



# 2017

ANNUAL REPORT

 臺灣集中保管結算所  
TDCC Taiwan Depository & Clearing Corporation



2017

 臺灣集中保管結算所  
TDC Taiwan Depository & Clearing Corporation

# 2017 Annual Report



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Chairman & CEO  
Sherman Lin

# *Letter to Shareholders*

Dear shareholders:

The global economy presented a steady recovery in 2017. In spite of political and economic events, such as Brexit, Korean Peninsula's rising tensions, Europe's frequent terrorist attacks, and the rising interest rate and shrinking balance sheet by US Federal Reserve, affecting market performance, the capital market which was still in a relaxed economic environment drove the strong growth of investment and consumption. The manufacturing industry and trading activities were more active, and the overall financial market performance continued to grow. The International Monetary Fund (IMF) predicted a 3.7% global economic growth in 2017. The world's major markets showed outstanding performance, with the Dow Jones Industrial Average (INDU) rising by 25% for the year, all three major European Union's markets growing, and Nikkei 225 and Hong Kong Hang Seng Index (HSI) hitting a record high. Taiwan's overall stock market performance in 2017 also delivered outstanding results, with a growth of 15% in TAIEX, an annual turnover of NT\$ 25.8 trillion in the centralized market, and a sharp rebound of daily average to NT\$104.9 billion.

Fintech is the century's greatest innovation in the financial industry. The revolutionary development of Fintech is changing the financial industry, with technologies and internet overturning the existing business models around the world. Facing financial situations both locally and overseas, as well as the rise of Fintech, TDCC continues to serve the market by adhering to the three major concepts of innovative service, which are customer orientation, open innovation, and platform economy. TDCC observes the requirements of Taiwan's capital market through its customer-oriented services, cooperates with all partners in Fintech development through open innovation, and finds low-cost solutions for customers based on platform economy.

The seven major areas of business development for TDCC in 2017 included establishment of a digitized book-entry operating environment, promotion of dematerialized commercial paper, promotion of cross-border custody service, optimization of fund platform functions, promotion of e-voting service, enhancement of AML/CFT Screening Platform, and international cooperation and exchange. TDCC also proposed innovative methods through Fintech, assisting participants in expanding their markets and increasing the efficiency of Taiwan's capital market.

In terms of establishing a digitized book-entry operating environment, TDCC took active steps in digital transformation, and had progressively provided investors digitized book-entry operations and Straight-Through-Process (STP), allowing investors to apply for digitized services from securities firms through the internet with a lower operating cost and risk. In line with the government's goal of promoting Fintech, TDCC launched an application called TDCC ePassbook, a securities mobile passbook, on March 29, 2017. Since its launch, the application has attracted more than 220,000 users. It also plans to provide more diversified digital services for investors to get hold of integrated information on cross-asset allocation and corporate action and market information in the next wave of Fintech .

With regard to the promotion of dematerialized commercial paper, TDCC adhered to the policy and fully promoted the issuance of commercial papers in a dematerialized form, and officially launched it on September 18, 2017. Since its launch, the total amount of commercial papers issued in a dematerialized form has reached NT\$3.5 trillion, and nearly 3,000 issuers have set up accounts specific to issuance registration. Besides continuing promotion, TDCC is currently planning for the establishment of a B2B2B platform to provide the primary market value-added services, such as document digitization.

As for the promotion of cross-border custody service, TDCC has been actively promoting its cross-border custody service in line with the competent authority's policy of engaging the global financial market since its launch in August 2015. At present, many professional institutional investors have participated and are progressively transferring investments in overseas securities to Taiwan for custody. As of 2017, TDCC attained outstanding results, with the custodian scale hitting NT\$3.3 trillion, exhibiting a growth of 4.7 times.

In terms of optimizing fund platform functions, TDCC actively provided quality services, including collection/payment of domestic funds, payment authorization with FundRich Securities through IC debit card, and allowing funds to be credited to investors' account at an earlier date, so as to provide investors and related businesses a more convenient and friendly investment environment. In 2017, more than 4.35 million domestic and offshore funds were transferred. In addition, FundRich Securities, a joint venture of TDCC, has become the country's largest online fund platform within a short period of time since its official launch in Q4 2016. It offers investors with 80% of domestic and offshore funds available for sale. As of 2017, it has carried a total of 2,890 products and has achieved an outstanding result of having 30,000 accounts, approximately 48,000 incremental funding contracts and a total purchase amount of NT\$13.2 billion. Business is expected to continue growing in 2018. TDCC strives to provide investors better services and be a center of fund products, assisting securities firms in their funds channel sales and expanding the scale of the fund industry.

For the promotion of e-voting service, 1,223 TWSE and TPEx listed companies adopted e-voting as a voting channel in their shareholders' meetings in 2017. The average e-voting accounted for 49.4% of the attendance at shareholders' meetings, and the total number of e-voting amounted to 2.23 million. In line with the competent authority's announcement of adopting the e-voting system in shareholders meetings of all TWSE and TPEx listed companies by 2018, TDCC continues to actively promote the e-voting service and encourage issuers, general shareholders and professional institutional investors to adopt the e-voting system. TDCC also conducts the forum on "100% E-Voting in 2018 and Enhancement of Corporate Value" and carries out the big data analysis based on the e-voting information. Building a cloud database for TDCC ePassbook is also planned to facilitate investors in inquiring corporate action.

In terms of enhancing AML/CFT Screening Platform, besides enhancing the database and expanding the name list of system, TDCC also took into consideration the needs of users by

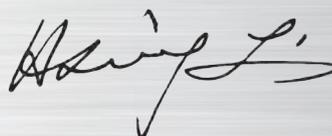
adopting a user authentication system and added functions, such as batch upload and batch comparison. As of 2017, apart from the 1,320 financial institutions, 2,690 non-financial institutions from accountants, bookkeepers, accounting and tax agents, lawyers and land administration agents have applied for usage, attaining an impressive result of more than 1.71 million inquiries.

As for the international cooperation and exchange, TDCC successfully secured a seat in the executive committee with the highest vote during the 20th General Meeting of Asia-Pacific Central Securities Depository Group (ACG) to strengthen the international participation. It participated in the operation of the committee, raising Taiwan's position in the international organization; in addition, TDCC has successfully signed the memorandum of cooperation and exchange of information with Mongolian Central Securities Depository (MCSD), promoting the international cooperation and raising its international visibility. To enhance the development of TDCC's international business and cooperation with the world's depository and clearing institutions in line with the trend of global capital markets, TDCC also gained related business experience from overseas institutions.

In addition to business development, TDCC actively promotes corporate social responsibility, including conducting industry-academia internship program and Financial Literacy for Youth (FLY) courses, sponsoring sports talent cultivation program and after-school care program, and organizing blood donation events for consecutive years. TDCC has also been promoting financial education, with Taiwan Stock Museum receiving more than 104,000 visitors, and Taiwan Securities and Futures Virtual Museum having more than 107,000 visits. These projects are examples of how TDCC fulfills its corporate social responsibility, make the society better.

Looking ahead into the future, TDCC will continue to play the role of a post-trade facility in the capital market, striving to improve the efficiency of services in the market and strengthen its functions, such as central depository, clearing and settlement, and book-entry of various financial instruments. TDCC will also continue to work towards the goals of strengthening the functions of an integrated digital service platform, promoting dematerialized commercial paper, cooperatively promoting Taiwan's fund products and retirement education, and enhancing AML/CFT Screening Platform, so as to win the clients' trust. In the year ahead, TDCC aims to maintain its excellent performance, continue engaging the world with open innovation, and optimize the digital environment of the financial market in the hopes of exploring more potential business opportunities, generating better returns for shareholders, and providing secure, convenient, and innovative financial services for Taiwan's capital market.

Taiwan Depository & Clearing Corporation  
Chairman & CEO





*Review of  
Operations*

In 2017, the average daily trading value on Taiwan Stock Exchange (TWSE) was about NT\$104.9 billion, on Taipei Exchange (TPEX) about NT\$33 billion, and on the Emerging Stock Market about NT\$1.1 billion, totaling approximately NT\$139 billion, an increase rate of about 38.45% compared to 2016's average daily trading value of NT\$100.4 billion. In the bonds market, NT\$400 billion of government bonds, NT\$94.2 billion of financial debentures, and NT\$327.7 billion in corporate bonds were issued in 2017. For 2017's bills market, short-term bills issuance was more than NT\$13,460.1 billion, the outright transaction was more than NT\$23,119.7 billion, while the repo transaction amount was more than NT\$17,356.3 billion in the 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. In addition, TDCC has also achieved concrete results in enhancing the company's service quality, information systems efficiency and business globalization. TDCC's 2017 business review and 2018 business plans are presented in the following paragraphs.



