



證券櫃檯買賣中心
Taipei Exchange

2019

ANNUAL REPORT



TPEX





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CHAPTER 1 GREETINGS

GROW AND DEVELOP THROUGH TOIL AND PERSEVERANCE

After 25 years of relentless efforts, Taipei Exchange (TPEX) has evolved into a multi-functional and multi-tiered exchange that offers a main board, an emerging stock board (ESB), and an Incubation Board for Startup and Acceleration Firms (GISA) while continuously developing a bond market and innovative products. TPEX has been endeavoring to enhance the services and depth of capital market, to build efficient financing channels, to foster the growth of small and medium sized enterprises, and to provide a fair and efficient trading environment. Meanwhile, TPEX encourages all listed, registered companies to improve society and contribute to sustainable development.

In 2019, we focused our efforts on expanding the size of TPEX market, strengthening issuer supervision, upgrading information transparency, maintaining fair and efficient trading systems, and developing bond and diverse products. We also strove to enhance investor protection, improve our organizational structure, and strengthen international relations to facilitate steady growth of our market. Although year 2019 was marked by political and economic turmoil worldwide, it was also a rewarding year for TPEX market investors. The total market capitalization of stocks listed on TPEX Mainboard rose from NT\$2,826.6 billion in the beginning of 2019 to NT\$3,433.5 billion at the end of the year. The value of our Mainboard stocks held by investors increased approximately NT\$607 billion over the year, which means a paper profit of more than 20% for investors. As for return on investment that most investors care about, the cash dividend yield of Mainboard stocks averaged 3.65%,



with more than 388 Mainboard listed companies reporting a dividend yield over 3%. Bond ETF market posted an average interest distribution rate of 2.31%. After factoring in the interest distribution, the total return of the market reached as high as 8.7%, a return rate far superior to the majority of other fixed-income securities.

The outstanding performance of TPEX has been well recognized internationally. We have been designated as “Designated Offshore Securities Market (DOSM)” by the United States Securities and Exchange Commission (SEC) in September 2019. We were also reported by Scientific American in its Taiwan Healthcare and Life Sciences Review, suggesting our supervisory mechanism, safe and fair trading systems, and achievements in fostering industrial growth have caught international attention.

Encouraging listing on TPEX

In support of government’s 5+2 Industrial Innovation Plan, we continued to visit companies in key industries, including biomedical, agricultural technology, cultural and creative, smart machinery, green energy technology, Internet of Things, Big Data and national defense and aerospace. We promoted business in Thailand, China, Vietnam, Singapore and Malaysia and visited local enterprises there. Although the IPO activity in 2019 was affected by international political and economic turmoil with some companies postponing their IPO application, TPEX still had 20 new listings in the year with a total of 775 companies listed on the Mainboard at the end of 2019.

Developing diverse products to meet investment demands

To meet the demands of investors for index investing, TPEX launched the TPEX 200 index on March 27, 2019. As the best representation of Taiwan's SME stocks, TPEX




200 index posted outstanding performance in 2019, rising 24.58% over the year with a volatility level of 13.63%. Currently index futures, index warrants, exchange-traded notes (ETN) and callable bull/bear contracts that link to TPEX 200 have been launched. With a complete product line in place, it is suitable for investors to engage in investment, hedging and cross-commodity strategic trading activities.

In support of government's policy and to promote development of product diversification and International Bond Market, we amended the Rules Governing Management of Foreign Currency Denominated International Bonds in 2019 to include Sukuk (a form of Islamic fixed-income securities) into the scope of International Bonds and allow foreign issuers to issue foreign currency denominated Sukuk on the professional board. We have also established ETN regulation on issuance and trading to help securities firms expand their business scope while enabling retail investors to buy and sell ETNs in the stock market. As of the end of 2019, 6 ETNs were listed on TPEX.

Rapid development of green finance

In support of government's energy transformation policy and to promote the visibility and internationalization of our green bond market, TPEX continues to promote green bonds and green securitized products. In 2019, we had 14 green bonds issued with a total issue amount of NT\$50.21 billion. We hosted the 2019 Taipei Green Bond International Conference in November, inviting representatives of organizations that develop green bond principles, including International Capital Market Association



(ICMA) and Climate Bonds Initiative (CBI) as well as experts in green bond accreditation, issuance and underwriting to attend. The conference was a success and helped enhance the visibility and internationalization of our green bond market.

A healthy and growing capital market has been the core value of our economic growth and the cornerstone of happy society. Looking to the future, we will continue to encourage quality enterprises to list on TPEx market, promote sound bond market development, launch new trading systems, develop diverse financial products, and strengthen corporate governance to add depth and diversity to Taiwan's capital market.



Chairman



Managing
Director & CEO



CHAPTER 2

INTRODUCTION



Organizational Structure



Products and Services



ORGANIZATIONAL STRUCTURE

The board of directors, consisting of 15 directors and 5 supervisors, is the highest executive body of the Taipei Exchange. The chairman convenes and presides over board meetings, and represents TPEx. Under the board, there is one Managing Director & CEO who manages organization business, along with one to two deputy CEOs and one Chief Administrative Officer to assist the Managing Director & CEO.

TPEx has ten departments, namely, Startup Incubation, Listing Examination, Listing Supervision, Trading, Bond, Market Surveillance, Information, Intermediaries Service, Administration, and Strategy & International Relations departments. Besides, an Internal Audit Office is subordinate to the board of directors.



