issuance documents

To further improve the efficiency of bills issuance in the primary market, TDCC has extended the functions of the issuance platform in response to requirements of R.O.C. Bills Finance Association and issuers. TDCC used financial technology to provide commercial paper issuers with functions to prepare issuance documents (e.g., underwriting request, no-guarantee declaration, letter of proxy and letter of commitment) online. Issuers deliver such documents by electronic means to underwriters and guarantor banks, which significantly helps issuers, bills houses and guarantor banks save time on delivering issuance documents in physical form, thereby increasing the efficiency of commercial paper issuance.



After this service was launched on October 29, 2018, as of the end of 2018, one-third of the total issuance volume of commercial papers worth approximately NT\$ 700 billion in the entire market have completed issuance registration via electronic documents. Issuers and bills houses no longer have to print issuance documents in physical form and deliver them manually, thereby reducing issuance costs and achieving the government's green energy targets through energy conservation, carbon reduction and environmental protection.

© Handles information enquiries from investors and external units

In compliance with environmental protection and carbon reduction, TDCC actively promotes paperless enquiries for external units. Based on the external units' requirements, TDCC provides CD media queries or dedicated electronic queries, which significantly increases efficiency and saves on related social cost. Also, to provide investors with more convenient services and in line with the digitization trend, TDCC has established Depository Account Query System. From January 2, 2018 onwards, investors can use either Citizen Digital Certificate, Securities Firm Online Order Certificate, Online Banking Certificate, Securities and Futures Certificate, or MOEACA certificate to make enquiries through the internet. This convenient service allows investors to guery their application status, unrestricted by time and location.

In addition, as the number of tax defaulters which information demanded by tax authorities in 2017 has reached 245,026 people, TDCC and the Fiscal Information Agency discussed about the initiative to provide information of tax defaulters via dedicated lines. It aims to increase access efficiency, in order to help national tax bureau in all areas to obtain information of tax defaulters and reduce manpower and costs used for such investigations. This service was officially in operation on June 29, 2018. This service not only helps tax authorities and TDCC reduce various types of cost arising from such investigations, but also provides the convenience of investigating tax arrears in Taiwan. At the same time, TDCC implements operating procedure for information without paper-printing, thereby enhancing information security.

O Provide value-added services of offshore structured products declaration and announcement platform

TDCC established offshore structured products declaration and announcement platform, which adopted electronic way for the related application documents, and provided registration functions for new products, change of product content, advanced redemption, etc. Besides, TDCC has offered online application for change of basic information since October 29, 2018, in compliance with goal of energy saving, carbon reduction and paperless environment.

O Provide automated information transmission service for offshore fund transactions by fund master agents

Fund master agents who currently use TDCC's fund trading platform have been able to receive information regarding orders from sales agencies by electronic means. However, most fund master agents continue to process fund orders placed by offshore fund companies and conduct verification via fax. In order to improve the efficiency of order placement among fund master agents, TDCC provides fund master agents who use our fund trading platform with services connected to our fund information transmission platform, which enable them to automatically transmit order information to offshore fund companies.

Connecting the relevant information in both systems can help fund master agents and sales agencies to significantly save on manual operation time, thereby creating an operating environment of data without paper-printing. The relevant fund master agents and sales agencies do not have to adapt their systems to this service, thereby saving on development costs.



Simplify the document transfer process for the inheritance and gifting of centrally deposited securities

In order to improve the operational efficiency of the overall market and thus save on operating costs, TDCC began providing document transfer for the inheritance and gifting of centrally deposited securities. This simplification operation takes into account the operational needs of and convenience for securities firms and issuers' stock affairs units. At the same time, it does not affect the handling process and investors' rights, while effectively reducing overall operating costs in the market. For securities firms, simplifying the document transfer process greatly reduces the manual processing procedure, lower operating costs and time, and improves operating efficiency. For issuers' stock affairs units, eliminating the delivery of original receipt effectively reduces operating costs.