President  
Ching-Li Meng

# 2017 Business Review

## 1. Implementation of Important Business Projects

- I. Continue to enhance TDCC ePassbook functions, provide investors with more convenient online services

Since the launch of mobile passbook in late March 2017, TDCC has been actively promoting the service to securities firms, and welcoming suggestions from them. TDCC's ePassbook App functions were progressively enhanced. In May 2017, login authentication were added to enhance the security control of the App, and linkage established to StockVote; in July, push notification and StockHelp were enhanced; and in September, the service hours were extended. As at late December 2017, 60 securities firms' head offices have provided investors with mobile passbook service application, and more than 220,000 account holders have installed the App. TDCC has visited 42 securities firms to promote the service.

- II. Provide issuance service for financing commercial paper and foreign currency denominated commercial paper by registration mode

In line with the competent authority's policies and market requirements, TDCC has completed the issuance service for financing commercial paper (CP2) and foreign currency denominated commercial paper by registration mode. With the guidance of the competent authority, the service was successfully launched on September 18, 2017, marking the beginning of the era of issuing commercial papers in dematerialized form. As at late December 2017, issuance by 2,462 issuers for 18,327 transactions of CP2, amounting to NT\$3,488.2 billion were registered. It provides bills market a more secure and efficient operating environment, and as it is not restricted by the face value of physical bills, bill dealers have more flexibility in promoting their business.

- III. Optimize value-added services for cross-border custody of foreign securities

To meet global and diversified investment requirements of cross-border participating institutions, TDCC has extended its cross-border custody service to equity securities of 7 matured markets, including the United States, United Kingdoms, France, Germany, Japan, Singapore and Hong Kong at late September 2017. In November, it initiated 3.0 version function upgrade project to provide the Insurance Bureau with instant online query and periodic monitoring information. In addition, the TDCC's business operation rules were amended, and approval was granted by the competent authority on November 29. In the future, it is able to provide custody service for companies listed in TWSE or TPEX. As at late December 2017, TDCC's cross-border custody of securities has amounted to NT\$3.3 trillion. In the future, it will continue to offer better quality custody and value-added services, and provide bond traders and other professional institutional investors with more diversified and international post-trade services.

- IV. Continue to promote e-voting in shareholders meeting, implement shareholder activism, and improve corporate governance of the country

In line with the competent authority's policy of promoting corporate governance, and implementing shareholder activism, TDCC actively promotes issuing companies to adopt e-voting. In 2017, a total number of 1,223 companies have used e-voting, comprising 543

mandatory companies and 680 non-mandatory companies, with a total of 2,230,813 votes and 281.7 billion shares, a significant growth compared to 2016. E-voting was approximately 49.40% of the average attendance ratio. In line with competent authority's regulation of adopting e-voting in shareholders meetings of all TWSE or TPEX listed companies from 2018 onwards, and in order to allow the 383 TWSE or TPEX listed companies which have yet to adopt e-voting to fully understand its operations, as well as to promote director and supervisor nominations, TDCC has formed cross-department taskforce to visit these companies. By end of 2017, all companies have been visited.

#### **V. Expand name list of AML/CFT Screening Platform to reduce companies' cost**

In response to the decision made during the database resource sharing meetings convened by the Ministry of Justice from April to May 2017, TDCC's AML/CFT Screening Platform is provided to all financial institutions and non-financial companies which governed by the Money Laundering Control Act. As at end of 2017, 1,320 head offices and branches of financial institutions have used TDCC's AML/CFT Screening Platform. Non-financial companies were able to apply for usage from November 1, 2017, and 2,690 have used the system as at the end of December 2017.

#### **VI. Provide digitized book-entry transfer and straight through processing (STP)**

In line with the competent authority's policies, TDCC has implemented the STP to provide automated information exchange between participants' system and TDCC's system. As at end of 2017, 19 securities firms have provided digitized book-entry transfer application and 17 have notified TDCC through STP service. There were 413,704 accounts opening or closing related transactions, 1,330 transfers related transactions, 10 contracts performance related transactions, 292 acquisition and deposit related transactions, 16,938 earmark related transactions, 58 settlement and lending related transactions, 257 credit related transactions, 24,218 lending related transactions and 170,446 ePassbook application transactions.

#### **VII. Provide one-person-one-TDCC-account for deposit book-entry transfer in tender offers**

To address the situation of investors opening multiple securities accounts to increase the number of shares tendered in tender offer, July 3, 2017, TDCC has announced the amendment of standards for the internal control systems of securities firms and shareholder services units. It requires tender offer prospectus to clearly specify the provision of "one-person-one-TDCC-account for number of shares tendered". In addition, the inspection system is modified to incorporate checking mechanism. From August 1, 2017 onwards, when securities firms and custodian banks enter the tenderer's deposit for public tender offers into the system, TDCC is able to carry out checking and control instantly, saving the cost incurred for individual control by the participants. To facilitate smooth operation, TDCC has held five training courses for attendees to learn about the relevant regulations. There were 247 people from securities firms, custodians, and shareholder services units attended courses.

## VIII. Simplify fund transaction platform, include futures trust funds cum payment authorization and approval process

To serve futures trust funds investors and increase futures trust funds sales volume, the competent authority has allowed securities firms to subscribe futures trust funds in their own name on behalf of investors, and payment service to be made through TDCC's designated banks on February 6, 2017. In line with the launch of this service, TDCC has added futures trust funds to the domestic fund transaction platform. It cooperated with Financial Information Service Co., Ltd. to promote using IC debit card for customer agreement procedures, simplifying the current written payment authorization and approval process. It reduces TDCC's manual checking and filing process, as well as saving cost in printing authorization form, and more than 60% postage fee for written correspondence between sales organizations, debiting banks and TDCC. The service has been successfully launched on July 31, 2017.

## IX. Provide automated information transmission service for offshore fund transactions by fund master agents

To provide offshore fund master agents with one-stop automated service, thus increasing their efficiency and reducing cost, TDCC planned to provide a linkage between fund transaction platform and information transmission platform. An automated straight-through transmission for master agent related transaction information was added, and the service was offered online on January 2018. The service provides integrated information of the platform, and high-quality, low cost and efficient services.

## X. Establish Depository Account Query System to provide diversified query channels

To cater to the requirements of government and investors, TDCC has provided query service for central depository since 2006. With most government agencies adopting electronic method in recent years, and with the increasing queries from investors (about 4,828 inquirers in 2017), TDCC will provide investors with a more convenient and complete query service. Through online query, investors are not restricted by time and location. It effectively reduces cost to apply for the service at the counter. The project will be launched and opened to investors on January 2, 2018.





## XI. FundRich Securities business promotion, advocates fund education

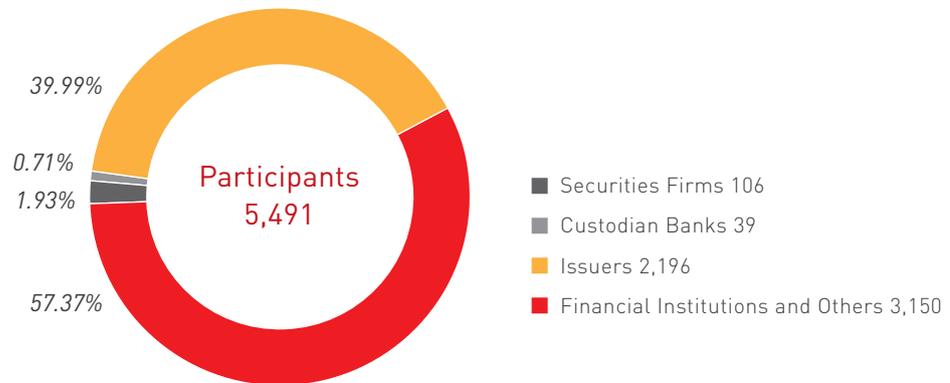
To assist young population in understanding and investing in Taiwan equity funds, and allow more investors to invest in their future at a comparatively low threshold and cost, TDCC cooperated with Securities Investment Trust & Consulting Association (SITCA) and Securities and Futures Institute (SFI), and delegated FundRich Securities in organizing two major events, "Featured Taiwan Fund" promotion and "Creating Winning Fund Program" simulation contest, which had attained outstanding results. TDCC continued to conduct "Retirement Corner", which was launched in stages in late December 2017. Along with the experts, 200 funds suitable for retirees were selected and put on FundRich Securities' Retirement Corner. In the future, it will progressively launch retirement calculator and retirement investment package, providing investors of age-limited retirement with appropriate investment plan.

