



證券櫃檯買賣中心
Taipei Exchange



TTP EX

2021
ANNUAL REPORT

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CHAPTER 1 GREETINGS

TPEX shines in both stock and bond markets and pursues sustainable development

While the COVID-19 pandemic continued to impact the global market in 2021, Taiwan's capital market displayed vigor and stability, thanks to proper pandemic control and our solid economic foundation. TPEX stock market and bond market also turned in excellent performance, breaking new highs in the year. In the stock market, TPEX Index closed at 237.55 at the end of the year, reaching a 21-year high. The average daily trading value of TPEX Mainboard stocks amounted to NT\$83,098 million, and that of Emerging Stocks was NT\$5,249 million, both hitting historical highs. In the bond market, the issuance of sustainable bonds and the size of International Bond market also hit record highs in 2021, with issuance of sustainable bonds breaking the mark of NT\$100 billion, totaling NT\$105.83 billion. Total issuance of International Bonds in 2021 came to NT\$1.17 trillion, and the market size broke NT\$6



trillion, exceeding that of government bond market. The size of TPEX bond ETF market reached NT\$1.27 trillion at the end of 2021, outperforming other bond ETF markets in Asia and Australia.

Aside from the brilliant performance of both stock and bond markets TPEX also continued its efforts to improve market systems and launch new products in 2021 to better meet market demands and development needs. First of all, to support government policy of fostering six core strategic industries, TPEX launched a Pioneer Stock Board (PSB) under the Emerging Stock Market(ESM) in July, 2021 to provide



startups with a convenient financing channel and help them grow and prosper. Up to the end of 2021, 7 companies have already applied for PSB registration and 6 of them have started trading on PSB. In the efforts to promote ESG investment products and responsible investment, TPEX introduced a Sustainable Bond Market in May 2021 and built a sustainable government bond trading system in December to steer market funds toward investments that address climate change, enhance environmental sustainability and promote social development. In addition, to raise corporate awareness to ESG and sustainable operations, TPEX, in reference to international practices and trends, expands the scope of TPEX-listed companies that are required to prepare and file sustainability report. TPEX also continues to enhance the functions of corporate board of directors and information security and management mechanism to increase the value of sustainability and better safeguard the interests of shareholders. Lastly, to enhance the timeliness and integrity of corporate information disclosure, increase the transparency of market information, and in consideration that information security has become an important governance topic of broad public interest, TPEX has amended relevant rules and regulations, requiring TPEX Mainboard companies and Emerging Stock companies to make prompt announcement

of material information when its CPA issues a report indicating substantial uncertainty about the ability of the company to continue as a going concern, when the company passes its unaudited annual financial report or when the company has an information security incident that causes material damage or produces significant impact on the company.

Looking into 2022, in the face of ongoing pandemic of coronavirus disease, unresolved global supply chain problems, and uncertainties in the capital market, TPEX will continue to focus on market development and sustainability topics by making vigorous efforts in the following aspects: actively expand the functions of issuance market, foster and assist SMEs and startups to enter the capital market; continue to promote sustainable finance and work together with TPEX companies in ESG governance and sustainable development; actively promote financial innovations, and build diverse and convenient financing and investment platforms; and step up information security requirements and improve information security capability of the capital market in the hope to facilitate the ongoing and healthy development of TPEX stock market and bond market, and again deliver excellent market performance.

Philip Chen
Chairman

Handwritten signature of Philip Chen in black ink.

Edith Lee
Managing Director & CEO

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GREETINGS

CHAPTER 2

ABOUT TAIPEI EXCHANGE

BOARD OF DIRECTORS

Board of Directors

The Taipei Exchange is a non-profit institution. The board of directors is the highest executive body of the Taipei Exchange. The board of directors consists of 15 directors and 5 supervisors. The chairman convenes the meeting and serves as the chairman and represents the Taipei Exchange. In addition to the directors appointed by the donors, the nomination and selection of relevant directors are mainly appointed by the competent authority from experts and scholars with impartial character. Additionally, in order to extend the diversity of directors, the selected directors include not only experts and scholars with expertise in accounting, but also with expertise in various fields such as law, business management or corporate governance.