© Simplify issuers' application for central depository related services

In order to improve the operational efficiency of the overall market and thus save on operating costs, TDCC plans to simplify and automate issuer-related operations. In 2018, TDCC have simplified and launched the following operations: application by issuers' stock affairs units for stock write-off involving merged companies or companies whose stocks are swapped, application by issuers or their stock affairs agencies for forced conversion or forced recovery after the termination of corporate bond conversion or exchange on TWSE or TPEx, application by depository institutions for suspension of TDR redemption and reissuance during the suspension period, and application by issuers for change of signature and stamp in participant's account. These operations allow issuers to present the relevant documents and certificates by electronic means while applying for central depository-related services, thereby eliminating submission of applications in writing and at the counter or enabling the implementation of paperless operations. In addition, TDCC also provides electronic registration certificate which eliminates the need for issuers to collect the certificate at the counter, and implements paperless, eco-friendly policies which effectively enhance the operational efficiency of the market and help operators and TDCC save on operating costs.





Supervisors' Report

Chay'm when

To the 2019 Annual Shareholders' Meeting, Taiwan Depository & Clearing Corporation

The Board of directors have compiled and submitted to us for examination the 2018 balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows, consolidate financial statements, operations report and proposal for earning distribution for year 2018, etc. The undersigned Supervisors, accompanied by Deloitte & Touche, CPAs have completed our examination and found them correct. This report is hereby prepared in accordance with Article 219 of the Company Act and submitted for your approval.

en Cheen

Taiwan Depository & Clearing Corporation

Standing Supervisor

Hung-Wen Chien

Supervisors

Dr. David S. Hong

Chia-Yin Hung

April 24, 2019

nternal Control Statement

Based on self-assessment, the following declarations are made regarding the Taiwan Depository & Clearing Corporation (hereinafter referred to as TDCC) internal control system for the period from January 1,2018 to December 31, 2018 :

- 1. TDCC is fully aware that the establishment, implementation and maintenance of the company's internal control system are the responsibility of the board of directors and of the company's management. TDCC has already established an internal control system. The objective of the system's establishment was to provide a reasonable level of assurance that the company's goals for the efficiency and effectiveness of the company's operations (including profitability, performance and asset protection, etc.), the reliability, timeliness, transparency of its reports and adherence to relevant laws and regulations can be met.
- 2. Any internal control system has certain pre-ordained limitations. No matter how carefully designed the system may be, even the most effective internal control system can only provide a reasonable level of assurance for the three objectives noted above. In addition, the effectiveness of the internal control system is liable to be affected at changes in the environment and circumstances. However, TDCC's internal control system has a self-monitoring function; as soon as any failing in the system comes to light, the company will immediately take steps to improve it.
- 3. TDCC has evaluated the result of the design and implementation of the internal control system in accordance with the inspection items from the Implementation Guidelines for the Establishment of Internal Control System by Securities and Futures Market Service Enterprises (hereinafter referred to as "the Implementation Guidelines"). The inspection items adopted by the Implement Guidelines are classified into five components in line with the management control procedures: (1) Control environment; (2) Risk evaluation; (3) Control operations; (4) Information and communication; (5) Supervision. Each components in turn contains a number of items. Please refer to the Implementation Guidelines for details of these items.
- 4. The above-mentioned internal control inspection items have been used by TDCC to assess the effectiveness of the design and implementation of the internal control system.
- 5. Based on the results of the assessment, TDCC believes that the design and implementation of the company's internal control system during the above mentioned period are acceptable in terms of the efficiency and effectiveness of the company's operations, the reliability, timeliness, transparency of its reports and adherence to relevant laws and regulations, and can therefore provide a reasonable degree of assurance for the achievement of the above objectives.
- 6. Any false, hidden or illegal matters of this Declaration will lead to lawsuit responsibility according to the Article 174 of the Securities Exchange Act.
- 7. This Declaration was approved by TDCC's Board of Directors on February 27, 2019. Taiwan Depository & Clearing Corporation