## XII. In line with overall market's business development, provide related comprehensive services

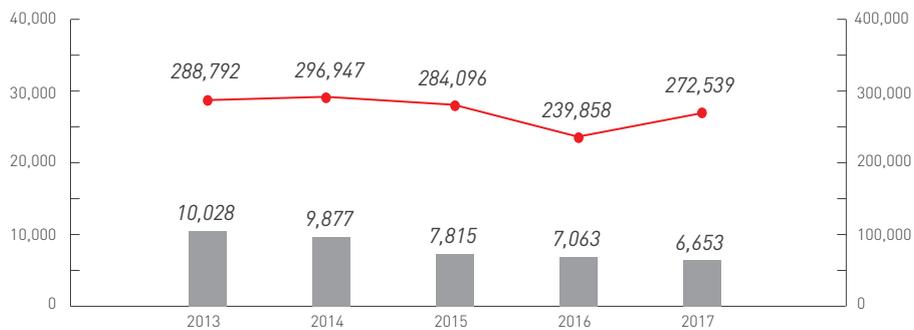
In response to government policies and the market's needs, TDCC has completed the following key tasks in 2017: (1) in line with the implementation of deposit and book-entry transfer mechanism of securities in central depository, actively cooperated with the Judicial Yuan in promoting book-entry transfer related services; (2) to raise young people's willingness to invest in stock, TDCC cooperated with securities firms in conducting book-entry transfer for systematic investment business; (3) catering to market players, provided payment service for securities firms which purchase domestic funds for investors with their own name; (4) in line with the competent authority's supervision requirements, assisted insurance companies in transferring all their international bonds back to the domestic for custody, and provided the competent authority with foreign currency denominated bond statistical analysis information; (5) established call (put) warrant automated operation mechanism, increasing operational efficiency of warrant issuers; (6) conducted Industry-Academia Internship Program and Financial Literacy for Youth (FLY) courses, which attained outstanding results.

## 2. Operational Performance

### Participants



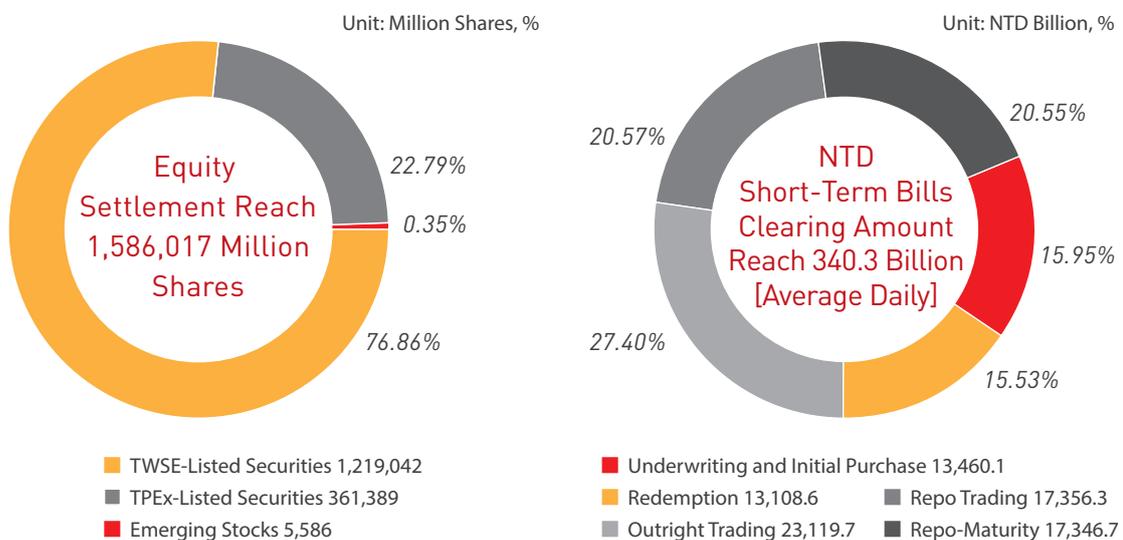
### Book-Entry Transfer Business



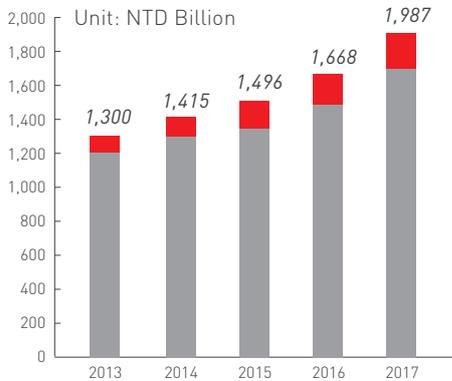
Accumulated Book-Entry Allotment of Equity Securities Reach 272,539 Million Shares

■ Number of Accounts [Thousand] —●— Number of Shares [Million]

### Clearing and Settlement Business

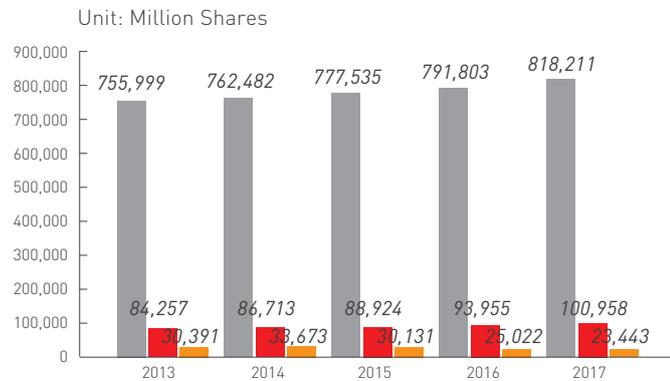


## Custody Business



Short-Term Bills Custody Balance Reach 1,987 Billion

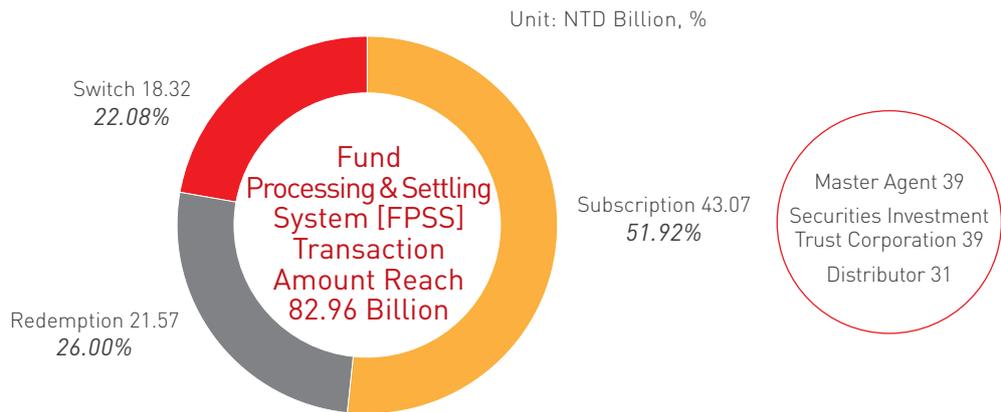
■ CP2/CP1/BA ■ NCD/ABCP/MN



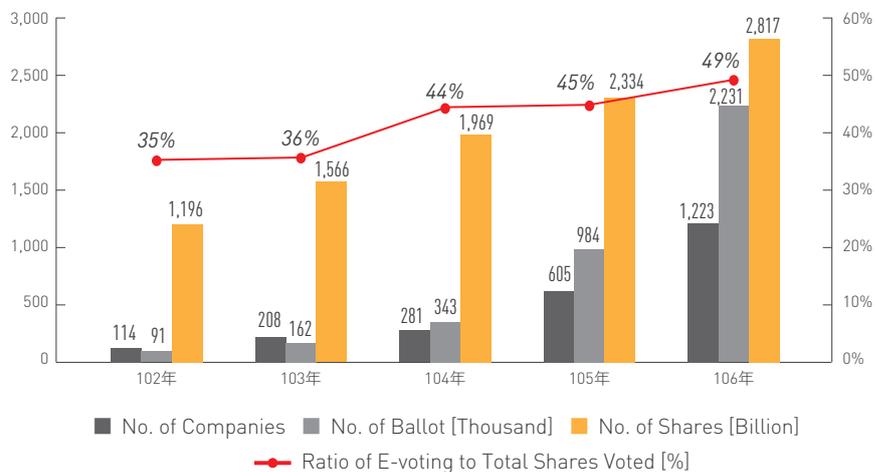
Central Depository Balance of Equity Securities Reach 942,612 Million Shares