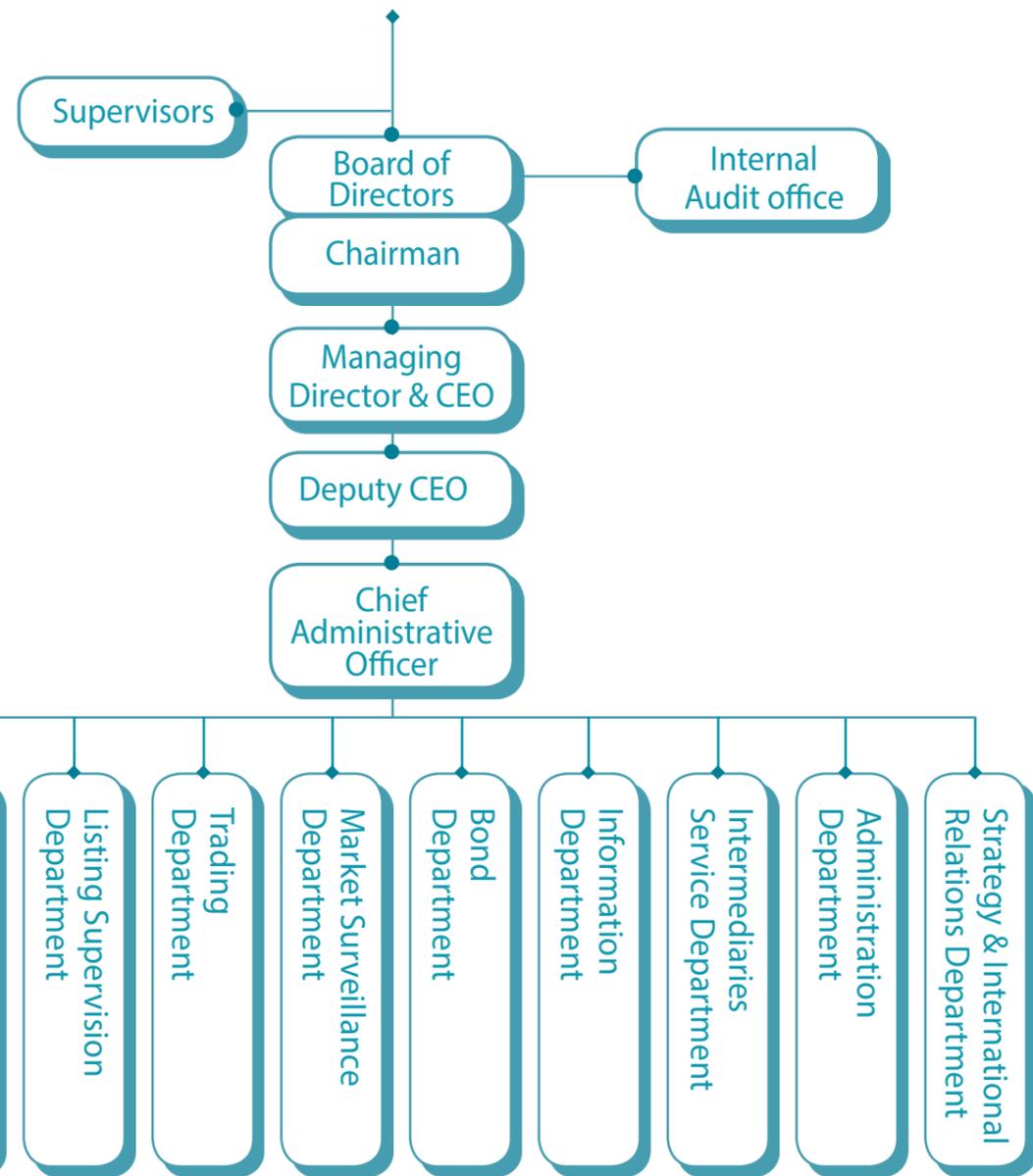
Current 3-year-term board of directors (the 10th term) were appointed in August 2021 and includes two female directors and five directors appointed by the competent authority. Board meeting is convened monthly with attendance rate of almost 100%.



Philip Chen	Edith Lee	Alex Jiunn-Chih Wang
Shean-Bii Chiu	Sherman H.M. Lin	Wang Hsu Chi
Chien-Fu Lin	Huo Dang Lin	Hua-Wei Huang
Min-Jeng Shiue	Chun-Hong Chen	Ming-Hong Ho
Leo Ming-Chien Cheng	Fujing Shiue	Lih-Chung Chien



Kuei-Tseng Wang	Thomas K.H. Wu	Chen-Shan Chang
Shih-Kuo Yeh	Ching-Chih Lu	



Executive Management Team

Taipei Exchange has one Managing Director & CEO who manages organization business, along with 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, Market Surveillance, Bond, Information, Intermediaries Service, Administration, and Strategy & International Relations departments. Besides, an Internal Audit Office is subordinate to the board of directors.