Chairman

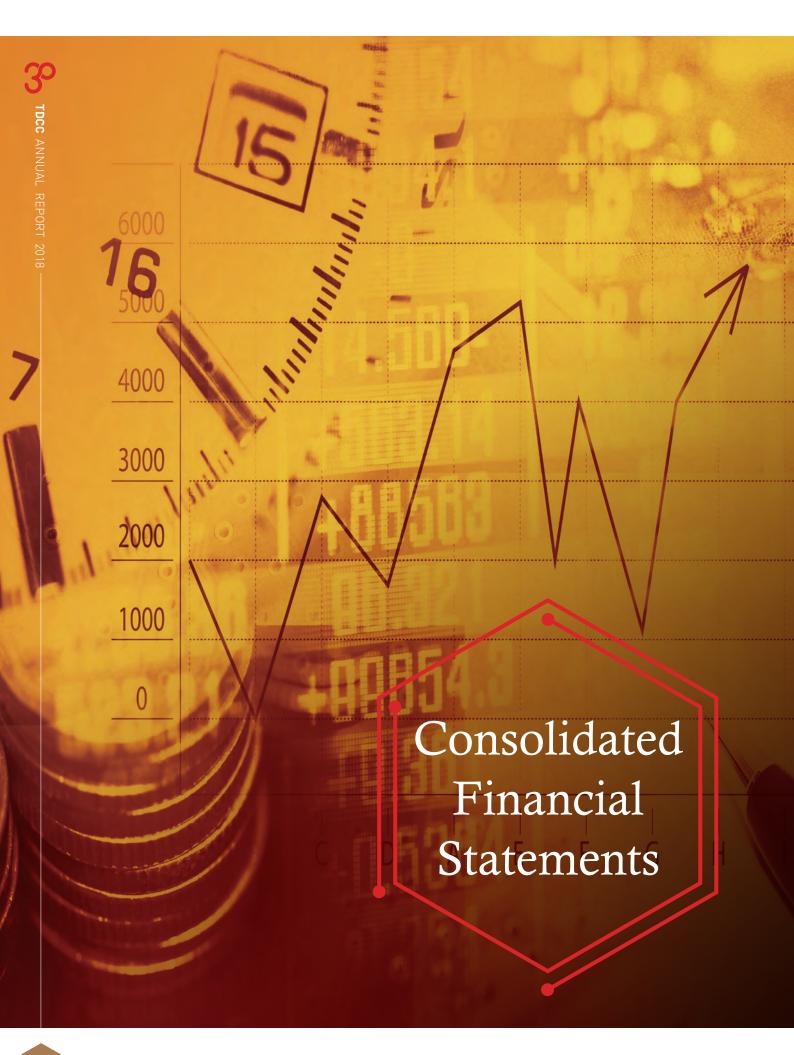
Sherman Lin

President

Ching-Li Meng

February 27, 2019

Meng Ching Li



Independent Auditors' Report

The Board of Directors and Stockholders
Taiwan Depository & Clearing Corporation

Opinion

We have audited the accompanying consolidated financial statements of Taiwan Depository & Clearing Corporation (the "Corporation") and subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling relevant to preparation of financial statements, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of each key audit matter of the consolidated financial statements for the year ended December 31, 2018 are as follows:

Accuracy of Operating Revenues

The operating revenues of Taiwan Depository & Clearing Corporation and subsidiaries mainly include securities settlement revenue, securities recording revenue, transfer processing services revenue and bills and bonds clearing and custodial services revenue. These revenues are recorded on the books based on the related laws and contracts. In 2018, the Group's principal operating revenues amounted to \$3,319,318 thousand, which is material to the financial statements. We considered the accuracy of operating revenues as key audit matter.

The main audit procedures we performed for operating revenues are listed below:

- 1. We acquire and understanding of the Group's nature of the industry and evaluate the procedures for internal control in the recording of operating revenues, including understanding of the information environment of the system for the calculating operating revenues.
- 2. We verify whether the calculation methods with respect to operating revenues complied with the statutory provisions or the related contracts.
- 3. We recalculate operating revenues and confirmed the accuracy of operating revenues.



Existence and Classification of Bank Deposit

As stated in Notes 6 and 14, as of December 31, 2018, the Group had cash and cash equivalents of \$3,160,730 thousand, other financial assets (time deposits with original maturities more than three months) of \$4,281,648 thousand, default damage fund of \$2,620,827 thousand, respectively. Because of the significance of the accounts, we considered the existence and classification of the bank deposit as key audit matter.

The main audit procedures we performed for bank deposit are shown below:

- 1. We obtained an understanding of the cash cycle and tested the operating effectiveness of internal controls.
- 2. We checked the amounts on bank statements against those in the ledger, and sent a written confirmation request to the bank. If there is any discrepancy, we obtained a bank reconciliation statement and tested the correctness of the reconciliation items.
- 3. We ascertained whether bank deposits designated for specific purposes or otherwise restricted have been reclassified to the appropriate account.
- 4. We performed an inventory count of certificates of deposit and checked the results of inventory testing against the ledger.
- 5. We performed test of large inflows and outflows of cash and verified whether the transactions were related to the Corporation's business. We obtained explanations for large or irregular fluctuation.