Directors

Philip Chen
Shean-Bii Chiu
Chien-Fu Lin
Louis Chen
Ming-Chien Cheng

Edith Lee
Sherman H.M. Lin
Huo Dang Lin
Chun-Hong Chen
F. J. Shiue

Alex Jiunn-Chih Wang
Suming Lin
Conrad C. Chang
Ming-Hong Ho
Lih-Chung Chien



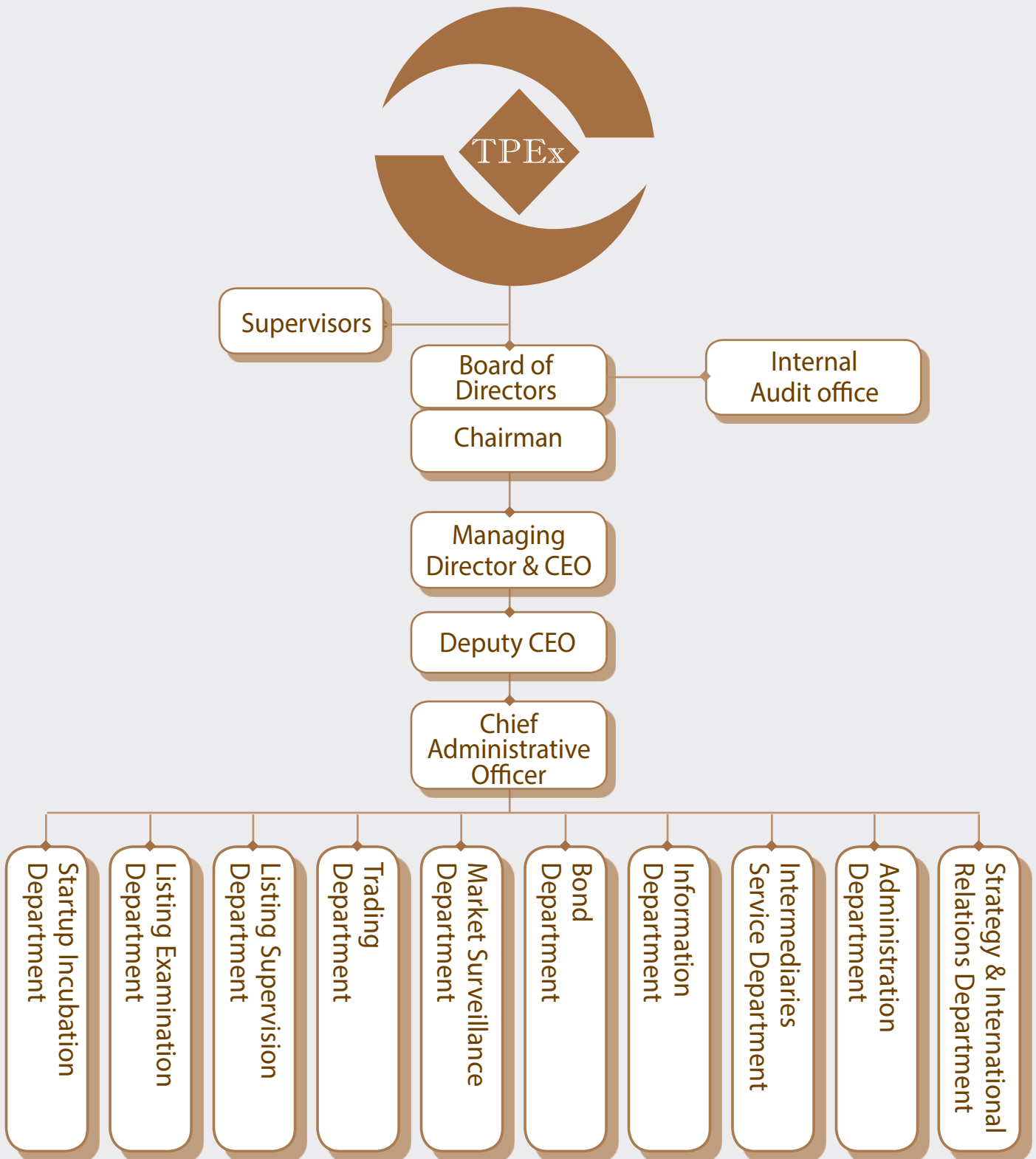
Supervisors

Yung-Hsin Wang
Yo-Phy Huang

Kuei-Tseng Wang
Yin-Hua Yeh

Thomas K.H. Wu

Organization Chart







PRODUCTS AND SERVICES

OUR PRODUCTS

◆ Emerging Stock Board (ESB)

- Emerging Stocks

◆ Go Incubation Board for Startup and Acceleration Firms (GISA)

◆ Mainboard

- TPEX main board stocks
- Taiwan depositary receipts (TDR)
- Convertible/exchangeable corporate bonds
- Call (put) warrants
- Exchange-Traded Funds (ETF)
- Exchange-Traded Notes (ETN)

◆ Bonds

- Government bonds
- Financial debentures
- Beneficiary certificates of securitized products
- Straight corporate bonds
- Convertible/exchangeable corporate bonds
- Corporate bonds with warrants
- Foreign bonds
- International bonds
- Stripped bonds



◆ Derivatives

- Interest rate derivatives
- Bond derivatives
- Equity derivatives
- Credit derivatives
- Convertible/ Exchangeable bond asset swap
- Structured notes

◆ Listed Open-ended Funds

◆ Gold



◆ Equity Crowdfunding Platform (mandated by FSC)

◆ Industry Value Chain Information Platform

◆ Market Observation Post System (MOPS)