CHAPTER 3 BUSINESS OVERVIEW

MARKET RECAP

Market Performance in 2021

	2021	2020	Change (%)
Equity Market			
Number of listed /registered			
Mainboard	788	782	0.77%
Emerging Stock Market	296	253	17.00%
Emerging Stock Board (ESB)	290	-	-
Pioneer Stock Board (PSB)	6	-	-
Go Incubation Board	91	87	4.60%
Number of newly listed /newly registered			
Mainboard	13	19	-31.58%
Emerging Stock Market	75	44	70.45%
Emerging Stock Board (ESB)	69	-	-
Pioneer Stock Board (PSB)	6	-	-
Go Incubation Board	13	17	-23.53%
Market Capitalization (NT\$ Billion)			
Mainboard	5,782.14	4,352.01	32.86%
Emerging Stock Market	1,123.79	749.48	49.94%
Emerging Stock Board (ESB)	1,114.08	-	-
Pioneer Stock Board (PSB)	9.71	-	-
Average daily trading value (NT\$ Billion)			
Mainboard	83.1	49.34	68.44%
Emerging Stock Market	5.25	2.07	154.19%
Emerging Stock Board (ESB)	5.250	-	-
Pioneer Stock Board (PSB)	0.002	-	-

	2021	2020	Change (%)
Capital Raised (NT\$ Million)			
Average IPO raised (Amount/Number)	0.55	0.35	57.14%
Average SPO raised (Amount/Number)	0.53	0.56	-5.36%
Benchmark Indices			
TPEX Index			
Highest (date)	237.55 (12/30)	184.24 (12/30)	28.94%
Lowest (Date)	179.54 (01/29)	103.25 (03/19)	73.89%
TPEX 200 Index			
Highest (date)	10,263.11 (12/30)	7,839.70 (12/30)	30.91%
Lowest (Date)	7,665.2 (05/17)	4,147.01 (03/19)	84.84%
TPEX 50 Index			
Highest (date)	307.84 (12/30)	228.68 (12/09)	34.62%
Lowest (Date)	218.11 (05/17)	123.97 (03/19)	75.94%
Equity Warrant			
Number of listed	7,254	5,881	23.35%
Number of newly listed	11,653	9,723	19.85%
Market Capital (NT\$ Billion)	35.30	20.60	71.34%
Average daily trading value (NT\$ Billion)	0.73	0.63	15.21%
ETF/ETN and Open Ended Fund			
Number of listed			
ETF	93	96	-3.13%
ETN	15	13	15.38%
Open Ended Fund	8	10	-20.00%

	2021	2020	Change (%)
Average Daily Trading Value (NT\$ Million)			
ETF	9,877.95	1,695.00	482.77%
ETN	35.15	7.95	342.13%
Open Ended Fund	0.19	0.08	139.42%

	2021	2020	Change (%)
Bond Market			
Number of listed			
Government Bonds	156	137	13.87%
Bank Debentures	372	370	0.54%
Regular Corporate Bonds	788	681	15.71%
Beneficiary Securities	2	2	0.00%
Convertible Corporate Bonds	237	193	22.80%
Foreign Bonds	39	38	2.63%
International Bonds	763	657	16.13%
Outstanding Value (NT\$ Billion)			
Government Bonds	5,839.36	5,624.46	3.82%
Bank Debentures	1,047.60	1,040.58	0.67%
Regular Corporate Bonds	2,716.96	2,350.56	15.59%
Beneficiary Securities	4.29	4.29	0.00%
Convertible Corporate Bonds	148.83	133.82	11.21%
Foreign Bonds	51.37	44.61	15.15%
International Bonds (US\$ Billion)	203.86	181.22	12.49%

	2021	2020	Change (%)
Average daily Trading Value (NT\$ Billion)			
Government Bonds	9.40	17.06	-44.92%
Bank Debentures	0.66	0.93	-29.06%
Corporate Bonds(*)	5.25	4.94	6.28%
Beneficiary Securities	0.00	0.00	0.00%
International Bonds (USD 0.1 BN)	2.42	3.85	-37.17%

* Corporate bond includes regular corporate bond and convertible bond

Derivatives			
Convertible Bond Asset Swap			
Fixed income trading			
No. of contract securities firm	18	18	0.00%
Outstanding value of contracts (NT\$ Billion)	64.84	50.92	27.32%
Trading value (NT\$ Billion)	92.63	56.18	64.87%
Option trading			
No. of contract securities firm	19	19	0.00%
Outstanding value of contracts (NT\$ Billion)	114.80	92.97	23.49%
Trading value (NT\$ Billion)	185.38	128.11	44.70%
Interest Rate Derivatives			
No. of contract securities firm	16	16	0.00%
Outstanding value of contracts (NT\$ Billion)	597.05	386.82	54.35%
Trading value (NT\$ Billion)	304.83	111.46	173.50%
Structured Products			
No. of contract securities firm	16	16	0.00%
No. of leverage transaction merchant	2	1	100.00%
Outstanding value of contracts (NT\$ Billion)	48.49	49.04	-1.13%
Trading value (NT\$ Billion)	226.31	245.90	-7.97%