■ TWSE-Listed Securities ■ TPEX-Listed Securities ■ Emerging Stocks

## Fund Business



## E-voting Business



# 2018 Business Plans

Looking ahead to 2018, TDCC's business development will adopt an international Fintech development trend, strategizing on business diversification and raising the operational efficiency of domestic settlement and custody. TDCC will continue to enhance central depository and book-entry transfer functions, make use of the payment mechanism of the Central Bank Interbank Funds Transfer System effectively to expand the service scope of securities, bonds and bills market, and provide more secure and efficient services. TDCC's 2018 key business plans are as follows:

## I. Enhance the functions of digitized integrated service platform and promote the operations

TDCC will make use of cloud technologies to continue to optimize and promote TDCC ePassbook App, providing users a more secure and efficient stock balance and passbook information inquiry mechanism. It will enhance corporate action platform, providing users with more comprehensive and prompt digitized services with its rich and diversified information, and convenient and simple operating procedures. It will progressively provide investors and securities market with a convenient and fast financial service environment. In addition, with its exclusive data and innovative Fintech applications in the securities market, TDCC will assist companies in raising their values and competitive advantage in the industrial chain.

## II. Promote the usage of TDCC issuance platform to commercial paper issuers and implement value-added services

In line with the Financial Supervisory Commission's policies and market requirements, TDCC implemented digitized issuance mechanism for commercial paper, efficiently simplified issuance operations for issuers. Besides continuing to encourage commercial paper issuers to make use of the issuance platform, and implement automated issuance registration, TDCC is planning to extend its platform functions by providing digitized issuance and redemption value-added services such providing issuers with account changes application service, redemption inquiry, recovery of redemption amount, and early redemption, etc. It will increase issuers' operational efficiency, reduce manual operating cost, and expand business between TDCC and issuers.

## III. Cooperate to advocate Taiwan's fund products and retirement education

In line with the competent authority's measures of boosting Taiwan stocks, TDCC will assist investors in getting to know high-quality Taiwan funds and encourages young people to participate in the country's capital market, expanding the scale of Taiwan funds and creating new fund momentum. Also, as fund is a mainstream product for pension planning, TDCC cooperates with relevant government agencies, SITCA, SFI, sales agencies, etc. to promote fund education, facilitating literacy of fund, and long-term development of the fund market.



#### IV. Carry out big data on e-voting and promote the Taiwan's corporate governance to the world

In line with the competent authority's regulation of adopting e-voting in shareholders meetings of all TWSE or TPEX listed companies by 2018, TDCC will carry out big data analysis on the e-voting, assess the implementation of shareholder activism, and enhance shareholders meeting quality, and provide these as reference to the competent authority for policy development and system reform, improving the country's corporate governance. TDCC conducted "100% E-Voting and Enhancement of Corporate Value" forum, establish investors relations integrated service platform in Chinese and English, and promote it in the international market, raising Taiwan's corporate governance. Also, TDCC will continue to enhance the "Shareholders Meeting E-voting Platform - Stewardship Statistics."

#### V. Enhance the functions of AML/CFT Screening Platform

In line with the competent authority's anti-money laundering regulations, and in response to the coming anti-money laundering evaluation by Asia/Pacific Group on Money Laundering (APG), TDCC has established AML/CFT Screening Platform and purchased Dow Jones anti-money laundering name list. As the service targets include financial and non-financial businesses, TDCC will continue to gather the opinions from the users, and assess areas and methods to be enhanced in the future. To cater to the requirements of the users, it will set appropriate charges based on the status of actual application usage and cost.

## Outlook

In the past year, with the guidance of the competent authority and full support from the industry, TDCC has shown stable growth in central depository, clearing and settlement, and book-entry transfers businesses, and has worked towards providing diversified services. Looking ahead to 2018, TDCC will continue to enhance registration and payment, book-entry transfers, clearing and settlement, payment service, corporate action, information transmission, market management, maintenance and operation of information system, maintenance and operation of personal information protection management, etc., to maintain secure operation in the market, providing market participants with more efficient operational environment. It will also continue to promote e-voting in shareholders meetings, strengthen the implementation of corporate governance, protect the rights of the shareholders, and create market synergy. It will continue to operate the Stock Museum, participate in the implementation of the competent authority's financial literacy programs, and continue to organize various types of charitable activities, fulfilling its corporate social responsibility.

Also, in business innovation, TDCC will actively cooperate with the competent authority in promoting the financial system to be in line with international standards, expand the scope of financial business, and encourage development of innovative financial products and services. It will study the methods of peers from other countries, be in line with global trend, develop diversified services, and introduce new policies and services in multinational business, cash flow business, Fintech business and market information integration. It will strive for excellence in business development, and together with its peers, to raise Taiwan's competitiveness in the securities industry, and promote a comprehensive development of our capital market.





*Company  
Introduction*



TDCC was formally known as Taiwan Securities Central Depository Co., Ltd. (TSCD), and was established in line with the direction of the competent authority to improve the efficiency of securities market and reduce the workload of processing paper securities, and provide 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 brought TSCD under the jurisdiction of the Ministry of Finance in July 2005, and permitted TSCD to merge it with Debt Instruments Depository and Clearing Co., Ltd. Taiwan (DIDC), which handles 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 the new entity was 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 the Taiwan Integrated Shareholder Service Company (TISSC) resolved to merge in November 2013. The merging was completed on March 24, 2014, with TDCC as the surviving company.

Through the above merging 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.

## 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. Its service scope has gradually shifted from equity products to more diversified products, such as fixed-income securities, bills, futures, mutual fund, corporate actions, etc. It provides registration, custody, clearing, settlement, information transmission, payment, e-voting and other value-added services. In the future, TDCC will provide domestic investment market more exquisite and better quality services.

## Shareholder Structure

As of the end of 2017, TDCC has 1,808 shareholders, comprising 106 institutional and 1,702 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 the end of 2017 is as follows:

December 31, 2017

Shareholders	Number of shares	Shareholding ratio
Taiwan Stock Exchange Corporation	182,795,919	50.59
Yuanta Securities Finance Co., Ltd.	31,727,276	8.78
Judicial persons (securities firms, financial institutions, bills dealers, etc.) and individuals	146,796,418	40.63