CHAPTER 3

BUSINESS PERFORMANCE



A Comprehensive Multi-tiered
Capital Market



An Outstanding Bond Market

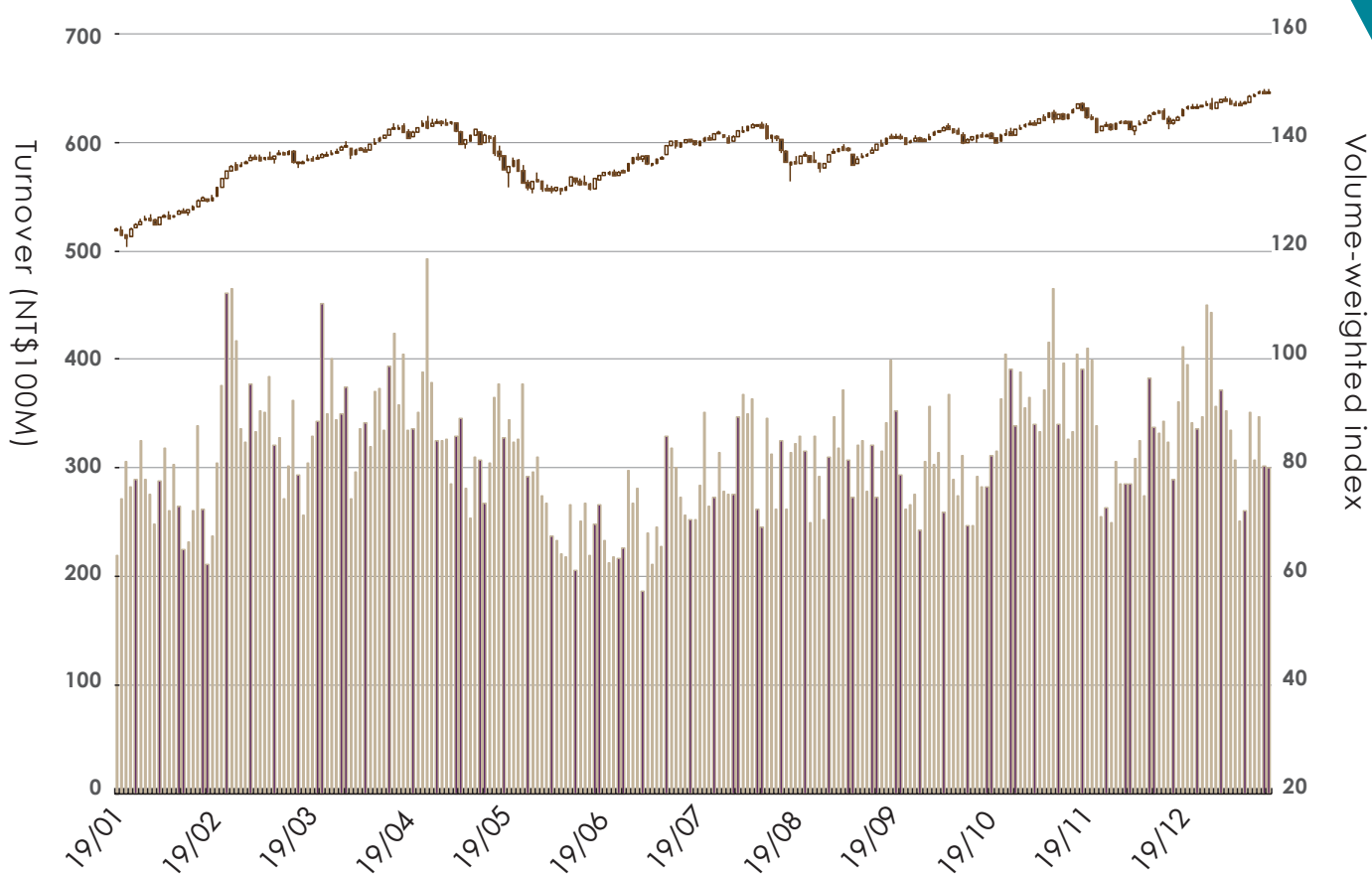


Innovative Market Systems

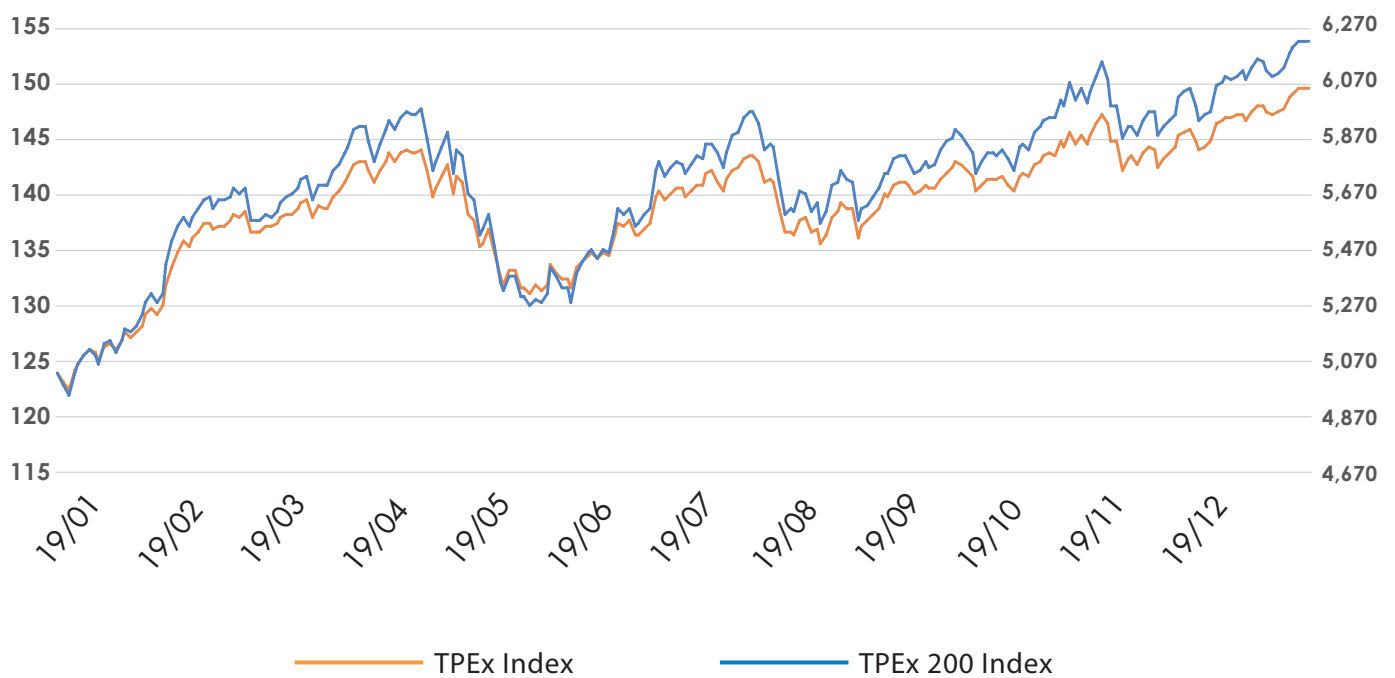


International Interaction and
Promotion

Trend of TPEx Index in 2019

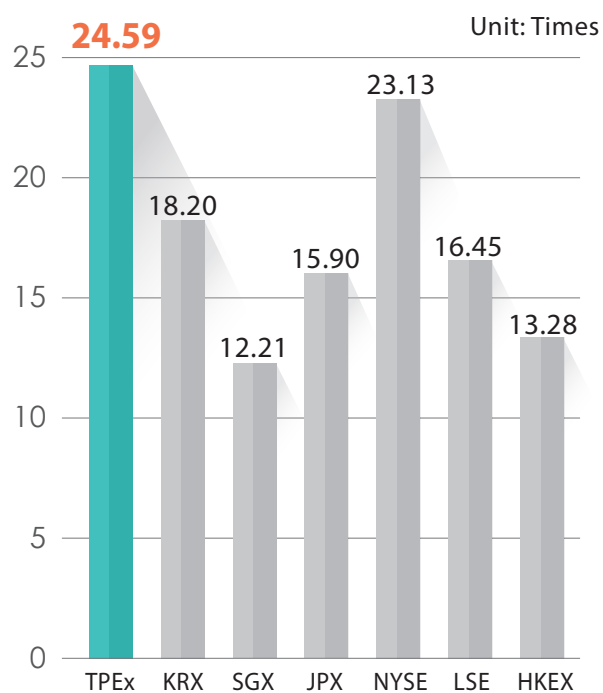


TPEX Index & TPEX 200 Index



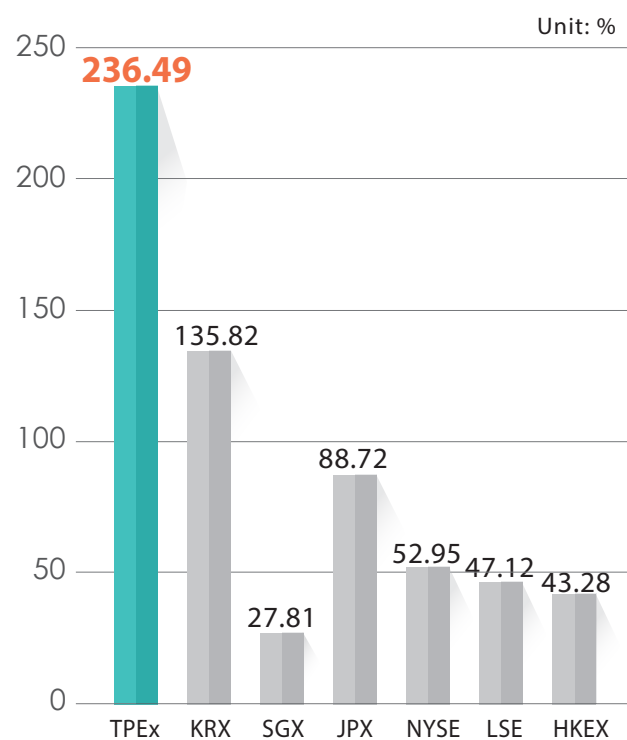


High P/E Ratio



Source: Securities and Futures Bureau, "Indicators of Securities & Futures Market", the end of Jan 2020

High Turnover Rate



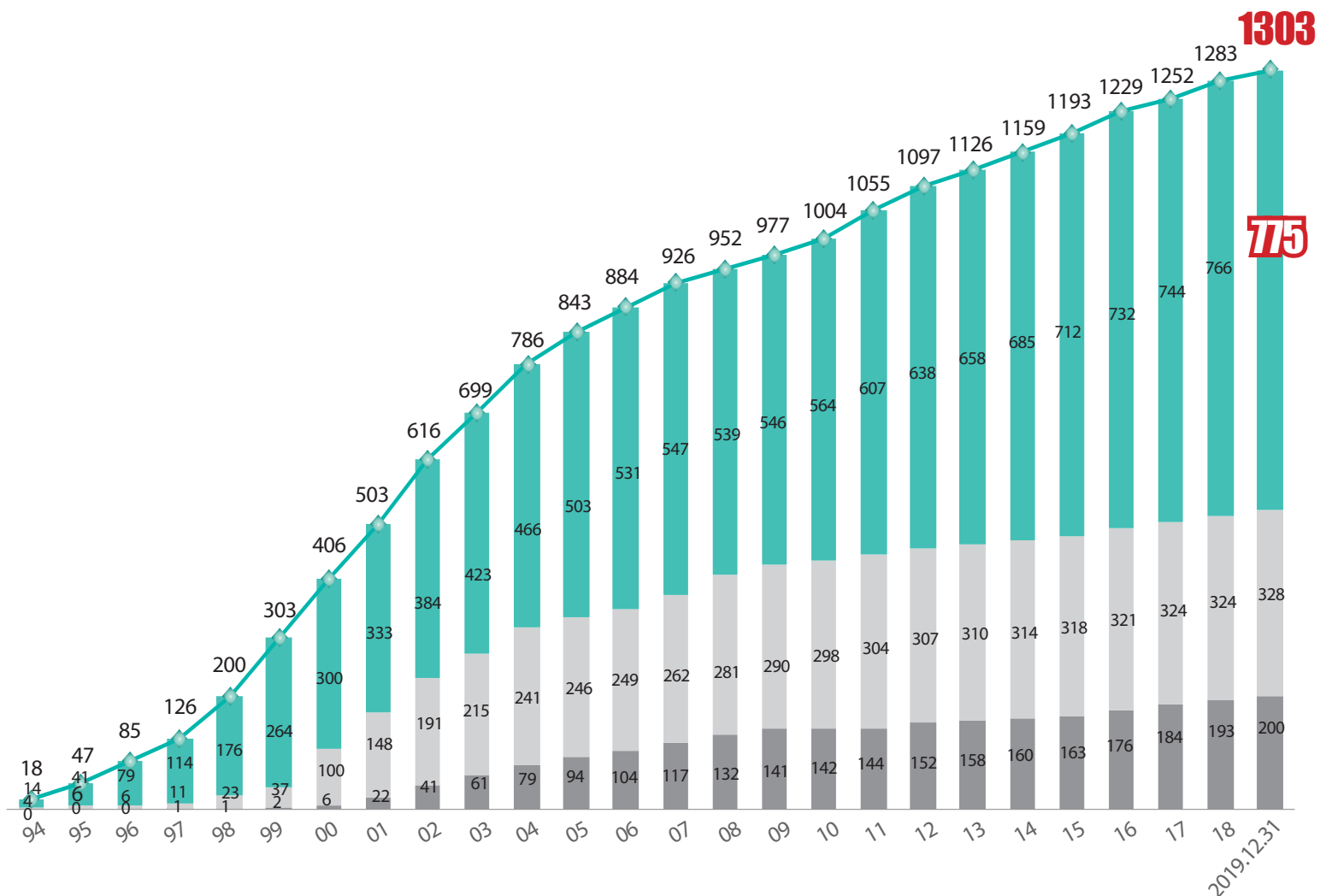
Source: Securities and Futures Bureau, "Indicators of Securities & Futures Market", the end of Jan 2020