	2021	2020	Change (%)
Credit Derivatives			
No. of contract securities firm	6	6	
Outstanding value of contracts (NT\$ Billion)	0	0	-
Trading value (NT\$ Billion)	3.39	8.98	-62.22%
Equity Derivatives			
No. of contract securities firm	12	12	
No. of leverage transaction merchant	1	1	
Outstanding value of contracts (NT\$ Billion)	2.39	0.73	228.51%
Trading value (NT\$ Billion)	91.66	30.01	205.47%
Foreign Exchange Derivatives			
No. of contract securities firm	1	1	
Outstanding value of contracts (NT\$ Billion)	11.39	7.10	60.39%
Trading value (NT\$ Billion)	146.95	166.15	-11.55%
Foreign exchange margin trading			
No. of leverage transaction merchant	5	4	
Outstanding value of contracts (NT\$ Billion)	10.18	5	97.71%
Trading value (NT\$ Billion)	653.31	764.57	-14.55%
Commodity CFD			
No. of leverage transaction merchant	3	2	50.00%
Outstanding value of contracts (NT\$ Billion)	2.612	1.307	99.85%
Trading value (NT\$ Billion)	523.09	361.01	44.90%
Equity CFD			
No. of leverage transaction merchant	2	NA	NA
Outstanding value of contracts (NT\$ Billion)	4.67	NA	NA
Trading value (NT\$ Billion)	158.62	NA	NA

Highlights of 2021

The Debut of the New Systems



Pioneer Stock Board

Launched on July 20, total **6** registered



Sustainable Bond Market

Launched on May 18, total **35** bonds issued with issue size of **NT\$100 billion**

Stock and Fixed Income Markets Break Multiple Records

Stock Market

Avg. daily trading value **NT\$83.1 billion**, hit a record high

Emerging Stock Board

Avg. daily trading value **NT\$5.25 billion**, YoY 154%

Sustainable Bond Market

2021 issue size of **NT\$105.8 billion**, YoY 70%

International Bond

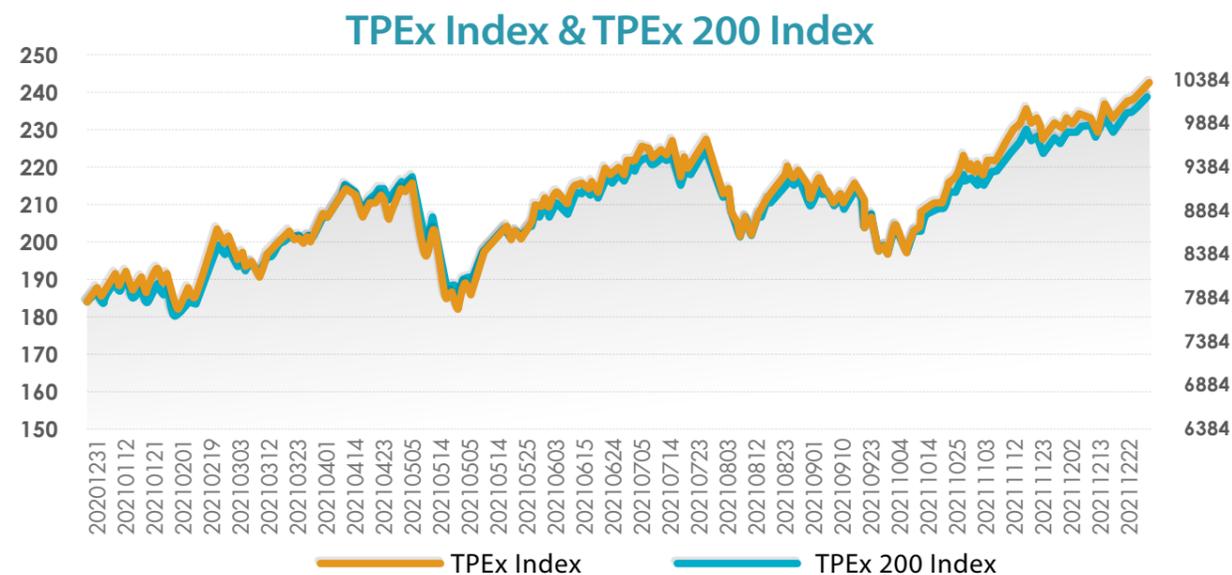
Total outstanding surpassed US\$200 billion, reached to **US\$203.9 billion**

I. Stock Market

Mainboard Stocks Trading Value Hit Historic High

TPEX index closed at 237.55 at the end of 2021, rising 29.03% for the year, a new high in nearly 21 years. Total market capitalization of Mainboard stocks rose from NT\$4,352 billion at the beginning of 2021 to NT\$5,782.1 billion at the end of the year, a sharp increase of NT\$1,430 billion or 32.86%. In 2021, 23 companies applied for listing on Mainboard, and there were 788 stocks listed on TPEX at the end of the year. Of the listing applicants in the year, "semiconductor" sector accounted for the highest percentage (26%). The average daily trading value of Mainboard stocks amounted to NT\$83 billion in 2021, up 68% in comparison with previous year, in which foreign investment accounted for 17.45%, an increase of 5.23% from previous year.