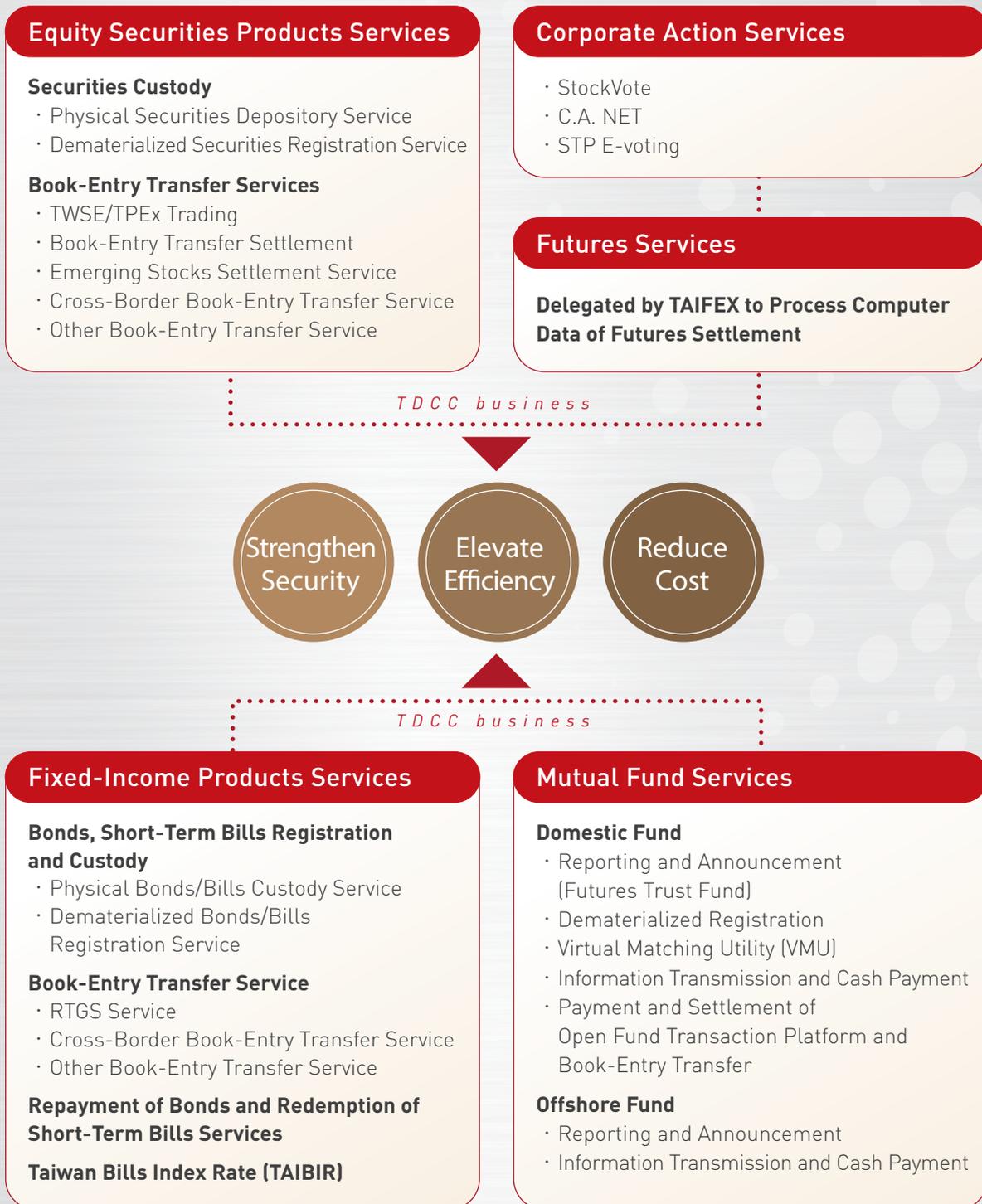
## Board of Directors and Supervisors

The board of directors has seven directors, representing the Taiwan Stock Exchange, Yuanta Securities Finance Co., Ltd. and Fubon Securities Co., Ltd. There are three supervisors, including one standing supervisor. The company's directors, supervisors and shareholder representatives are as follows:

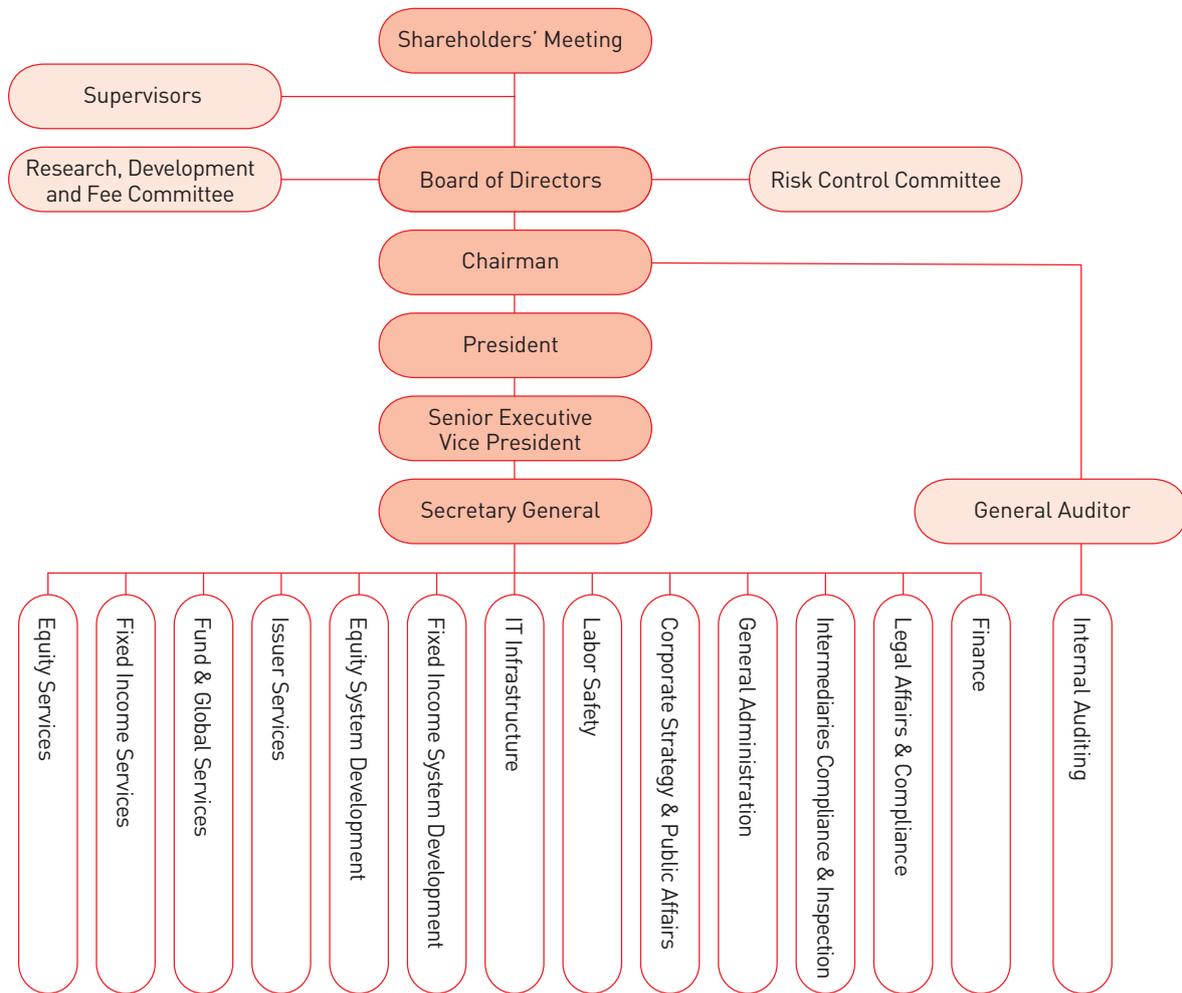
December 31, 2017

Title	Name	Shareholder Represented
Chairman	Sherman Lin	Taiwan Stock Exchange Corporation
Director	Hsu Jan-yau	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 Chen	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-Yin Hung	Taiwan Futures Exchange Corporation

# Main Business Scope



## Organization Chart



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

# Management Team







# DT TAIWAN DEPOSITORY & CC CLEARING CORP.





*Corporate  
Social  
Responsibility*

Corporate social responsibility has become a global trend since the beginning of its development, 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 its backend role in the securities market by providing secure, convenient and diversified services for the securities market, and increasing market service efficiency, it also actively participates in charitable activities, promotes financial literacy education and environmental protection, and spared no effort in fulfilling its corporate social responsibilities. Through concrete actions of giving back to the society, welfare and underprivileged groups, TDCC aims to implement the concept of corporate care, and fulfill its social responsibilities.



# Social Charity

## ◎ Conduct Industry-Academia Internship Program

In response to the policies rolled out by the Financial Supervisory Commission, and with the guidance of the competent authority, TDCC engaged peripheral units such as Taiwan Stock Exchange, Taipei Exchange and Taiwan Futures Exchange in cooperating with the Department of Technological and Vocational Education and the Department of Higher Education of the Ministry of Education, to establish Industry-Academia Internship Program. Together with the peripheral units, it actively establishes specific methods in promoting industry-academia cooperation. It encourages TWSE or TPEX listed companies (including financial industry) to provide internship for the country's tertiary students, and job opportunities upon their graduation, assisting schools in cultivating talents required by enterprises, satisfying enterprises' need of staffing, and increasing job opportunities.