TPEX Listing

Accum. No. of TPEX Listed Companies **1303**

Yr-end TPEX Listed Companies: **775**

Accum. No. of De-listed Companies: **200**



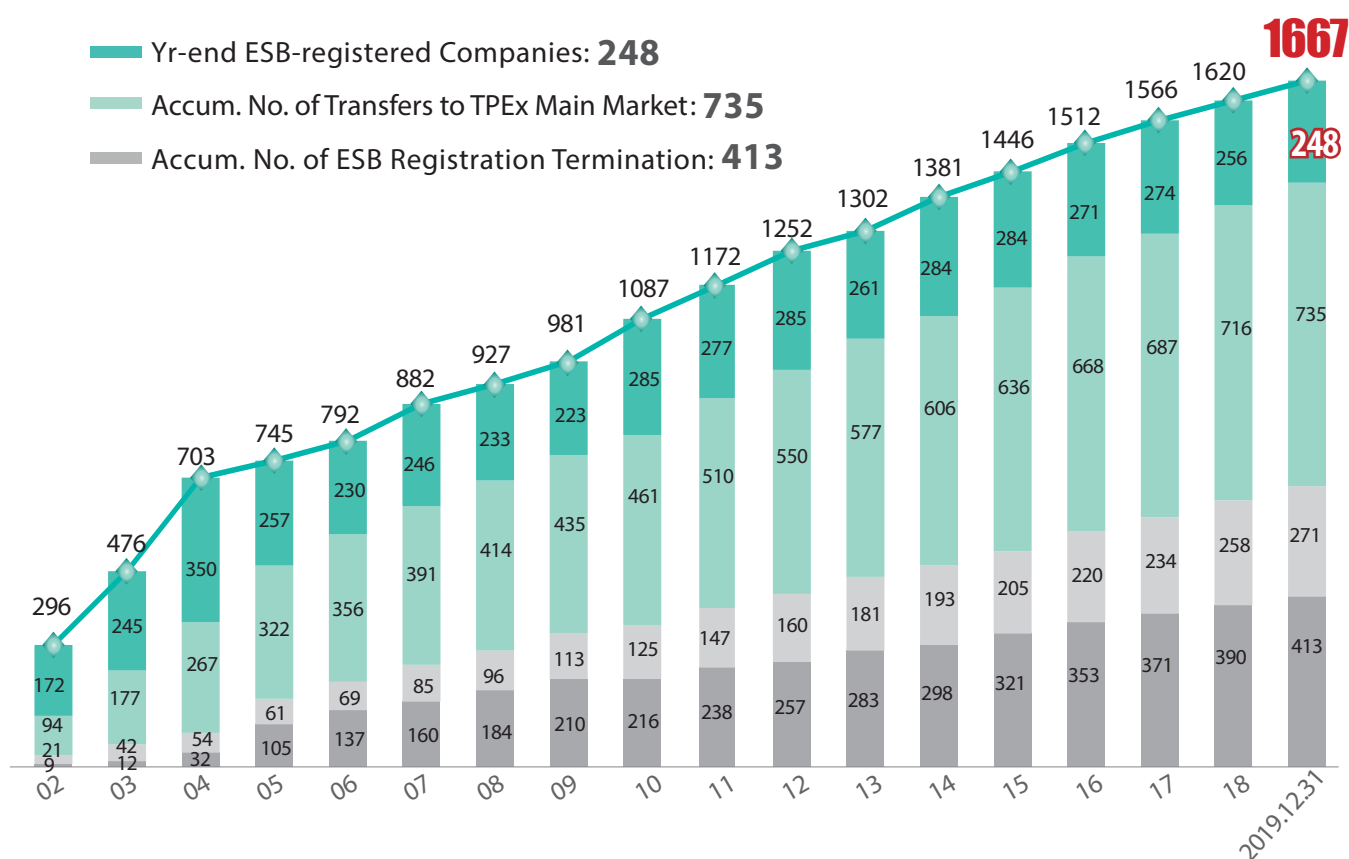
ESB Registration

Accum. No. of Emerging Stock Board Registered Companies **1667**

Yr-end ESB-registered Companies: **248**

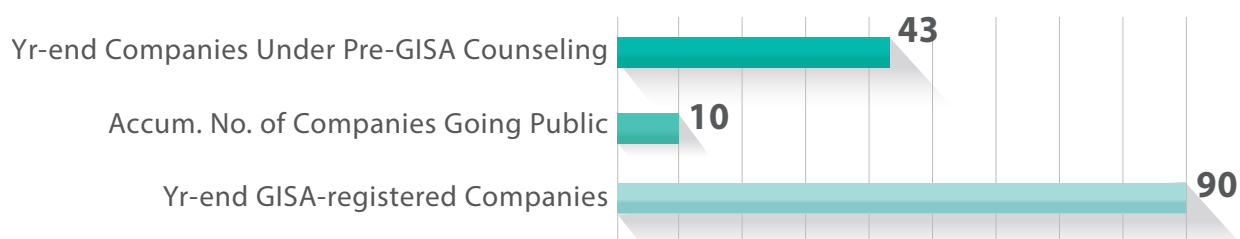
Accum. No. of Transfers to TPEX Main Market: **735**

Accum. No. of ESB Registration Termination: **413**



GISA

Accum. No. of GISA Applicants **366**





A COMPREHENSIVE MULTI-TIERED CAPITAL MARKET

I . Total Market Capital of TPEX Mainboard Stocks-NT\$3,433.5Billion

The TPEX index closed at 149.36 at the end of 2019, up 25.82 or 20.90% in comparison with 123.54 at the end of 2018. The TPEX 200 index launched in 2019 rose 24.58% for the year. Total market capitalization of stocks listed on TPEX Mainboard rose from NT\$2,826.6 billion at the beginning of 2019 to NT\$3,433.5 billion at the end of the year, an increase of 21.5% while TPEX market continues to grow.

II . Daily Average Turnover on TPEX - NT\$36.249 Billion

The international securities markets experienced significant volatility under the impact of the US-China trade war. However, average daily turnover on TPEX (including stocks, ETFs, warrants and convertible (exchangeable) corporate bonds) grew 1.2% from 2018, reaching NT\$ 36.249 billion, indicating the strong momentum of TPEX market.



III. The Number of Mainboard and Emerging Stocks Grows Steadily

There were 20 IPO companies on the TPEx Mainboard and 47 newly registered companies on the Emerging Stocks Board in 2019. This took TPEx's total number of equity market companies to more than 1,000, including 775 Mainboard companies and 248 ESB companies at the end of the year.