In 2021, 535 Mainboard companies (approx. 70%) paid cash dividends, totaling NT\$137.7 billion, and 25 of them paid dividends of more than NT\$10 per share. The dividend yield of the Mainboard stocks averaged 2.54% in 2021, with 387 Mainboard companies reporting a dividend yield of more than 2%.



Emerging Stock Market(ESM)

Pioneer Stock Board Newly Launched

In support of government policy by assisting startups to enter the capital market, TPEX established a Pioneer Stock Board (PSB) in the Emerging Stock Market to provide a more friendly and more convenient listing and trading platform. The "Pioneer Stock Board" was officially launched on July 20, 2021. By the end of 2021, 6 companies are already registered on PSB.

In 2021, 74 companies applied for registration on the Emerging Stock Market (including 7 applications for PSB registration) and there were 296 emerging stocks at the end of the year. Of the 2021 ESM registration applicants, "biotech/medical" sector is accounted for the highest percentage (28%). The average daily trading value of ESB stocks in 2021 amounted to NT\$5,247 million, up 154% as compared to 2020 and hitting a new high.



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

In 2021, 13 companies registered on GISA (Go Incubation Board for Startup and Acceleration Firms), 46 companies applied for pre-GISA counseling service, 3 GISA companies went public and 1 of them has transferred to ESB. At the end of 2021, there were 91 GISA companies and 60 companies in pre-GISA integrative counseling. Both numbers are higher than those in 2020, indicating TPEX's instructive courses, exhibition participation activities, investment matching events and counseling services arranged for startups have produced positive effects.

Financial Products and Market Systems

Continuing growth of equity ETF listing and trading value

There were 6 equity ETFs listed on TPEX in 2021 with total trading value amounting to NT\$34,354 million, a significant growth of 205% as compared to 2020.

TPEX total-return indices yields fruitful results

TPEX 200 hit a historical high on December 30, 2021. Its growth (34.68%) and yield (3.70%) in the year outperform those of TPEX index. The TPEX 200-based Quality 50 Index and Semiconductor Leaders Total Return Index also turned in impressive performance in return and yield.

Year: 2021

Index name	Return	Yield
TPEX 200 Total Return Index	Return	Yield
Quality 50 Index	50.68%	4.64%
TPEX Semiconductor Leaders Total Return Index	53.24%	4.29%
TIP TPEX ESG Index	35.56%	4.31%
TIP Customized TPEX ESG Growth Total Return Index	39.57%	3.96%
TIP Customized TPEX ESG IT Elite Total Return Index	42.97%	4.54%

Promoting market maker system to boost the trading value of stocks with low liquidity

TPEX introduced a stock market maker system for Mainboard stocks on June 30, 2021. Since its debut, over 90% market makers have been giving two-way quotes more than 80% of market hours, and the average daily trading value of designated stocks grew on average 64% as compared to that before the system is implemented.

The intraday odd lot trading measure boosts the trading substantially

The intraday odd lot trading was introduced on October 26, 2020. The daily trading value of odd lots averaged NT\$320 million in 2021, while the total average daily trading value of odd lots traded during and after the market was NT\$354 million, a whopping growth of 555% in comparison with that of NT\$54 million in the year before the new measure was implemented.

Allowing leverage transaction merchants to trade certain products with natural person customers and with overseas Chinese and foreigners

Starting July 7, 2021, leverage transaction merchants (LTM) can offer contracts for differences (CFD) linked to silver, foreign stock foreign ETF or foreign stock index. Currently 3 LTMs have obtained qualification to operate this business. Also starting December 2, 2021, LTMs can offer leverage contracts to overseas Chinese and foreigners. As of year-end 2021, the value of CFDs traded by 5 domestic LTMs exceeded NT\$1.13 trillion, the second highest amount in history.

II. Bond market

Sustainable Bond Market Dedicated Board Launched Issue Size Break a Record

To perfect our sustainable bond market, TPEX consolidated the trading systems of green bonds, social bonds and sustainability bonds into a sustainable bond trading system to build a dedicated board for sustainable bonds on May 2021. The sustainable bond market had 35 bonds issued in 2021 with issue size and outstanding breaking the mark of NT\$100 billion and NT\$250 billion respectively. The number of issues and issue size hit record high, setting a new milestone in our bond market.

In addition, TPEX became a member of the International Capital Market Association (ICMA) on July 6, 2021. ICMA membership is expected to increase the international exposure of Taiwan's sustainable bond market, facilitate the alignment of our market systems with global standards and best practices, and attract more foreign issuers into our sustainable bond market.



Year	2021		2020	
	Type of sustainable bond (Time launched)	Number of issues	Issue size (NT\$100 m)	Number of issues
Green bond (April 2017)	19	402.95	19	566.00
Sustainability bond (October 2020)	9	512.38	3	58.00
Social bond (April 2021)	7	142.97	-	-
Total	35	1,058.3	22	624.00

International Bond Market Issue Size Hit a New High

By year-end 2021, the amount outstanding of International Bonds broke the mark of US\$200 billion the first time ever to reach US\$203.857 billion (763 issues), growing 12.49% in comparison with that of 2020. The number of bonds issued also grew 16.13%, a record high since the launch of International Bond market. There are 137 issuers from 33 different countries for the International Bond market, indicating that our International Bond market has gained global visibility and continues to attract a diversity of issuers.