## ◎ Continue to conduct Financial Literacy for Youth (FLY) Courses

In line with the competent authority's policy of encouraging financial industry to contribute to social charity, TDCC cooperates with peripheral units of financial, securities and futures units in promoting 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. It aims to assist needy tertiary youths to obtain stable and well-paid finance jobs, and help their families in overcoming financial stress, establishing a "new life, financial dream" future.

## ◎ Continue to sponsor Sports Talent Cultivation Program

In view of the promotion of New Breakthroughs through Competitive Edge program by School Physical Education Division to enhance the training mechanism of outstanding sports talents, TDCC sponsors basic training for focus sports at schools, so as to cultivate more seeded sportsmen and promote the development of focus sports. It also supports potential sportsmen by providing them with the environment or competition funding for them to train at ease, increasing their competencies in winning medals, and together contribute to the development of sports. The focus sports sponsored by TDCC in 2017 include archery, football, badminton and speed skating, which benefited 14 schools.

## ◎ Continue to organize After School Care Program

In line with the competent authority's promotion of financial industry contributing to social charity, support government educational policies, and show concern for rural areas' education problem, 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. The 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.



### ◎ Social Charity Donation

- Donate to family support center and participant in charitable activities for the less privileged
- Donate to Shiding Elementary School's Cultural and Creative Talents Program
- Donate to Hualien Rural Elementary School Talent Development Program
- Donate empty blood bags and organize blood donation activities
- Company's anniversary cum charitable donation and charity bazaar
- Donate to supplies bank, purchase household supplies regularly, and assist rural, poor or distress families
- Donate to Finance Service Charity Carnival organized by Taiwan Federation of Financial Unions
- Donate to Kanner Support Group and Taipei Autism Children Social Welfare Foundation
- Donate to Taichung City Fire Bureau's Rescue Brigade
- Donate to Eden Social Welfare Foundation
- Donate to Innovation Venture Fund

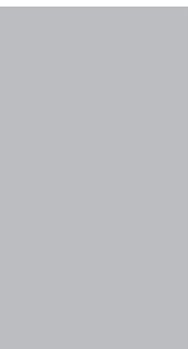


# Financial Education

## ◎ Taiwan Stock Museum has been established for five years, and has become an important base for domestic financial literacy education

Taiwan Stock Museum has been established for five years. Through the exhibits of stock evolution process, collectibles, documentation and interactive multi-media, 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 five years of establishment, it has attracted more than 100,000 visitors, which fully portray the efficiency of financial literary education.

Taiwan Stock Museum continues to cooperate with the department of finance of tertiary institutions in selecting outstanding students as guides, and organizes various types of teaching packages as field trips for schools from various levels. The exhibits are portrayed using interactive multi-media, bringing out the characteristics of the museum in an interesting way, which are well received by the public.



© Continue to optimize and maintain Taiwan Securities and Futures Virtual Museum website functions and content

Taiwan Securities and Futures Virtual Museum website was launched on February 31, 2015. Coinciding with Fintech era, TDCC implements Augmented Reality (AR) technologies and uses 360 degree surround shot 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, unrestricted by distance, geographical location and time.

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

To assist the competent authority in promoting financial literacy, TDCC continues to entrust Securities and Futures Institute (SFI) in conducting the yearly Financial Literary Lectures at Campus this year, allowing students to acquire financial knowledge in a progressive and systematic manner. It enables them to gradually apply the knowledge on their personal financial management, and increase personal financial literacy. From 2008 to 2017, TDCC entrusted SFI in conducting the program, and a total of 237 lectures were hosted at tertiary schools in northern, central, southern and eastern Taiwan, as well as in offshore islands, with the number of participants reaching 30,798. In 2017, 32 sessions were conducted, with a total of 3,756 participants.

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

TDCC continues to sponsor 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, 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 shorten the gap between the curriculum of colleges' finance department and actual practice, and include financial practice into the general education of tertiary institutions' department of finance.

# Environmental Protection



## Electronic Central Depository Operations (e-service)

### ◎ Promote dematerialized issuance of securities

In line with the competent authority's promotion of dematerialized issuance of securities, TDCC has in July 2011, implemented dematerialized issuance of securities for TWSE listed, TPEX listed and emerging companies. It reduces issuance cost and increases market's operational efficiency, in line with global trend and the concept of environmental protection. The number of physical securities saved could stack up to 44 Taipei 101, and go round Taiwan 14 times.

### ◎ Build shareholders meeting e-voting platform

TDCC completed the establishment of electronic voting platform for shareholders meeting, and named it StockVote (website: [www.stockvote.com.tw](http://www.stockvote.com.tw)) upon gathering opinions from the public. Officially in operation since March 2007, 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.

### ◎ Promote ePassbook

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 ePassbook App, a mobile passbook which was officially launched in late March 2017. 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. Digitized passbook not only saves social resources, resolves the problem of safekeeping the passbook and inconvenience of carrying it, it also reduces securities firms' manpower in issuing the passbook and serving the customers. Mobile passbook leads the securities market towards Fintech era, as well as supports the government's energy-saving and carbon reduction policy, and actively implements a green service.

### ◎ Online automated service for issuers

To provide quality service and support a paperless environment, TDCC changed the operations of shareholder services units from the paper application method to electronic automated process.

### ◎ Established (C.A.Net) Corporate Action Network

TDCC established C.A.Net Corporate Action Network to provide electronic service for information transmission and handling of split voting application between the custodian banks and

shareholder services units. Corporate Action information transmission operations such as dividend distribution and preferential tax rate between custodian banks and shareholder services units are also included into the service scope of C.A.Net Corporate Action Network.

#### ◎ Issuance of commercial paper in dematerialized form

To promote dematerialization of short-term bills in the country'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. Digitized operation saves manpower cost and reduces the risk of manual operation, which significantly increases the efficiency and security of commercial paper issuance.

#### ◎ Straight Through Processing (STP)

TDCC and Broadridge, an international organization that handles proxy voting services, signed the memorandum of understanding and confidentiality agreement, and launched the project at end of 2014. 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 efficiency of voting process, reducing operational risk, and saving overall manpower.

#### ◎ Provide digital report generation system (e-Report)

To save participants' storage space in safekeeping physical reports and facilitate subsequent usage and access, TDCC has since March 2001, implemented online transmission of report and enquiry system (e-Report System). Participants may login to TDCC's website with their pre-set user ID and password, to apply for replacement, enquire or print their reports and related historical information, making participants' operations more convenient and secure.

#### ◎ Handle 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, and upon approval by the competent authority, it provides CD media queries or dedicated electronic queries, which significantly increases efficiency and saves 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 query their application status, unrestricted by time and location.

#### ◎ Established offshore structured products declaration and announcement platform

TDCC established offshore structured products declaration and announcement platform, and adopted electronic method for the related application documents, and provided registration functions for new products, change of product content, advanced redemption, etc. in compliance with goal of energy saving, carbon reduction and paperless environment.

# **Supervisors'** **Report**

To the 2018 Annual Shareholders' Meeting,  
Taiwan Depository & Clearing Corporation

The Board of directors have compiled and submitted to us for examination the 2017 balance sheets, statements of comprehensive income, statements of changes in equity, statements of cash flows, consolidated financial statements, operations report and proposal for earning distribution for year 2017, 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.

Taiwan Depository & Clearing Corporation

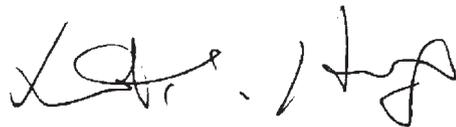
## **Standing Supervisor**

*Hung-Wen Chien*



## **Supervisors**

*Dr. David S. Hong*



*Chia-Yin Hung*



April 25, 2018

# Internal Control Statement

Based on self-assessment, the following declaration is made regarding the Taiwan Depository & Clearing Corporation (hereinafter referred to as TDCC) internal control system for the period from January 1, 2017 to December 31, 2017 :

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 21, 2018.