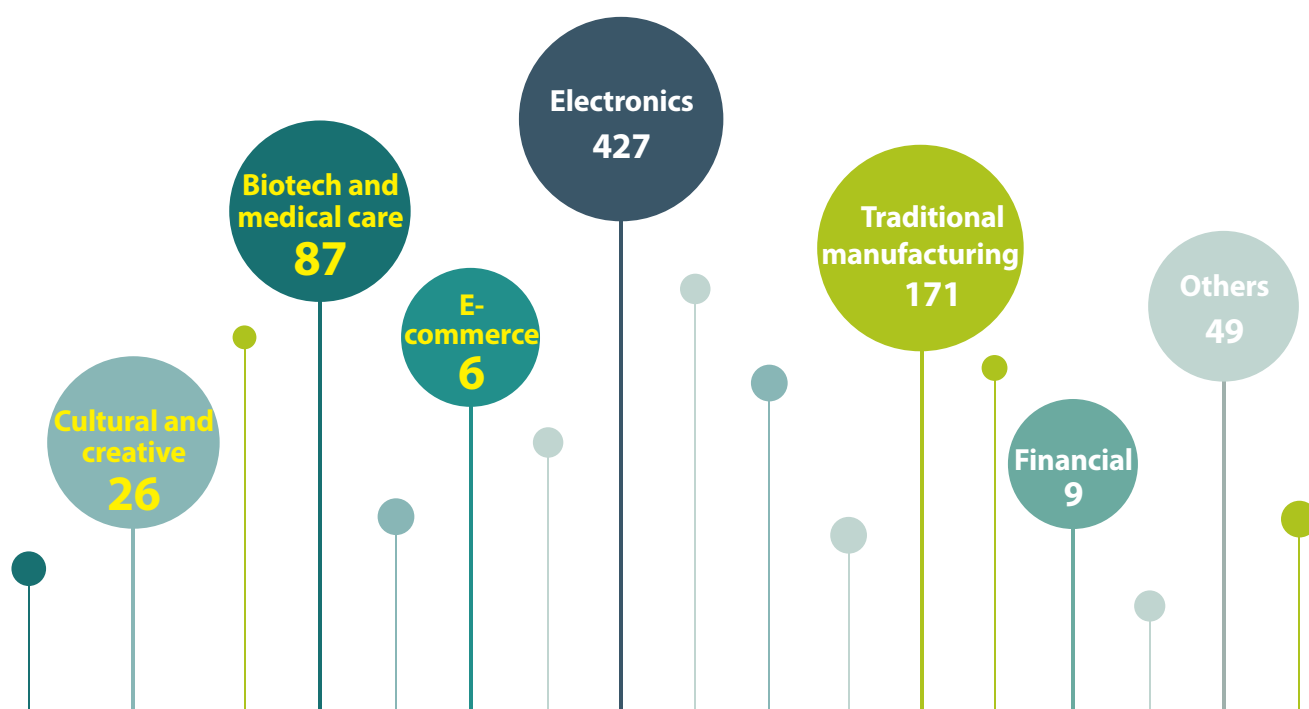
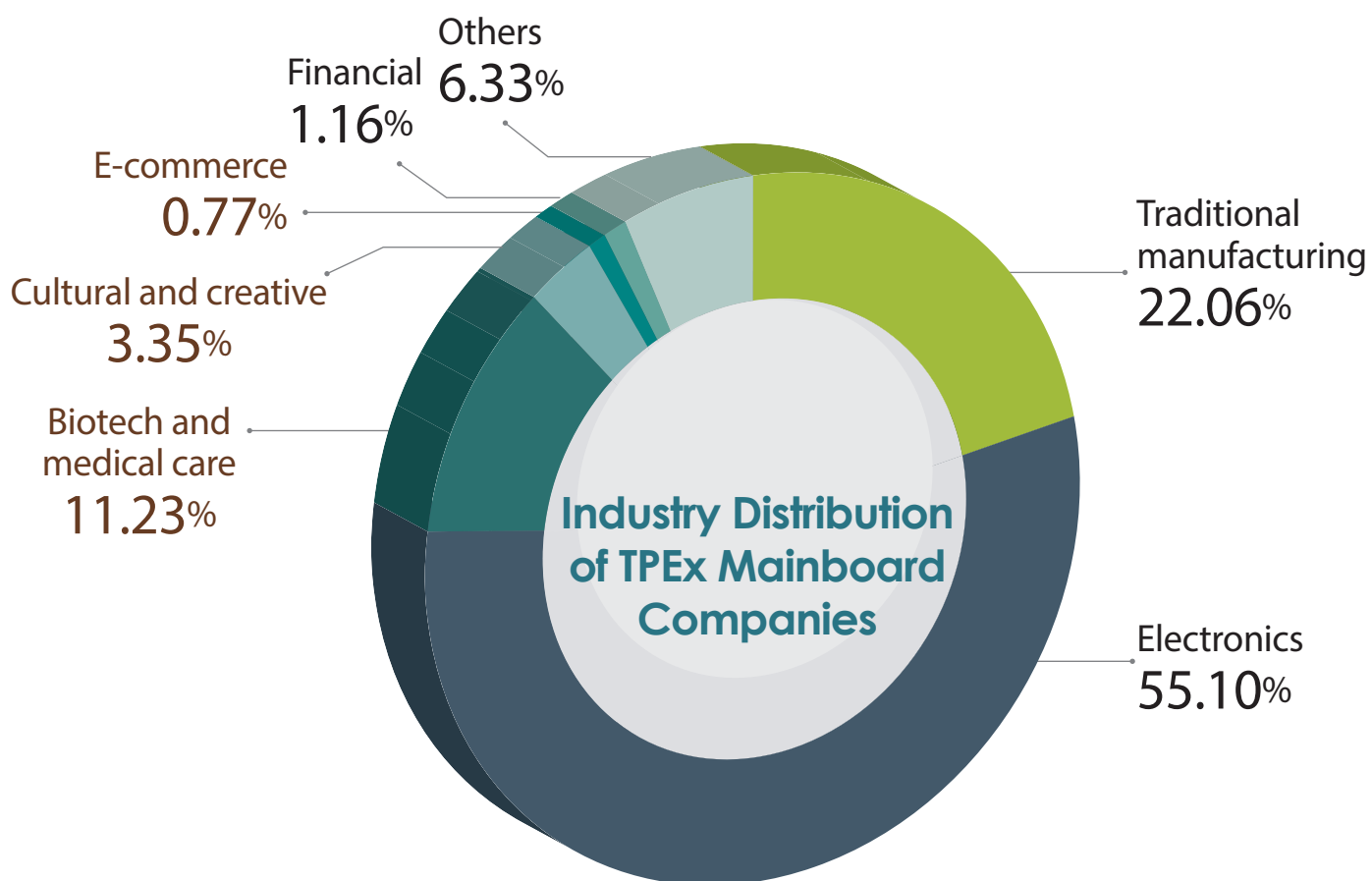
IV. Successful Promotion of Listing of Companies in Characteristic Industries

In support of government's 5+2 Industrial Innovation Plan, TPEx actively promotes the entry of companies in biomedical, agricultural technology, cultural and creative, smart machinery, green energy technology, Internet of Things, Big Data and national defense aerospace industries into TPEx market. In 2019, 7 companies that applied for listing on TPEx Mainboard and 19 companies that applied for ESB registration are in innovative industries, accounting for more than one third of all applications for the year and with altogether 12 applicants from biotech/ medical care industry.



V. Innovative Firms Account for **15.35%** of Companies Listed on TPEX Mainboard

The percentage of innovative and technology-intensive firms among companies listed on TPEX Mainboard reached 15.35% in 2019. Those firms have formed industry clusters, namely biomedical (such as medical devices and distribution, pharmaceuticals R&D, genetics and biotech, etc.), cultural and creative (such as games, combinative business of life and culture, etc.), and e-commerce. As the clustering effects gradually appear, more and more domestic or overseas companies in the same cluster would be attracted to join the TPEX market. It will help draw the attention of investors and make it easier for listed companies to raise funds so as to achieve optimal financial arrangements, growth and sustainable development.



Unit: Company
Source: TPEX statistics, 31 December 2019



VI. Average Cash-Dividend Yield of Mainboard Stocks Reached 3.65%

In 2019, TPEX Mainboard companies paid NT\$118.444 billion cash dividends to their shareholders, which is more than NT\$102.968 billion paid out in 2018. In 2019, 531 Mainboard companies (about 70%) distributed cash dividends, and 20 of them paid dividends of more than NT\$10 per share. The average cash dividend yield of Mainboard stocks reached 3.65% with more than 388 Mainboard companies delivered a yield of more than 3%. These figures showed that many Mainboard companies with good fundamentals are highly competitive, enjoy stable profit growth, and reward investors with a higher return than time deposits.

VII. Foreign Investment on TPEX Market Weights 22.21%

The total TPEX stock holding by foreign investors has risen steadily in recent years, growing to 22.21% of the TPEX market capitalization as of the end of 2019. It shows the confidence of foreign investors in our economic momentum and their recognition of the high-quality companies listed on TPEX.