Bond ETF Issue Size Ranked 1st in Asia

As the world pays increasing attention to ESG and low carbon development, investors also develop greater interest in ESG-related fixed income ETFs for their asset allocation. In 2021, TPEX approved the listing of 4 ESG-themed bond ETFs and passed the review of 4 underlying indices of ESG-themed bond ETFs in the hope to provide investors with more diversified investment options. As of year-end 2021, there were 87 bond ETFs listed on TPEX with total issuance amount of NT\$1.27 trillion.

Market Systems

Establishing a trading system for structured international bonds

In coordination with the new "Wealth Management Scheme" promoted by the competent authority, TPEX has established a trading system for foreign currency denominated international bonds issued by domestic banks on June 18, 2021. In 2021, 2 structured international bonds with total issuance of US\$13.65 million were listed.

Extending the government bond when-issued trading period

In a move to invigorate government bond market and address the needs of bond dealers, TPEX has extended the when-issued trading period for government bonds with different duration from the current 15 business days to the period from next business day following the MOF's quarterly announcement of Terms and Conditions to one business day prior to the issue date. Following the implementation of the new system, the average when-issued trading value rose from NT\$11.73 billion a month to NT\$13.527 billion a month, an increase of 15.32%.

III. ESG Sustainable Development

Strengthening the function of the board of directors of listed companies

TPEX and TWSE jointly announced the amendment of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies in December 2021. The amendment adds provisions on prevention of insider trading, reporting remuneration to directors in shareholders' meeting, female directors advisably making up at least one third of board members, independent directors advisably making up not less than one third of board members and being re-elected consecutively for no more than three terms, and the setup of a governance section on corporate website.

Expanding the mandatory requirement for the appointment of a chief governance officer

TPEX-listed companies with paid-in capital of more than NT\$2 billion but less than NT\$10 billion and financial institutions listed on TPEX have all appointed a chief governance officer before June 30, 2021 as required by the competent authority. TPEX also requires all TPEX-listed companies to appoint a chief governance officer no later than June 30, 2023 to enhance the functioning of the board and increase the corporate value of sustainability.

Promoting sustainability report to align with the international trends in non-financial disclosure

TPEX announced on December 28, 2021 the name change of "corporate social responsibility report" to "sustainability report or ESG report", expanded the scope of TPEX-listed companies required to prepare and file a sustainability report, and requires third-party assurance for chemical and financial sector companies. All these measures will improve the quality of non-financial disclosure in Taiwan and implement sustainable development goals.

Sustainability reporting by TPEX-listed companies

Report Year	2020	2019	2018
Number of companies with sustainability report	156	126	118
% of all TPEX-listed companies	19.80%	16.11%	15.23%
Number of mandatory/voluntary reporting	Mandatory - 48 Voluntary - 108	Mandatory - 46 Voluntary - 80	Mandatory - 46 Voluntary - 72

Emerging Stock Market companies are required to purchase liability insurance for directors and supervisors starting 2022

To make sure corporate directors and supervisors perform their functions effectively and to balance their responsibilities and accountability, TPEX requires all ESM applicants and all ESM companies to purchase liability insurance for their directors and supervisors starting 2022.

IV. Cyber Security and Business Promotion

Maintaining the security of market information

In the efforts to improve the security and quality of TPEX information operations and ensure compliance with the Cyber Security Management Act and relevant rules, TPEX has performed various information security tasks in the aspects of strategy, management, technology, awareness and training in 2021. TPEX information operations have also passed the ISO 27001 (information security management) certification renewal with a valid ISO certificate. In addition, in supporting the implementation of government's "Capital Market Roadmap" and "Financial Cyber Security Action Plan" and to assist in enhancing capital market's cybersecurity capabilities, TPEX collaborated with peripheral organizations in the setup of a Securities and Futures Computer Emergency Response Team (SF-CERT) to provide securities and futures firms with cybersecurity services and equip them with the capacity to handle daily information security incidents.

Business Promotion

Promoting overseas companies to get listed (registered) on TPEX

In light of the global pandemic, TPEX held two webinars for overseas companies to promote listing on TPEX in 2021. In 2021, Recommending Securities Firms reported 3 foreign companies received advisory services. As of year-end, TPEX had 32 foreign companies listed on the Mainboard and 5 foreign companies registered on the Emerging Stock Market. Those 37 companies are based mainly in China and Southeast Asia.

Holding online overseas institutional investor conferences

TPEX has been taking Mainboard companies on roadshows abroad since 2007 in its efforts to expand the TPEX market and help enhance the international visibility of listed companies. Due to the impact of COVID-19, TPEX organized instead online overseas institutional investor conferences in April, September, and October 2021 for foreign institutions to have a better understanding of Taiwan's capital market and to raise interest in investing in Taiwan.