Taiwan Depository & Clearing Corporation

**Chairman & CEO**

Sherman Lin

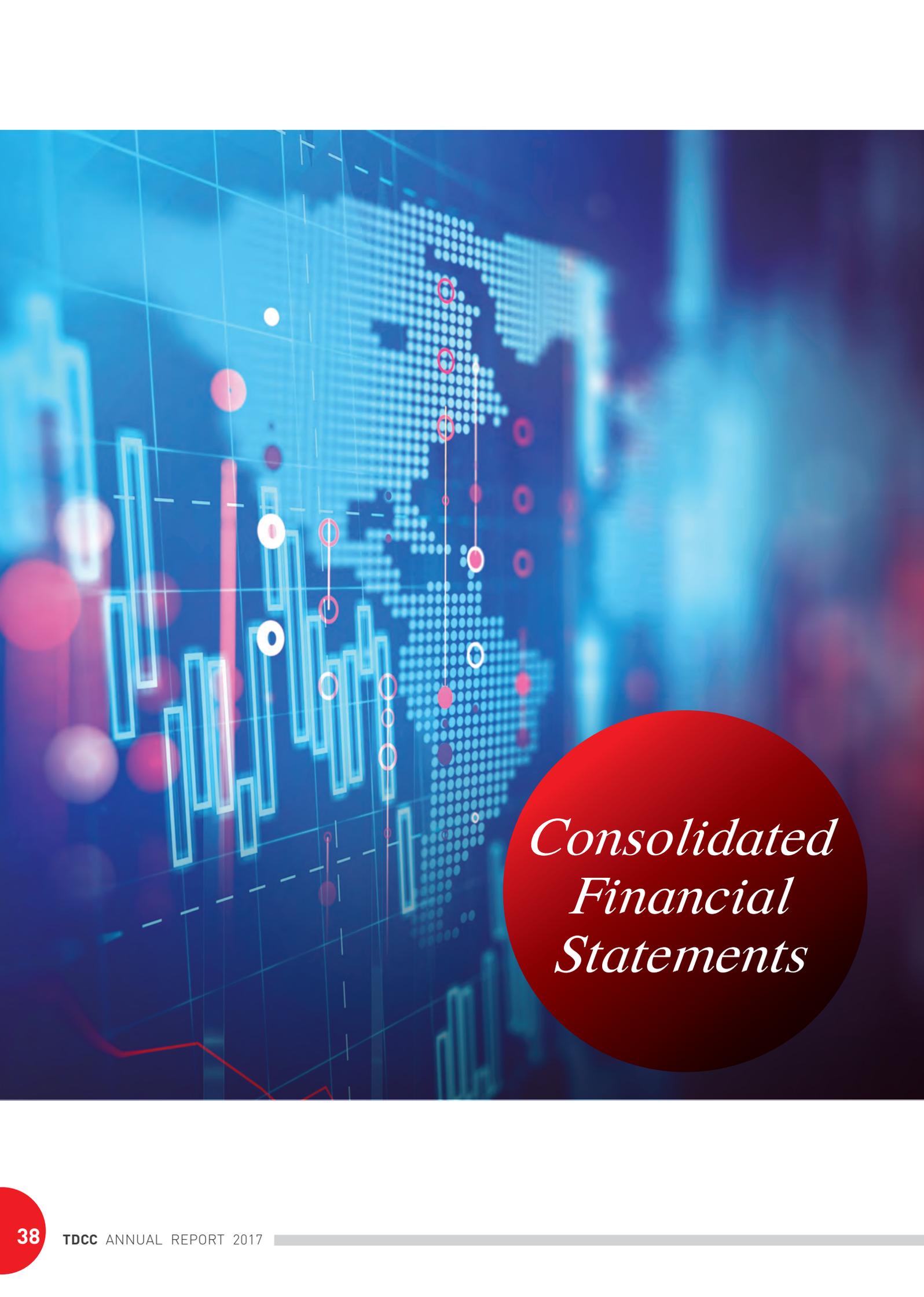


**President**

Ching-Li Meng



February 21, 2018



*Consolidated  
Financial  
Statements*

# 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 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 2017, the Group's principal operating revenues amounted to \$2,784,426 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 12, as of December 31, 2017, the Group had cash and cash equivalents of \$3,023,076

thousand, other financial assets (time deposits with original maturities more than three months) of \$3,501,248 thousand, default damage fund of \$2,473,845 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, 2017 and 2016 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, 2017 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 21, 2018

### 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, 2017 AND 2016

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 3,023,076	11	\$ 2,762,652	11
Financial assets at fair value through profit or loss - current	2,170,076	8	2,053,172	9
Available-for-sale financial assets - current	30,113	-	-	-
Held-to-maturity financial assets - current	2,002,847	8	1,853,959	8
Other financial assets - time deposits with original maturities of more than 3 months	3,501,248	13	3,018,778	13
Notes and accounts receivable, net				
Unrelated parties	273,125	1	175,432	1
Related parties	151,030	1	92,044	-
Current tax assets	12	-	11	-
Other financial assets - other	1,175,268	4	513,033	2
Other current assets	164,000	1	177,187	1
Total current assets	<u>12,490,795</u>	<u>47</u>	<u>10,646,268</u>	<u>45</u>
<b>NONCURRENT ASSETS</b>				
Held-to-maturity financial assets - noncurrent	8,389,076	32	7,803,204	33
Available-for-sale financial assets - noncurrent	1,601,704	6	1,379,638	6
Financial assets measured at cost - noncurrent	12,000	-	12,000	-
Default damage fund	2,473,845	9	2,362,714	10
Investments accounted for using the equity method	83,751	-	79,864	-
Property and equipment	717,198	3	688,720	3
Investment properties	228,416	1	231,693	1
Intangible assets	132,499	-	77,408	-
Goodwill	237,545	1	237,545	1
Deferred tax assets	9,397	-	10,506	-
Refundable deposits	147,551	1	143,811	1
Operation guarantee deposits	70,000	-	70,000	-
Other noncurrent assets	277	-	277	-
Total noncurrent assets	<u>14,103,259</u>	<u>53</u>	<u>13,097,380</u>	<u>55</u>
<b>TOTAL</b>	<u>\$ 26,594,054</u>	<u>100</u>	<u>\$ 23,743,648</u>	<u>100</u>

(In Thousands of New Taiwan Dollars)

<b>LIABILITIES AND EQUITY</b>	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>CURRENT LIABILITIES</b>				
Accrued expenses	\$ 509,452	2	\$ 476,865	2
Current tax liabilities	258,203	1	112,621	1
Receipts under custody	1,095,159	4	443,462	2
Other current liabilities	50,050	-	70,745	-
Total current liabilities	1,912,864	7	1,103,693	5
<b>NONCURRENT LIABILITIES</b>				
Deferred tax liabilities	34,007	-	31,679	-
Guarantee deposits	73,484	-	53,196	-
Net defined benefit liabilities	424,006	2	364,250	2
Total noncurrent liabilities	531,497	2	449,125	2
Total liabilities	2,444,361	9	1,552,818	7
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION</b>				
Capital stock	3,613,196	14	3,525,069	15
Capital surplus	478,569	2	481,196	2
Legal reserve	2,382,417	9	2,238,594	10
Special reserve	13,686,618	51	13,039,416	55
Unappropriated earnings	2,189,748	8	1,517,742	6
Other equity - unrealized gain on available-for-sale financial assets	1,472,944	6	1,250,673	5
Total equity attributable to owners of the Corporation	23,823,492	90	22,052,690	93
<b>NON-CONTROLLING INTERESTS</b>	326,201	1	138,140	-
Total equity	24,149,693	91	22,190,830	93
<b>TOTAL</b>	<b>\$ 26,594,054</b>	<b>100</b>	<b>\$ 23,743,648</b>	<b>100</b>

TAIWAN DEPOSITORY & CLEARING CORPORATION AND SUBSIDIARIES  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Securities settlement	\$ 720,507	16	\$ 552,892	16
Securities recording	913,191	20	646,532	18
Maintenance services	388,320	9	366,237	10
Transfer processing services	460,980	10	411,625	12
Bills and bonds clearing and custodial services	1,150,728	26	944,898	26
Futures clearing services	321,864	7	219,345	6
Securities registration and distribution services	91,688	2	84,186	2
Mutual fund services	207,942	5	176,624	5
Brokerage fee	33,091	1	2,136	-
Others	196,380	4	166,091	5
Total operating revenues	4,484,691	100	3,570,566	100
<b>OPERATING EXPENSES</b>				
Personnel	1,057,165	24	1,044,431	29
General and administrative	1,224,998	27	1,106,863	31
Total operating expenses	2,282,163	51	2,151,294	60
<b>OPERATING INCOME</b>	2,202,528	49	1,419,272	40
<b>NONOPERATING INCOME</b>				
Interest income	212,506	5	208,863	6
Net gain arising on financial assets designated as at FVTPL	4,837	-	5,155	-
Share of profit of subsidiaries and associates accounted for using equity method	13,090	-	12,874	-
Dividend income	43,410	1	42,145	1
Gain on disposal of available-for-sale financial assets	1,202	-	2,786	-
Other income	17,667	-	25,267	1
Other expenses	( 17,432)	-	( 7,973)	-
Total nonoperating income	275,280	6	289,117	8