VIII. Building a Friendly Financing Environment for Startups

In 2019, 18 companies registered on the fundraising board GISA (Go Incubation Board for Startup and Acceleration Firms, pre-IPO), and 37 companies applied for pre-GISA counseling service. There was a total of 90 GISA companies in 2019. 5 of which went public and 3 of which were transferred to ESB. TPEX fosters micro and small-sized companies through GISA. In the effort to promote the GISA system and increase the exposure and visibility of GISA companies, TPEX hosted a “GISA Investment Forum”, inviting GISA companies with growth potential to demonstrate their products and make presentations. TPEX also took GISA companies to attend large exhibitions, such as Meet Taipei, BIO Asia and InnoVEX (a feature exhibit of Computex Taipei) to enhance their visibility while promoting TPEX business. TPEX also set up a booth in those exhibitions to promote TPEX and the GISA system.



IX. Outstanding Achievement in the Promotion of Corporate Governance

In the efforts to improve the practices of listed companies in corporate governance and corporate social responsibility (CSR), TPEX continued to visit Mainboard companies to promote the awareness of CSR and ethical management among listed companies. TPEX also held workshops to advocate corporate governance evaluation, evaluation rules amendment notice, investor conference practice, and CSR report production.

In coordination with the new Corporate Governance Roadmap promoted by the competent authority, TPEX required Mainboard companies to meet the following criteria in 2019: obtain liability insurance for directors and supervisors, independent directors shall comprise more than 50% of the compensation committee, companies in financial industry and non-financial companies with paid-in capital of more than NT\$10 billion shall appoint a chief corporate governance officer.

In addition, in coordination with government efforts in promoting the core values of ethics and integrity to private sectors, TPEX amended some clauses of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” in reference to ISO-37001 Anti-bribery management systems.



X. Rising Number of Mainboard Companies Publishing CSR Report

As more and more institutional investors pay attention to non-financial information disclosure, TPEx coordinates with the GRI Standards and assists corporations to raise awareness of the development of sustainability and healthy competition. TPEx encourages Mainboard companies to produce CSR reports in accordance with said Standards and obtain third-party assurance. Hopefully it will increase the comparability and disclosure quality of the non-financial information of Mainboard companies. As of year-end 2019, 116 Mainboard companies have published 2018 CSR reports; 70 of them produced the report voluntarily, while 46 were required to do so. There were also 44 companies that have obtained independent assurance for their CSR reports.



AN OUTSTANDING BOND MARKET

I. Continuing to Expand and Advance the Developments of International Bond Market

There were 120 International Bonds issued in 2019 that amounted to NT\$786,756 million in total issue size. The outstanding balance was around NT\$ 5.2 trillion at the end of 2019. In addition, in a move to assist investors in bond trading and valuation, TPEX further expands the disclosure of fair prices of International Bonds by establishing a fair price information disclosure mechanism for fixed-rate, non-callable USD-denominated International Bond on December 16, 2019. The theoretical values of USD-denominated International Bonds with different redemption provisions and interest payment conditions are posted on TPEX website daily for market reference.

II. Outstanding Balance of Green Bonds Hit More Than NT\$100 Billion

The green bond market continued to report robust growth in 2019 with 14 green bonds issued in the year with issue amount totaling NT\$50.21 billion, which is over 50% more than the issue amount of NT\$33.307 billion in 2018. It brings the total number of green bonds listed on TPEX to 36 with a combined outstanding balance of NT\$103.422 billion. TPEX has also completed the listing system for securitized products of green assets in 2019 to provide investors with more investment opportunities and options in the near future.



III. The Assets Under Management of Bond ETF Reaches NT\$1.2 Trillion, No.1 in Asia.

The assets under management of bond ETFs listed on TPEx leapfrogged from NT\$351.2 billion at the beginning of 2019 to NT\$1,278.3 billion at the end of the year with the number of listing increasing to 94 and far leading other bond ETF markets in Asia. The TPEx bond ETF market accounts for 75% of the domestic ETF market (approx. NT\$1.7 trillion), making it the largest product type in the domestic ETF market. Thanks to the rapid growth of bond ETF, the assets under management of onshore funds outranked that of offshore funds the first time ever in 2019. TPEx has also been pushing for the diversification of bond ETF investors in recent years. As of year-end 2019, there were 40,883 investors trading TPEx-listed bond ETFs, an increase of 26,289 investors, which far exceeds the increase of 9,695 investors in 2018.



IV. Trading Value of Registered Foreign Bonds Reaches a Record High

As of year-end 2019, 78 securities firms offered the brokerage service of trading foreign bonds. A total of 2,630 foreign bonds were newly registered by securities firms in the year, of which 2,102 were USD-denominated bonds. It has become the most popular wealth management product in the market. The total trading value of registered foreign bonds amounted to NT\$ 8,307.2 billion in 2019, a new record since the business was launched in 2014.

V. Establishing the Supervisory System for International Bonds with Total Loss-absorbing Capacity (TLAC)

In consideration of how regulators in various countries deal with global and domestic systemically important banks and how they adopt the total loss-absorbing capacity (TLAC) standards, TPEX decided to put the issuance and



market supervision of TLAC eligible International Bonds under administration after comparing and analyzing the regulatory frameworks of other countries. In 2019, 21 TLAC bonds totaling NT\$76.802 billion were issued.

VI. 2019 Taipei Green Bond International Conference

In the efforts to enhance the visibility and promote the internationalization of our green bond market, TPEX hosted the 2019 Taipei Green Bond International Conference on November 6, 2019, inviting representatives of organizations that develop green bond principles, including International Capital Market Association (ICMA) and Climate Bonds Initiative (CBI) as well as experts in green bond accreditation, issuance and underwriting to attend. The conference discussed topics such as development trends and challenges of green bond market, and the experience of offshore wind power industry using green finance instruments. The conference was a success and is expected to advance our green bond market and promote the development of financing instruments for offshore wind power.



INNOVATIVE MARKET SYSTEMS

I . TPEX Launches the TPEX 200 Index

TPEX launched the TPEX 200 Index (index code: IX0118) on March 27, 2019. With the base value set at 5,000 points, TPEX 200 Index selects top 200 TPEX-listed stocks ranked by liquidity and market value as constituents. The liquidity of index constituents is reviewed quarterly to promptly reflect the current market situation. The market values of index constituents combined account for 70% of total market cap of TPEX-listed stocks, while their trading value represents 90% of market turnover. TPEX 200 Index closed at 6229.05 at the end of 2019, registering a gain of 24.58% since its launch and outperforms the TPEX market index.

II . Outstanding Performance in the Commercialization of TPEX 200 Index

TPEX 200 index exhibits great volatility, a feature favored by index investors. Its ups and downs are easy to observe and remember and it is a viable representation of the movement of small-to-medium-sized stocks. Because



of its many advantages, it has caught widespread attention since its launch. So far, Taiwan Futures Exchange, 11 securities firms and 1 futures commission merchant have applied for index licensing and offered index futures, index warrants, exchange-traded notes (ETN) and callable bull/bear contracts (leveraged products) that link to TPEX 200 and form a complete product ecosystem. It is suitable for investors to engage in investment, hedging and cross-commodity strategic trading activities.

III. A New Force on TPEX - Exchange-traded Notes (ETNs)

For the purposes of meeting investor demands for product diversity, assisting securities firms in expanding their business and developing financial manpower, TPEX has introduced the listing system for exchange-traded notes (ETNs), allowing securities firms to offer ETN and apply for listing on TPEX and allowing small investors to buy and sell ETNs in the stock market that adds dynamism to the TPEX market. ETNs have caught the attention of investing public since the first batch of 3 ETNs were listed on TPEX on April 30, 2019. As of year-end 2019, the outstanding balance of 6 listed ETNs totaled NT\$1.47 billion.



IV. Allowing the Issuance of Sukuk by Foreign Issuers in Taiwan

In a move to further diversify products in the International Bond Market, meet the demands of professional investors for diverse investment options and risk dispersion, TPEX amended the “Rules Governing Management of Foreign Currency Denominated International Bonds” on June 14 2019 to include Sukuk into the scope of professional-board International Bonds. TPEX also assisted in completing tax and investment related rules and requirements on Sukuk while continuing to encourage foreign issuers to issue Sukuk in Taiwan. QIB Sukuk Ltd. (Qatar Islamic Bank) issues the first Sukuk in Taiwan on February 7, 2020. It injects new momentum into the TPEX market to diversify products in the market.

