

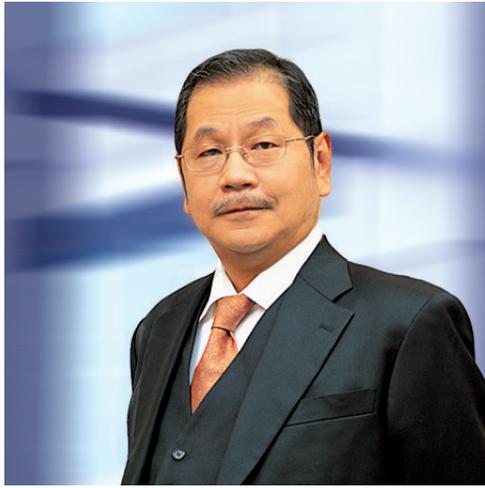
Message from the Chairman and the President

The Taiwan stock market rounded off the year 2004 with the Taiwan Stock Exchange Capitalization Weighted Index (TAIEX) closing at 6,140 points, a 4.2% increase in comparison with 2003's close of 5,891 points. In 2004, 697 companies were listed on the Taiwan Stock Exchange Corporation (TSEC), 28 more than at the end of 2003. Market capitalization grew by NT\$1.1 trillion to NT\$14.0 trillion during the same period. The average daily trading value increased to NT\$96.7 billion, or NT\$14.3 billion more than that of a year ago. The number of investors that opened accounts amounted to 7,610,000, or 220,000 more than in 2003, and the number of securities brokerage outlets increased by 32 to a total of 1,153 in 2004.

The establishment of the Financial Supervisory Commission (FSC) of the Executive Yuan was the key financial event in 2004. With its commencement on July 1, 2004, Taiwan's financial market entered a new era. FSC undertook sole responsibility for regulating all financial industries (banking, securities and insurance) in Taiwan. In collaboration with FSC, TSEC dedicated itself to putting into effect globalization policies and to accelerating the revision of market operating mechanisms.

The important measures, implemented in 2004, to develop the securities market include:

- **Listing-** TSEC continued to promote the listing of eligible companies, conducted regular and exceptional audits on listed companies, enhanced the evaluation system of information disclosure, and assisted listed companies in self-regulating information disclosure. TSEC also simplified the process of reporting significant events, and devised a summary version of the Market Observation Post System to increase the transparency of market information.
- **Trading-** TSEC streamlined the registration process with an on-line system for offshore foreign investors, reduced the matching time of stock trading, and computerized the competitive auction system for irregular off-hour trades. At the same time, TSEC enhanced the inquiry function of the Consolidated Credit Information System for securities firms, established reporting systems for cross-market surveillance information, and improved the securities borrowing and lending system.



Chairman Nai-Jen Wu



President Ming-Tai Chen

- **Information Technology & Others-** TSEC established a platform for on-line information exchange among brokerages, custodian banks, and investment trust institutions, and launched two new tradable indices, TSEC Taiwan Mid-Cap 100 Index, and TSEC Taiwan Technology Index, again in collaboration with FTSE. In addition, gaining approval from the US SEC, TSEC became a designated offshore securities market. TSEC also hosted the 2004 Working Committee Meeting of World Federation of Exchanges (WFE) in Taipei.

Going forward into the next year, TSEC will carry out the following scheduled activities:

- **Listed Companies-** TSEC will continue to implement measures in order to help listed companies establish corporate governance, internal controls, and internal audit systems.
- **Trading, Clearing & Settlement-** TSEC will further improve the efficiency of securities trading, the disclosure of trading information before the close of market, and the securities lending and borrowing system. Additionally, TSEC will expand the daily price fluctuation range and selectively remove short sale price limits to meet the expectations of the public.

- **Others-** TSEC is to host the 3rd "Taipei Corporate Governance Forum" and "Taipei Capital Market Seminar" in 2005. In addition, TSEC will actively participate in conventions organized by the WFE and other international securities organizations, establish Memoranda of Understanding with foreign exchanges, and swap expertise and experience with international financial organizations.

In recent times, there has been a global upsurge in the trend towards cooperation and the formation of strategic alliances among exchanges. Other exchanges in the Asia region are obviously taking part in this movement in order to remain competitive in the capital market. To continuously sharpen our own competitive edge, TSEC is devoted to accelerating the globalization of the securities market, intensifying operational efficiency, and promoting innovation and excellence. As a result, with support from the Authority and professionals in each relevant field, the Taiwan securities market will grow ever more prosperous, becoming a crucial player in the international arena.

Chairman

Handwritten signature of Nai-Jen Wu in blue ink.

President

Handwritten signature of Ming-Tai Chen in blue ink.