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

	2017		2016	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,477,808	55	\$ 1,708,389	48
INCOME TAX EXPENSE	( 425,850)	( 9)	( 296,936)	( 9)
NET INCOME	2,051,958	46	1,411,453	39
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	( 15,375)	( 1)	( 31,414)	( 1)
Share of the other comprehensive income of associates and joint ventures accounted for using equity method	( 374)	-	( 605)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	64	-	103	-
	( 15,685)	1	( 31,916)	1
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	222,271	5	195,292	6
Other comprehensive income for the year, net of income tax	206,586	4	163,376	5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 2,258,544	50	\$ 1,574,829	44
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,095,603	47	\$ 1,438,226	41
Non-controlling interests	( 43,645)	1	( 26,773)	1
	\$ 2,051,958	46	\$ 1,411,453	40
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 2,302,189	51	\$ 1,601,602	45
Non-controlling interests	( 43,645)	1	( 26,773)	1
	\$ 2,258,544	50	\$ 1,574,829	44
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic earnings per share	\$ 5.80		\$ 3.98	



*Financial  
Statements*

# 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 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 2017, the Corporation's principal operating revenues amounted to \$2,784,426 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 12, as of December 31, 2017, the Corporation had cash and cash equivalents of

\$2,900,336 thousand, other financial assets (time deposits with original maturities more than three months) of \$3,041,248 thousand, and default damage fund of \$2,473,845 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, 2017 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 21, 2018

### *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, 2017 AND 2016

ASSETS	2017		2016	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 2,900,336	11	\$ 2,624,461	11
Financial assets at fair value through profit or loss - current	2,150,045	8	1,983,040	8
Available-for-sale financial assets - current	30,113	-	-	-
Held-to-maturity financial assets - current	2,002,847	8	1,853,959	8
Other financial assets - time deposits with original maturities of more than 3 months	3,041,248	12	3,018,778	13
Notes and accounts receivable, net				
Unrelated parties	265,333	1	175,180	1
Related parties	151,030	1	92,757	-
Other financial assets - other	1,175,045	4	512,999	2
Other current assets	151,416	-	174,187	1
Total current assets	11,867,413	45	10,435,361	44
<b>NONCURRENT ASSETS</b>				
Held-to-maturity financial assets - noncurrent	8,389,076	32	7,803,204	33
Available-for-sale financial assets - noncurrent	1,601,704	6	1,379,638	6
Financial assets measured at cost - noncurrent	12,000	-	12,000	-
Default damage fund	2,473,845	9	2,362,714	10
Investments accounted for using the equity method	452,623	2	226,129	1
Property and equipment	709,374	3	683,209	3
Investment properties	228,416	1	231,693	1
Intangible assets	127,569	-	76,435	-
Goodwill	237,545	1	237,545	1
Deferred tax assets	9,397	-	10,506	-
Refundable deposits	145,000	1	141,773	1
Other noncurrent assets	277	-	277	-
Total noncurrent assets	14,386,826	55	13,165,123	56
<b>TOTAL</b>	<b>\$ 26,254,239</b>	<b>100</b>	<b>\$ 23,600,484</b>	<b>100</b>

(In Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	2017		2016	
	Amount	%	Amount	%
<b>CURRENT LIABILITIES</b>				
Accrued expenses	\$ 497,305	2	\$ 472,387	2
Current tax liabilities	258,203	1	112,621	1
Receipts under custody	1,095,159	4	443,462	2
Other current liabilities	49,157	-	70,199	-
Total current liabilities	1,899,824	7	1,098,669	5
<b>NONCURRENT LIABILITIES</b>				
Deferred tax liabilities	34,007	-	31,679	-
Guarantee deposits	72,910	-	53,196	-
Net defined benefit liabilities	424,006	2	364,250	2
Total noncurrent liabilities	530,923	2	449,125	2
Total liabilities	2,430,747	9	1,547,794	7
<b>EQUITY</b>				
Capital stock	3,613,196	14	3,525,069	15
Capital surplus	478,569	2	481,196	2
Legal reserve	2,382,417	9	2,238,594	10
Special reserve	13,686,618	52	13,039,416	55
Unappropriated earnings	2,189,748	8	1,517,742	6
Other equity - unrealized gain on available-for-sale financial assets	1,472,944	6	1,250,673	5
Total equity	23,823,492	91	22,052,690	93
TOTAL	\$ 26,254,239	100	\$ 23,600,484	100

TAIWAN DEPOSITORY & CLEARING CORPORATION  
**STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017		2016	
	Amount	%	Amount	%
<b>OPERATING REVENUES</b>				
Securities settlement	\$ 720,507	16	\$ 552,892	16
Securities recording	913,191	20	646,532	18
Maintenance services	388,320	9	366,237	10
Transfer processing services	460,980	10	411,625	12
Bills and bonds clearing and custodial services	1,150,728	26	944,898	26
Futures clearing services	321,864	7	219,345	6
Securities registration and distribution services	91,688	2	84,186	2
Mutual fund services	207,942	5	176,624	5
Others	211,970	5	169,369	5
Total operating revenues	4,467,190	100	3,571,708	100
<b>OPERATING EXPENSES</b>				
Personnel	992,271	22	1,007,657	28
General and administrative	1,179,470	27	1,079,307	31
Total operating expenses	2,171,741	49	2,086,964	59
<b>OPERATING INCOME</b>	2,295,449	51	1,484,744	41
<b>NONOPERATING INCOME</b>				
Interest income	211,098	5	208,290	6
Net gain arising on financial assets designated as at FVTPL	4,696	-	4,976	-
Share of profit of subsidiaries and associates accounted for using equity method	( 34,637)	( 1)	( 25,073)	( 1)
Dividend income	43,410	1	42,145	1
Gain on disposal of available-for-sale financial assets	1,202	-	2,786	-
Other income	17,667	-	25,267	1
Other expenses	( 17,432)	-	( 7,973)	-
Total nonoperating income	226,004	5	250,418	7

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

	2017		2016	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,521,453	56	\$ 1,735,162	48
INCOME TAX EXPENSE	( 425,850)	( 9)	( 296,936)	( 8)
NET INCOME	2,095,603	47	1,438,226	40
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	( 15,375)	-	( 31,414)	( 1)
Share of the other comprehensive income of subsidiaries and associates accounted for using equity method	( 374)	-	( 605)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	64	-	103	-
	( 15,685)	-	( 31,916)	( 1)
Items that may be reclassified subsequently to profit or loss:				
Unrealized gain on available-for-sale financial assets	222,271	5	195,292	6
Other comprehensive income for the year, net of income tax	206,586	5	163,376	5
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 2,302,189	52	\$ 1,601,602	45
EARNINGS PER SHARE (NEW TAIWAN DOLLARS)				
Basic earnings per share	\$ 5.80		\$ 3.98	

TAIWAN DEPOSITORY & CLEARING CORPORATION  
**SCHEDULE FOR APPROPRIATION OF EARNINGS**

FOR YEAR 2017

(In New Taiwan Dollars)

	<b>Amount</b>	<b>Amount</b>
Earnings, beginning of year		\$ 109,830,125
Add:		
Remeasurement of defined benefit plans	(\$ 15,375,399)	
Share of the other comprehensive income of associates	( 310,176)	( 15,685,575)
Adjusted unappropriated retained earnings		94,144,550
<b>Net income in 2017</b>		<b>2,095,602,778</b>
Reserved items :		
Legal reserve ( 10% )	( 209,560,278)	
Special reserve ( 29% )	( 607,724,806)	( 817,285,084)
<b>Earnings available to appropriation in 2017</b>		<b>1,372,462,244</b>
Appropriation of earnings :		
Stockholder's cash dividends ( NT\$3.25 per share )	( 1,174,288,742)	
Stockholder's stock dividends ( NT\$0.25 per share )	( 90,329,910)	( 1,264,618,652)
<b>Unappropriated retained earnings at end of 2017</b>		<b>\$ 107,843,592</b>



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