V. Developing the Exit Mechanism for TPEX Listed Companies

To prevent the finance and business of a listed company from deteriorating further when its net worth as indicated in its financial report is less than one-half of its stated share capital or when its CPA issues an audit report or review report indicating substantial uncertainty about the company’s ability to continue as a going concern,



and to urge listed companies with persistently low net worth or difficulty in continuing operations to improve their business operations and financial structure so as to safeguard the interests of investors, TPEX amends relevant rules stipulating that if a listed company is indicated by its CPA in the financial report that there is significant uncertainty with regard to its ability to continue as a going concern or that its net worth falls below 30% of its share capital, the trading of company stocks on TPEX will be suspended if the company fails to make improvement in 3 years time after TPEX has placed its stock under altered trading method or periodic trading, and the trading of company stock will be terminated if the company still fails to make improvement in 6 months after trading suspension (i.e. delisted). The aforementioned measure starts to apply to CPA-audited (or reviewed) 2019 financial reports submitted by listed companies. It aims to enhance the quality and efficiency of TPEX market.

VI. Requiring Domestic Listed Companies to Hold Investor Conference

To render the information of listed companies more transparent and raise the awareness of listed companies to investor relations management, TPEX requires that starting 2020, a domestic listed company shall hold independently or be invited to take part in investor conference inside the ROC territory at least once every three years.



VII. Adding Event-Related Suspension Mechanism for ESB Companies

To enhance efficiency and fairness in the securities market and make sure there is sufficient time for a material corporate event that occurs to or is announced by an ESB company during the trading hours to be made public so as to reduce information asymmetry and protect the interests of investors, TPEX develops an event-related suspension mechanism for emerging stocks as follows: if an emerging stock company has some material event to be announced or if its board of directors makes a resolution on a material event (e.g. merger, acquisition, split, serious decrease in production, or stoppage of work that has a material impact on shareholder equity or securities prices), TPEX may, on its own initiative or upon application by the emerging stock company on the previous business day, suspend the trading of the company stock, pending the public disclosure of relevant information and application to TPEX for resumption of trading. The aforementioned measure will be implemented starting March 23, 2020.



INTERNATIONAL INTERACTION AND PROMOTION

I . Promoting Listing (Registration) on TPEX (ESB)

In 2019, TPEX visited altogether 31 local enterprises in Thailand, China, Vietnam, Singapore, and Malaysia for business promotion . TPEX also held or was invited to participate in 6 seminars in those countries, where TPEX introduced the advantages of the TPEX market and listing criteria and encouraged overseas Taiwanese enterprises to enter the TPEX market. In 2019, 8 new foreign companies received advisory services for listing applications. As of year-end 2019, TPEX had 35 foreign companies listed on its Mainboard and 7 foreign companies registered on the ESB. Those 42 companies are based mainly in China (17 companies) and Southeast Asia (15 companies).

II. Taking Mainboard Companies on Roadshows Abroad

TPEX has been leading Mainboard companies on roadshows abroad since 2007 in its efforts to expand the TPEX market and help enhance the international visibility of listed companies. In 2019, TPEX took Mainboard companies on a roadshow in Japan and Singapore in May and August, respectively. The event enabled local investors to understand more about Taiwan's capital market and increased their interest in investing in the market.



III. Recognized as “Designated Offshore Securities Market” by the U.S. Securities and Exchange Commission

TPEX was recognized as a “Designated Offshore Securities Market (DOSM)” by the U.S. Securities and Exchange Commission (SEC) in September 2019, suggesting that the supervisory mechanism and the safe and fair trading systems of TPEX have been well recognized internationally. The designation is expected to draw interest from more U.S. investors to TPEX and make it more convenient for them to enter Taiwan's capital market.

IV. Continuing to Deepen Interaction on the International Stage and with Related Institutions

TPEX continued to deepen interaction with international securities organizations and institutions in 2019 by attending such annual meetings as the Working Committee Meeting, ETF Workshop and Technology Conference of the World Federation of Exchanges (WFE), WFE-IOMA Conference, CCP12 Annual General



Meeting and Special General Meeting, IOSCO Annual Conference and Program on International Financial System, IOSCO AMCC Training Seminar, AOSEF Annual Conference and Working Committee Meeting, and 2019 TSE IR FESTA, hosted by the Tokyo Stock Exchange.

In addition, in support of the “Ring the Bell for Financial Literacy” initiative of World Investor Week 2019, co-hosted by WFE and IOSCO, TPEX incorporated the gong striking ceremony into the “Ring the Bell for Financial Literacy” ceremony held during the opening of the “Financial and Securities Elite Seeds Camp,” thus combining basic financial education with investor education and protection.


In support of government’s New Southbound Policy, TPEX received delegates from Indonesia Stock Exchange, State Securities Commission of Vietnam, and Saigon Asset Management in 2019. To extend reach into Central Asia and Eastern Europe, TPEX made a trip to Qatar to visit its stock exchange and Qatar Financial Centre. TPEX also received a delegation from Uzbekistan led by the officials of The European Bank for Reconstruction and Development (EBRD), who visited to learn about how TPEX promoted the entry of SMEs into the capital market. TPEX continues to interact with foreign securities and financial institutions to promote the businesses of the TPEX and enhance international interaction and cooperation.





CHAPTER 4

CORPORATE SOCIAL RESPONSIBILITY



TPEX has been proactively encouraging mainboard companies to produce a corporate social responsibility (CSR) report. As part of the market regulator, TPEX deems itself as a role model to the listed companies in term of sustainability. TPEX published its first CSR report in 2019, which is compiled in accordance with GRI Standards and reviewed by a third party. By the report, TPEX communicates with the important stakeholders about its policies and performance in the aspects of business growth, market services, financial literacy, corporate governance, social care and engagement, environmental sustainability, and employee welfare.

With the aim to co-exist and co-prosper with the environment through sustainable management, TPEX has organized a CSR team consisting of members from all the departments. The CSR team takes the responsibility to deliberately allocate resources into the areas, such as market, environment, social and governance, as well as gradually build a high-quality operating mechanism that works toward sustainability. TPEX will publish CSR reports on an annual basis and stay firm to the sustainability strategies and directions to echo the Sustainable Development Goals (SDGs) developed by the United Nations.

As a responsible corporate citizen, TPEX strongly believes it can contribute to the society to show gratitude and kindness toward where it has benefited from. TPEX focuses on improving all the aspects of environment, social, and governance. Internally, TPEX values the employees in ways of providing a healthy workplace, improving welfare and benefits, and planning continuous training to help employees grow in the careers. Externally, TPEX enhances social engagement and fulfills its corporate social responsibility through a wide range of charity activities, including supporting the elderly, children, disadvantaged groups, donating medical resources to remote villages and sponsoring educational, athletics and cultural events. While pursuing market growth and good operating performance, TPEX plays a role to accommodate the interests of all stakeholders, and furthermore, extend its influence to the listed companies and the public to make a contribution to social responsibility and sustainable development.



CHAPTER 5

FUTURE PROSPECTS



Promote Entry into TPEX Multi-tiered Market



Promote Important Measures Laid out in Government's Corporate Governance Roadmap 2020 and Conduct Corporate Governance Evaluation



Develop a Diversified Range of Financial Products



Develop the International Bond Market



Promote the Continuous Trading System



Integrate the Information Operation of Securities and Futures Markets



Draft Rules for the Supervision of Security Token Business of Securities Firms





I. Promote Entry into TPEX Multi-tiered Market

TPEX will continue to cooperate with Industrial Development Bureau under the Ministry of Economic Affairs, Council of Agriculture, and Ministry of Culture, and join the forces of government's overseas offices, Taiwanese chambers of commerce around the world, other external units as well as underwriters and accountants to solicit business overseas and actively encourage outstanding domestic and foreign companies in key industries to apply for listing or registration on TPEX Mainboard or Emerging Stock Board.