Hosting 2021 ESG webinars

TPEX hosted 2021 ESG webinars on August 31 and September 1, 2021, which drew more than 2,000 participants and were well received. The seminar focuses on enhancing the transparency of corporate ESG information with the aims to promote sustainable development and bring stable returns for investors. The seminar also touches on continuous development of products that support sustainability and encourages investors to make the most of their investing power to push companies toward sustainability.

TPEX hosted **2021 ESG webinars** and drew **2,000⁺** participants online





Actively attending international online conferences

TPEX continues to deepen two-way interactions with international securities organizations and institutions. Constrained by COVID-19, TPEX participated in mainly online forums and seminars in 2021, including the annual meeting of the World Federation of Exchange (WFE), IOMA's Clearing & Derivatives

Conference and a number of seminars, the annual general meeting and special general meeting of the Global Association of Central Counterparties (CCP12), the AMCC meeting and seminar of the IOSCO, the annual conference and working committee meeting of the AIOSEF, and 2021 Global ETP Conference Seoul.

In addition, in support of the WFE "Ring the Bell for Gender Equality" and "Ring the Bell for Financial Literacy" co-hosted by the WEF and the IOSCO during the "World Investor Week 2021, WIW", TPEX also held a ceremony to support the two events.



TPEX held a gong striking ceremony in response to the WFE initiative on gender equality

Investor education

Through vigorous promotional strategies and making the most of Internet, social media and digital channels, TPEX actively publicizes TPEX market systems and products, promotes financial literacy, steps up the promotion of correct investment and wealth management knowledge among younger generation and college students, instill in them the concept of risk management, and cultivate new forces for the capital market.



In support of World Investor Week, TPEX organized the "Ring the Bell for Financial Literacy" event in combination with the award ceremony for college camp contest

Investment promotion through various channels

► Website



► Social Media



► Video



► News and Magazines



Business Plans

I. Promoting entry into TPEX multi-tiered market

TPEX is committed to offering a wide variety of financial products and building a multi-tiered market. In the face of mounting challenges awaiting in 2022, including the pandemic and interest rate hike, TPEX will hold onto the spirit of service and collaborate with intermediary institutions to foster SMEs with growth potential and innovative ideas and drive quality enterprises to grow and develop through the capital market.

II. Continue to promote ESG-related financial products

To help enterprises transform to net zero emissions and implement sustainability in their operations, and expand the scope of sustainable bond products on our market, TPEX will plan and build a trading system for sustainability-related bonds in reference to principles and guidelines adopted in the international financial market. TPEX will also provide more flexible financing channels to make it easier for enterprises to obtain funds for their sustainability transformation and draw more issuers and investors into the sustainable bond market.

III. Build a variety of innovative platforms

To meet the investors' needs for balanced asset allocation and diversified portfolio, TPEX will continue to promote innovation and diversity of financial products. TPEX will plan and build an OTC derivatives trade confirmation platform to enhance operating efficiency and reduce the risks of derivatives trading. TPEX will plan the launch of an OTC dual-currency trading system for ETFs to develop our foreign-currency ETF market. TPEX also plans to build a trading system for fund-structured REITs in conjunction with FSC's planned opening of issuance of real estate investment trusts funds to securities investment trust enterprises (SITE) and allowing SITEs to issue REITs.

IV. Strengthen ESG and sustainable development.

In the face of global pandemic and climate change, people begin to contemplate how to co-exist with the natural environment. Enterprises are also encouraged to ponder how to protect the Earth and achieve sustainable operations in the process of growth and development. In support of government's Corporate Governance 3.0 -Sustainable Development Roadmap, TPEX will continue to urge TPEX-listed companies to implement ESG, strengthen the functions of their board of directors and step up ESG disclosure. TPEX will also promote in stages the deployment of adequate information security manpower and disclosure of unaudited annual financial information by listed companies.

V. Boost market trading momentum and security

Recently hackers used investor account passwords stolen from other channels to launch credential stuffing attack against a number of domestic securities and futures brokers, causing material information security incidents in the market. TPEX has taken steps to remind investors to change their account password from time to time and use strong password for better protection. The Financial Supervisory Commission has also asked relevant agencies to step up their security measures for investor login system and adopt two-factor authentication mechanism for account application or certification to protect the interests of investors.

In the efforts to promote Pioneer Stock Board (PSB), ETF and ETN listed on TPEX, and encourage market making, in 2022, TPEX will host a series of promotional activities in the hope to draw more investors into the market and increase market momentum through a myriad of incentives and reward programs. TPEX will also continue to propagate correct money management knowledge and enhance investment risk awareness among young people through various channels.