Other Matter

We have also audited the parent company only financial statements of Taiwan Depository & Clearing Corporation as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling relevant to preparation of financial statements, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 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.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Chan Huang and Cheng-Hung Kuo.

Deloitte & Touche Taipei, Taiwan Republic of China

March 20, 2019

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

	2018		2017		
ASSETS	Amount	%	Amount	%	
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,160,730	11	\$ 3,023,076	11	
Financial assets at fair value through profit or loss - current	2,683,108	10	2,170,076	8	
Available-for-sale financial assets - current	-	-	30,113	-	
Held-to-maturity financial assets - current	-	-	2,002,847	8	
Financial assets at amortized cost - current	2,251,554	8	-	-	
Other financial assets - time deposits with original maturities of more than 3 months	4,281,648	15	3,501,248	13	
Notes and accounts receivable, net					
Unrelated parties	265,546	1	273,125	1	
Related parties	129,809	-	151,030	1	
Current tax assets	11	-	12	-	
Other financial assets - other	1,722,184	6	1,175,268	4	
Other current assets	82,480	-	164,000	1	
Total current assets	14,577,070	51	12,490,795	47	
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	1,734,819	6	-	-	
Held-to-maturity financial assets - noncurrent	-	-	8,389,076	32	
Available-for-sale financial assets - noncurrent	-	-	1,601,704	6	
Financial assets at amortized cost - noncurrent	7,859,129	27	-	-	
Financial assets measured at cost - noncurrent	-	-	12,000	-	
Default damage fund	2,620,827	9	2,473,845	9	
Investments accounted for using the equity method	86,188	-	83,751	-	
Property and equipment	740,394	3	717,198	3	
Investment properties	225,139	1	228,416	1	
Intangible assets	277,745	1	132,499	-	
Goodwill	237,545	1	237,545	1	
Deferred tax assets	11,534	-	9,397	-	
Refundable deposits	146,811	1	147,551	1	
Operation guarantee deposits	70,000	-	70,000	-	
Other noncurrent assets	277	_	277_		
Total noncurrent assets	14,010,408	49	14,103,259	53	
TOTAL	\$ 28,587,478	100	\$ 26,594,054	100	

	2018		2017	
LIABILITIES AND EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Accrued expenses	\$ 476,477	2	\$ 509,452	2
Current tax liabilities	405,204	1	258,203	1
Receipts under custody	1,437,645	5	1,095,159	4
Other current liabilities	74,197	-	50,050	
Total current liabilities	2,393,523	8	1,912,864	7
NONCURRENT LIABILITIES				
Deferred tax liabilities	35,103	-	34,007	-
Guarantee deposits	71,750	-	73,484	-
Net defined benefit liabilities	465,535	2	424,006	2
Total noncurrent liabilities	572,388	2	531,497	2
Total liabilities	2,965,911	10	2,444,361	9
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION				
Capital stock	3,703,526	13	3,613,196	14
Capital surplus	478,569	2	478,569	2
Legal reserve	2,591,977	9	2,382,417	9
Special reserve	14,294,343	50	13,686,618	51
Unappropriated earnings	2,683,117	9	2,189,748	8
Other equity - unrealized gain on available-for-sale financial assets	-	-	1,472,944	6
Other equity - unrealized gain on financial assets at fair value through other comprehensive income	1,593,486	6		
Total equity attributable to owners of the Corporation	25,345,018	89	23,823,492	90
NON-CONTROLLING INTERESTS	276,549	1	326,201	1
Total equity	25,621,567	90	24,149,693	91
TOTAL	\$ 28,587,478	100	\$ 26,594,054	