II. Promote Important Measures Laid Out in Government's Corporate Governance Roadmap 2020 and Conduct Corporate Governance Evaluation

In coordination with the timetable set out in government's Corporate Governance Roadmap and relevant policies, TPEX will continue to promote various governance measures laid out in the Roadmap, deliberate improvement actions in response to CG



Watch 2018, promote board performance evaluation in coordination with CG Watch 2020, draft and publish sustainability indexes for Mainboard companies and promote the use of relevant indexes.

III. Develop a Diversified Range of Financial Products

TPEX will continue to promote the issuance and listing of green bonds, and plan the establishment of an over-the-counter trading system for dual-currency ETFs and the central counterparty (CCP) mechanism for OTC derivatives trading.

IV. Develop the International Bond Market

In support of government's "New Southbound Policy" and to promote the diversification and product diversity of International Bond Market, TPEX will continue to expand and perfect the International Bond Market and promote the listing of Sukuk on TPEX.



V. Promote the Continuous Trading System

In coordination with the implementation of continuous trading system and intraday odd lot trading, TPEX will step up related propagation, education and training targeting brokers and investors. TPEX will also establish an investor service hotline for the continuous trading system, and amend rules regarding the intraday odd lot trading system in coordination with its implementation timeline.

VI. Integrate the Information Operation of Securities and Futures Markets

Information technology (IT) infrastructure is the cornerstone of securities business. To uphold the secure operation of market computer systems, TPEX will, in line with the needs of securities business development, upgrade related software, hardware and programs in a timely manner and increase the system's processing capacity to ensure that business development will not be hampered by inadequate IT infrastructure and to perfect the information environment of the securities market so as to achieve secure trading.



VII. Draft Rules for the Supervision of Security Token Business of Securities Firms

In conjunction with the opening of proprietary trading of security tokens to securities firms, TPEX will draft security token administration rules, accounting treatment and audit operations as well as operating procedures for review and supervision. Subsequently, TPEX will examine and amend relevant rules and regulations in a timely manner to make relevant systems more comprehensible and promote the development of our FinTech industry.

CHAPTER 6

INTERNAL CONTROL AND FINANCIALS



INTERNAL CONTROL



FINANCIAL STATEMENT





INTERNAL CONTROL STATEMENT

March 20, 2020

The Taipei Exchange states the following with regard to its internal control system during the year of 2019 based on the results of self-evaluation:

1. TPEX is fully aware that the establishment, implementation, and maintenance of the internal control system are the responsibility of the board of directors and management. TPEX has established such a system with the objective to reasonably ensure the achievement of goals with respect to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability, timeliness, and transparency of financial reporting, and compliance with relevant regulatory requirements.
2. An internal control system has its inherent limitations. No matter how perfect the system is in design, an effective internal control system can only provide reasonable assurance for the attainment of the 3 goals described above. However TPEX internal control system is equipped with the function of self-monitoring, that TPEX will take immediate action once a deficiency is identified.
3. TPEX determines if the design and implementation of its internal control system are effective based on the criteria provided in the Regulations Governing the Establishment of Internal Control System by Service Enterprises in Securities and Future Markets (referred to as the Guidelines hereunder). Said criteria divides internal control into 5 elements based on

the process of management control: (1) Control Environment, (2) Risk Assessment, (3) Control Activities, (4) Information and Communication, and (5) Monitoring Activities. Each element contains several items. Please refer to the Guidelines.

4. TPEX has evaluated the validity of the design and implementation of its internal control system based on the aforesaid criteria.
5. Based on the results of aforementioned evaluation, it is found that the internal control system of TPEX in December 31, 2019 was effective in design and implementation, that it reasonably assures the attainment of aforesaid goals, including the effectiveness and efficiency of business operations, reliability, timeliness, and transparency of financial reporting, and compliance with relevant regulatory requirements.
6. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 174 of the Securities & Exchange Law.
7. This statement has been passed by the board of directors in the meeting held on March 20, 2020, where none of the 15 attending directors voiced any dissenting view to the content of this statement.

Chairman



Managing Director & CEO



BALANCE SHEETS

Unit:NTD

	December 31,2019		December 31,2018	
ASSETS	A m o u n t	%	A m o u n t	%
CURRENT ASSETS				
Cash and cash equivalent	\$388,209,623	2	\$238,191,867	1
Amortised cost of Financial assets at cost	199,878,041	1	399,468,425	2
Notes and accounts receivable	124,513,222	1	97,697,452	1
Other financial assets	4,399,433,333	25	4,091,475,073	26
Other current assets	44,709,841	-	46,362,696	-
Securities settlement debit	10,694,663,360	59	9,089,396,455	58
Total current assets	15,851,407,420	88	13,962,591,968	88
NON-CURRENT ASSETS				
financial asset at fair value through profit or loss	90,351,510	1	35,111,520	-
financial asset at fair value through other comprehensive income	118,937,586	1	43,501,443	-
Amortised cost of Financial assets at cost	1,148,989,282	6	1,098,950,444	7
Special securities settlement fund	400,000,000	2	400,000,000	3
Default damage fund	122,289,797	1	122,289,797	1
Property and equipment	58,206,126	-	63,129,931	1
Right-of-use asset	248,452,020	1	-	-
Prepayment for equipment	4,981,900	-	7,124,500	-
Refundable deposits	15,042,048	-	15,042,048	-
Other assets	26,798,978	-	29,489,045	-
Total non-current assets	2,234,049,247	12	1,814,638,728	12
TOTAL	\$18,085,456,667	100	\$15,777,230,696	100
LIABILITIES AND FUNDS AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$39,165,297	-	\$31,389,227	-
Lease liabilities	77,053,278	-	-	-
Other payable	344,094,590	2	302,100,342	2
Current income tax liabilities	92,567,387	1	101,645,211	1
Other current liabilities	103,348,780	1	85,987,589	-
Securities settlement credit	10,694,663,360	59	9,089,396,455	58
Total current liabilities	11,350,892,692	63	9,610,518,824	61
NON-CURRENT LIABILITIES				
Lease liabilities	170,952,776	1	-	-
Deferred tax liabilities	-	-	520,675	-
Net defined benefit liabilities	210,896,287	1	249,229,598	2
Provisions	6,637,505	-	6,569,185	-
Guarantee deposit received	18,150,275	-	16,060,253	-
Total non-current liabilities	406,636,843	2	272,379,711	2
Total liabilities	11,757,529,535	65	9,882,898,535	63
NET ASSETS				
Funds				
Initial fund	345,450,000	2	345,450,000	2
Donated fund	5,000,000	-	5,000,000	-
Surplus transferred to fund	5,352,641,999	30	4,834,304,387	31
Total funds	5,703,091,999	32	5,184,754,387	33
Accumulated surplus	634,819,106	3	717,117,349	4
Unrealized gain or loss on financial asset at fair value through other comprehensive income	(9,983,973)	-	(7,539,575)	-
Total net assets	6,327,927,132	35	5,894,332,161	37
TOTAL	\$18,085,456,667	100	\$15,777,230,696	100

STATEMENTS OF COMPREHENSIVE INCOME

Unit:NTD

	December 31,2019		December 31,2018	
	A m o u n t	%	A m o u n t	%
OPERATING REVENUES	\$2,116,174,900	100	\$2,114,443,094	100
OPERATING EXPENSES	<u>1,658,300,580</u>	<u>78</u>	<u>1,615,786,126</u>	<u>76</u>
NET OPERATING INCOME	<u>457,874,320</u>	<u>22</u>	<u>498,656,968</u>	<u>24</u>
NON-OPERATING INCOME AND EXPENSE	<u>96,866,662</u>	<u>4</u>	<u>81,192,644</u>	<u>4</u>
SURPLUS BEFORE INCOME TAX	554,740,982	26	579,849,612	28
INCOME TAX EXPENSE	<u>91,593,533</u>	<u>4</u>	<u>99,907,379</u>	<u>5</u>
SURPLUS AFTER INCOME TAX	<u>463,147,449</u>	<u>22</u>	<u>479,942,233</u>	<u>23</u>
OTHER COMPREHENSIVE INCOME (NET, AFTER TAX)	<u>(29,552,478)</u>	<u>(2)</u>	<u>9,011,238</u>	<u>-</u>
TOTAL COMPREHENSIVE SURPLUS	<u>\$433,594,971</u>	<u>20</u>	<u>\$488,953,471</u>	<u>23</u>



TPEX



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