CHAPTER 4 INTERNAL CONTROL AND FINANCIALS

INTERNAL CONTROL

Internal Control Statement

March 25, 2022

The Taipei Exchange states the following with regard to its internal control system during the year of 2021 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 (including the implementation of cyber security) of TPEX in December 31, 2021 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, however the items in the appendix are exempted.
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 25, 2022, where 15 attending directors voiced assent view to the content of this statement.

Chairman



Managing Director & CEO



General Auditor



Chief of Cyber Security



Appendix

Taipei Exchange

Enforcement Items and Improvement Measures for Internal Control

(Reference date : December 31, 2022)

Enforcement Item	Improvement Measure	Estimated Completion Date
None	None	None

Taipei Exchange
BALANCE SHEETS

(In New Taiwan Dollars)

A s s e t s	December 31, 2021		December 31, 2020	
	A m o u n t	%	A m o u n t	%
CURRENT ASSETS				
Cash and cash equivalent	\$ 552,142,052	3	\$ 592,048,068	4
Amortised cost of Financial assets at cost	99,931,965	1	99,907,506	1
Notes and accounts receivable	271,721,258	1	201,292,715	1
Other financial assets	5,372,916,666	26	4,723,833,333	35
Other current assets	44,063,522	-	45,540,276	-
Securities settlement debit	11,132,588,570	53	5,372,740,606	40
Total current assets	17,473,364,033	84	11,035,362,504	81
NON-CURRENT ASSETS				
financial asset at fair value through profit or loss	114,504,191	1	52,259,510	-
financial asset at fair value through other comprehensive income	280,471,139	1	250,797,741	2
Amortised cost of Financial assets at cost	2,248,502,744	11	1,448,819,199	11
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	64,879,794	-	61,704,486	1
Right-of-use asset	101,030,726	-	174,511,778	1
Prepayment for equipment	10,219,000	-	1,316,000	-
Refundable deposits	15,047,076	-	15,088,076	-
Other assets	33,414,320	-	29,024,570	-
Total non-current assets	3,390,358,787	16	2,555,811,157	19
TOTAL ASSETS	\$ 20,863,722,820	100	\$ 13,591,173,661	100

INTERNAL CONTROL AND FINANCIALS

STATEMENTS OF COMPREHENSIVE INCOME

(In New Taiwan Dollars)

LIABILITIES AND FUNDS AND NET ASSETS	December 31, 2021		December 31, 2020	
	A m o u n t	%	A m o u n t	%
CURRENT LIABILITIES				
Accounts payable	\$ 94,427,595	-	\$ 68,257,482	1
Lease liabilities	42,239,640	-	77,820,037	1
Other payable	340,313,176	2	328,648,930	2
Current income tax liabilities	319,299,853	2	188,418,480	1
Other current liabilities	191,196,115	1	138,914,274	1
Securities settlement credit	11,132,588,570	53	5,372,740,606	40
Total current liabilities	12,120,064,949	58	6,174,799,809	46
NON-CURRENT LIABILITIES				
Lease liabilities	60,347,856	-	97,805,756	1
Net defined benefit liabilities	105,497,629	1	176,536,210	1
Provisions	6,742,123	-	6,689,278	-
Guarantee deposit received	24,122,063	-	20,783,147	-
Total non-current liabilities	196,709,671	1	301,814,391	2
Total liabilities	12,316,774,620	59	6,476,614,200	48
NET ASSETS				
Funds				
Initial fund	345,450,000	1	345,450,000	2
Donated fund	5,000,000	-	5,000,000	-
Surplus transferred to fund	6,408,791,433	31	5,783,369,127	43
Total funds	6,759,241,433	32	6,133,819,127	45
Accumulated surplus	1,788,518,042	9	1,011,224,616	7
Unrealized gain or loss on financial asset at fair value through other comprehensive income	(811,275)	-	(30,484,282)	-
Total net assets	8,546,948,200	41	7,114,559,461	52
TOTAL LIABILITY AND NET ASSETS	\$ 20,863,722,820	100	\$ 13,591,173,661	100

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	A m o u n t	%	A m o u n t	%
OPERATING REVENUES	\$ 3,888,544,584	100	\$ 2,744,010,944	100
OPERATING EXPENSES	2,313,984,349	59	1,809,056,754	66
NET OPERATING INCOME	1,574,560,235	41	934,954,190	34
NON-OPERATING INCOME AND EXPENSE	87,186,208	2	86,969,920	4
SURPLUS BEFORE INCOME TAX	1,661,746,443	43	1,021,924,110	38
INCOME TAX EXPENSE	318,549,517	8	188,027,702	7
SURPLUS AFTER INCOME TAX	1,343,196,926	35	833,896,408	31
OTHER COMPREHENSIVE INCOME (NET, AFTER TAX)	89,191,813	2	(47,264,079)	(2)
TOTAL COMPREHENSIVE SURPLUS	\$ 1,432,388,739	37	\$ 786,632,329	29



TPEX



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