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017		
	Amount	%	Amount	%	
OPERATING REVENUES					
Securities settlement	\$ 861,410	16	\$ 720,507	16	
Securities recording	1,105,422	21	913,191	20	
Maintenance services	393,823	7	388,320	9	
Transfer processing services	519,550	10	460,980	10	
Bills and bonds clearing and custodial services	1,352,486	25	1,150,728	26	
Futures clearing services	376,267	7	321,864	7	
Registration and distribution and electronic voting services	189,129	4	146,362	3	
Mutual fund services	275,808	5	207,942	5	
Brokerage fee	47,257	1	33,091	1	
Others	215,985	4	141,706	3_	
Total operating revenues	5,337,137	100	4,484,691	100	
OPERATING EXPENSES					
Personnel	1,135,578	21	1,057,165	24	
General and administrative	1,349,108	25	1,224,998	27_	
Total operating expenses	2,484,686	46_	2,282,163	51_	
OPERATING INCOME	2,852,451	54_	2,202,528	49_	
NONOPERATING INCOME					
Interest income	217,043	4	212,506	5	
Net gain arising on financial assets designated as at FVTPL	12,436	-	4,837	-	
Share of profit of subsidiaries and associates accounted for using equity method	15,472	-	13,090	-	
Dividend income	74,181	1	43,410	1	
Gain on disposal of available-for-sale financial assets	-	-	1,202	-	
Other income	26,843	1	17,667	-	
Expected credit loss reversed	573	-	-	-	
Other expenses	[10,146]		[17,432]		
Total nonoperating income	336,402	6_	275,280	6_	

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018				2017		
		Amount	%	Amount		%	6
INCOME BEFORE INCOME TAX	\$	3,188,853	60	\$	2,477,808	5	55
INCOME TAX EXPENSE	[621,443)	[12]	[425,850)	(9)
NET INCOME		2,567,410	48		2,051,958	4	46_
OTHER COMPREHENSIVE INCOME Items that will not be reclassified							
subsequently to profit or loss: Unrealized gain on investment in equity instruments at fair value through other comprehensive income		124,535	2		-		-
Remeasurement of defined benefit plans	(6,657)	-	[15,375)	[1)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	(1,031)	-	(374)		-
Income tax relating to items that will not be reclassified subsequently to profit or loss		195	-		64		_
. social subsequently to promite the		117,042	2	[15,685)	[1)_
Items that may be reclassified subsequently to profit or loss:							
Unrealized gain on available-for-sale financial assets		-	_		222,271		5
Other comprehensive income for the year, net of income tax		117,042	2		206,586		4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$	2,684,452	50	\$	2,258,544	5	50
NET PROFIT ATTRIBUTABLE TO:							
Owners of the Corporation	\$	2,594,320	49	\$	2,095,603	4	7
Non-controlling interests	[26,910)	[1]	[43,645)	[1)
	\$	2,567,410	48	\$	2,051,958	4	46
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:							
Owners of the Corporation	\$	2,711,362	51	\$	2,302,189	5	51
Non-controlling interests	[26,910)	[1]	[43,645)	[1)_
	\$	2,684,452	50	\$	2,258,544	5	0
EARNINGS PER SHARE							
Basic earnings per share	\$	7.01		\$	5.66		



Independent Auditors' Report

The Board of Directors and Stockholders

Taiwan Depository & Clearing Corporation

Opinion

We have audited the accompanying financial statements of Taiwan Depository & Clearing Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling relevant to preparation of financial statements, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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. 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of each key audit matters of the financial statements for the year ended December 31, 2018 are as follows:

Accuracy of Operating Revenues

The operating revenues of Taiwan Depository & Clearing Corporation mainly include securities settlement revenue, securities recording revenue, transfer processing services revenue and bills and bonds clearing and custodial services revenue. These revenues are recorded on the books based on the related laws and contracts. In 2018, the Corporation's principal operating revenues amounted to \$3,319,318 thousand, which is material to the financial statements. We considered the accuracy of operating revenues as key audit matter.

The main audit procedures we performed for operating revenues are listed below:

- 1. We evaluate the procedures for internal control in the recording of operating revenues, including understanding of the information environment of the system for the calculating operating revenues.
- 2. We verify whether the calculation methods with respect to operating revenues complied with the statutory provisions or the related contracts.
- 3. We recalculate operating revenues and confirmed the accuracy of operating revenues.



Existence and Classification of Bank Deposit

As stated in Notes 6 and 14, as of December 31, 2018, the Corporation had cash and cash equivalents of \$3,088,122 thousand, other financial assets (time deposits with original maturities more than three months) of \$3,842,248 thousand, and default damage fund of \$2,620,827 thousand. Because of the significance of the accounts, we considered the existence and classification of the bank deposits as key audit matter.

The main audit procedures we performed for bank deposits are listed below:

- 1. We obtained an understanding of the cash cycle and tested the operating effectiveness of internal controls.
- 2. We checked the amounts on bank statements against those in the ledger, and sent a written confirmation request to the bank. If there is any discrepancy, we obtained a bank reconciliation statement and tested the correctness of the reconciliation items.
- 3. We ascertained whether bank deposits designated for specific purposes or otherwise restricted have been reclassified to the appropriate account.
- 4. We performed an inventory count of certificates of deposit and checked the results of inventory testing against the ledger.
- 5. We performed test of large inflows and outflows of cash and verified whether the transactions were related to the Corporation's business. We obtained explanations for large or irregular fluctuation.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Business Entity Accounting Act, Regulation on Business Entity Accounting Handling relevant to preparation of financial statements, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 auditing standards generally accepted in 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 Corporation '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 Corporation'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 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 Corporation to cease to continue as a going concern.
- 5. Evaluate the overall presentation, structure and content of the 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 Corporation to express an opinion on the 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 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.

The engagement partners on the audit resulting in this independent auditors' report are Jui-Chan Huang and Cheng-Hung Kuo.

Deloitte & Touche Taipei, Taiwan Republic of China

March 20, 2019

Notice to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent 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. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

TAIWAN DEPOSITORY & CLEARING CORPORATION

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

	2018		2017		
ASSETS	Amount	%	Amount	%	
CURRENT ASSETS					
Cash and cash equivalents	\$ 3,088,122	11	\$ 2,900,336	11	
Financial assets at fair value through profit or loss - current	2,683,108	10	2,150,045	8	
Available-for-sale financial assets - current	-	-	30,113	-	
Held-to-maturity financial assets - current	-	-	2,002,847	8	
Financial assets at amortized cost - current	2,251,554	8	-	-	
Other financial assets - time deposits with original maturities of more than 3 months	3,842,248	14	3,041,248	12	
Notes and accounts receivable, net					
Unrelated parties	244,955	1	265,333	1	
Related parties	129,809	-	151,030	1	
Other financial assets - other	1,721,982	6	1,175,045	4	
Other current assets	62,297	_	151,416		
Total current assets	14,024,075	50	11,867,413	45_	
NONCURRENT ASSETS					
Financial assets at fair value through other comprehensive income - noncurrent	1,734,819	6	-	-	
Held-to-maturity financial assets - noncurrent	-	-	8,389,076	32	
Available-for-sale financial assets - noncurrent	-	-	1,601,704	6	
Financial assets at amortized cost - noncurrent	7,859,129	28	-	-	
Financial assets measured at cost - noncurrent	-	-	12,000	-	
Default damage fund	2,620,827	9	2,473,845	9	
Investments accounted for using the equity method	447,453	2	452,623	2	
Property and equipment	733,453	3	709,374	3	
Investment properties	225,139	1	228,416	1	
Intangible assets	263,778	-	127,569	-	
Goodwill	237,545	1	237,545	1	
Deferred tax assets	11,534	-	9,397	-	
Refundable deposits	144,230	1	145,000	1	
Other noncurrent assets	277	-	277		
Total noncurrent assets	14,278,184	50	14,386,826	55_	
TOTAL	\$ 28,302,259	100	\$ 26,254,239	100_	

	2018		2017	
LIABILITIES AND EQUITY	Amount	%	Amount	%
CURRENT LIABILITIES				
Accrued expenses	\$ 469,448	2	\$ 497,305	2
Current tax liabilities	405,204	1	258,203	1
Receipts under custody	1,437,645	5	1,095,159	4
Other current liabilities	73,376	_	49,157	
Total current liabilities	2,385,673	8	1,899,824	7
NONCURRENT LIABILITIES				
Deferred tax liabilities	35,103	-	34,007	-
Guarantee deposits	70,930	-	72,910	-
Net defined benefit liabilities	465,535	2	424,006	2
Total noncurrent liabilities	571,568	2	530,923	2
Total liabilities	2,957,241	10_	2,430,747	9
EQUITY				
Capital stock	3,703,526	13	3,613,196	14
Capital surplus	478,569	2	478,569	2
Legal reserve	2,591,977	9	2,382,417	9
Special reserve	14,294,343	51	13,686,618	52
Unappropriated earnings	2,683,117	9	2,189,748	8
Other equity - unrealized gain on available-for-sale financial assets	-	-	1,472,944	6
Other equity - unrealized gain on financial assets at fair value through other comprehensive income	1,593,486	6		
Total equity	25,345,018	90	23,823,492	91
			4 0/05:	40-
TOTAL	\$ 28,302,259	100	\$ 26,254,239	

TAIWAN DEPOSITORY & CLEARING CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018		2017		
	Amount	%	Amount	%	
OPERATING REVENUES					
Securities settlement	\$ 861,410	16	\$ 720,507	16	
Securities recording	1,105,422	21	913,191	20	
Maintenance services	393,823	7	388,320	9	
Transfer processing services	519,550	10	460,980	10	
Bills and bonds clearing and custodial services	1,352,486	26	1,150,728	26	
Futures clearing services	376,267	7	321,864	7	
Registration and distribution and electronic voting services	189,129	4	146,362	3	
Mutual fund services	302,696	6	207,942	5	
Others	173,561	3_	157,296	4	
Total operating revenues	5,274,344	100_	4,467,190	_100_	
OPERATING EXPENSES					
Personnel	1,065,125	20	992,271	22	
General and administrative	1,294,542	25	1,179,470	27_	
Total operating expenses	2,359,667	45_	2,171,741	49_	
OPERATING INCOME	2,914,677	55_	2,295,449	51_	
NONOPERATING INCOME					
Interest income	212,271	4	211,098	5	
Net gain arising on financial assets designated as at FVTPL	12,421	-	4,696	-	
Share of profit of subsidiaries and associates accounted for using equity method	[14,877]	-	[34,637]	[1]	
Dividend income	74,181	1	43,410	1	
Gain on disposal of available-for-sale financial assets	-	-	1,202	-	
Other income	26,663	-	17,667	-	
Expected credit loss reversed	573	-	-	-	
Other expenses	[10,146]		[17,432]		
Total nonoperating income	301,086	6	226,004	5_	

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018			2017		
		Amount	%	Amount		%
INCOME BEFORE INCOME TAX	\$	3,215,763	61	\$	2,521,453	56
INCOME TAX EXPENSE	[621,443]	[12]	[425,850)	[9]
NET INCOME		2,594,320	49		2,095,603	47
OTHER COMPREHENSIVE INCOME						
Items that will not be reclassified subsequently to profit or loss:						
Unrealized gain on investment in equity instruments at fair value through other comprehensive income		124,535	2		-	-
Remeasurement of defined benefit plans	[6,657)	-	(15,375)	-
Share of the other comprehensive income of subsidiaries and associates accounted for using equity method	[1,031)	-	(374)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss		195	_		64	
, , , , , , , , , , , , , , , , , , , ,		117,042	2	[15,685)	
Items that may be reclassified subsequently to profit or loss:						
Unrealized gain on available-for-sale financial assets		-			222,271	5_
Other comprehensive income for the year, net of income tax		117,042	2		206,586	5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$	2,711,362	51	\$	2,302,189	52
EADNINGS DED CHADE						
EARNINGS PER SHARE	d	F 04		#	E //	
Basic earnings per share	\$	7.01		\$	5.66	

TAIWAN DEPOSITORY & CLEARING CORPORATION

SCHEDULE FOR APPROPRIATION OF EARNINGS

FOR YEAR 2018

(In New Taiwan Dollars)

	Amount			Amount
Earnings, beginning of year			\$	107,843,592
Add:				
Effect of retrospective application and retrospective restatement	(\$	4,234,276)		
Investments accounted for using the equity method	(8,155,335)		
Remeasurement of defined benefit plans	_[6,656,805)	[19,046,416)
Adjusted unappropriated retained earnings				88,797,176
Net income in 2018				2,594,319,992
Reserved items:				
Legal reserve (10%)	[259,431,999)		
Special reserve (36.42%)	[944,851,341)	[1,204,283,340)
Earnings available to appropriation in 2018				1,478,833,828
Appropriation of earnings:				
Stockholder's cash dividends (NT\$3.50 per share)	(1,296,234,114)		
Stockholder's stock dividends (NT\$0.25 per share)		92,588,160)	[1,388,822,274)
Unappropriated retained earnings at end of 2018			\$	90,011,554







DEPOSITORY & CLEARING ORP.