



MARKET ACTIVITIES

Major Events in 2004

| Date | Major Events |
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| January 2 | TSEC announced the revision of short sale on underlying securities of warrants, allowing warrant issuers when executing hedge to sell short underlying securities of warrants below the closing price of the preceding day. |
| January 27 | The SFC revised the use of proxies in attending a shareholders' meeting to avoid conflict of interest. The subsidiaries of financial holding companies should not ask for the proxy from a power of attorney, or appoint trust enterprises or stock agencies to request a proxy to attend shareholders' meetings of these companies. |
| February 2 | SFC revised the "Criteria Governing Offering and Issuance of Securities by Securities Issuers", loosening related offering restrictions in order to comply with global standards. |
| February 26 | TSEC amended regulations controlling active delisting, exempting independent directors and supervisors from compulsorily buying back shares from shareholders. TSEC also restricted the cases in which the buy-back price is lower than the net worth of a company. |
| March 15 | TSEC launched the Data eShop for investors to shop via the Net. |
| March 15 | TSEC revised the "Operating Rules of Taiwan Stock Exchange Corporation", allowing companies to merge, provided that the net worth per share of the merged company, both in the most recent fiscal year and on the most recent pro-forma financial report, is higher than the net worth per share of the original listed companies. |
| March 25 | TSEC hosted the 2004 Working Committee Meeting of WFE in Taipei. |

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| April 6 | Companies previously listed on the GTSM for over a year were allowed to apply for listing on TSEC. |
| April 15 | The SFC widened the upper limit of investment of open-end index funds in individual stocks. |
| April 15 | The SFC introduced regulations governing the offering and issuance of index funds of Securities Investment Trust Enterprises. |
| April 27 | The SFC permitted securities firms to concurrently engage in the business of short-term bills. |
| April 28 | Integrated securities firms which engaged in the operations of underwriter, dealer, and broker, were allowed to use their own funds to invest in venture capital companies. |
| May 17 | The Ministry of Finance announced the following measures: (1) foreign investors may borrow temporary funds from financial institutions; (2) foreign investors may remit funds obtained from short sale to foreign countries; (3) foreign investors may participate in futures market not only by short hedge but also by long hedge; and (4) offshore investors may freely apply for investment without the prior approval of the Central Bank of China. |
| May 26 | SFC granted consent to securities firms to issue Taiwan 50 ETF warrants. |
| June 11 | The Legislative Yuan passed "Securities Investment Trust and Consulting Enterprises Act". |
| June 15 | The Executive Yuan revised the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals" to simplify the investment process, and to encourage foreign investors to participate in the futures market. |
| June 21 | The Chinese National Futures Association was established. |
| July 1 | The "Financial Supervisory Commission, Executive Yuan" ("FSC") was set up so as to achieve the goal of consolidating financial supervision. Mr. Kong, Jaw-Sheng became the first chairman, and Mr. Wu, Tang-Chieh the first director-general of the Securities and Futures Bureau ("SFB"). |
| July 1 | Mr. Wu, Nai-Jen and Mr. Chen, Ming-Tai succeeded as Chairman and President of TSEC respectively. |
| July 30 | To improve the efficiency of the primary market, the FSC held a conference: "Special Team of Quality Improvement of Primary Market". |



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| August 2 | FSC revised the "Rules Governing Securities Firms", granting permission to securities firms to trade bond options. |
| August 26 | FSC introduced the following new mechanisms with effect from 2005: (1) revising underwriting systems; (2) applying solely new shares to initial public offerings; (3) no daily price fluctuation range to initial public offerings for the first 5 trading days after listing; and (4) adoption of the over-allotment of underwriters. |
| September 14 | The FTSE group changed the country classification of Taiwan Securities Market from "provisional watch list" to "watch list" of Developed Market. |
| September 22 | TSEC passed rules related to the adjustment of up/down tick of market price, effective March 1, 2005. |
| September 22 | FSC promulgated the "Regulations Governing Investment in Securities by Overseas Chinese and Foreign Nationals", exempting foreign investors from Items 2 and 3 of Paragraph 1 of Article 21 to borrow securities for the purpose of strategic trading. |
| October 7 | Securities underwriters were allowed to participate in financial planning, assessment and consultancy of public construction projects, and were granted permission to acquire related fees. |
| October 22 | Effective January 31, 2005, securities firms were able to utilize "funds receivable from securities finance companies" to deduct their "funds payable after market settlement" in order to simplify the settlement process and to save operating costs. |
| November 4 | TSEC hosted 2004 EAOSEF Taipei working committee meeting. |
| November 18 | The FSC passed the "Regulations Governing Publication of Financial Forecasts of Public Companies", giving companies the option of publishing financial forecasts or not. |
| November 29 | In collaboration with FTSE, TSEC launched two new tradable indices, TSEC Taiwan Mid-Cap 100 Index and TSEC Taiwan Technology Index. |
| November 29 | The Mainland Affairs Council permitted securities firms to set up subsidiaries in Mainland China. |
| December 14 | Approved by the US SEC, TSEC became a designated offshore securities market. |
| December 21 | FSC revised the "Criteria Governing Information to be Published in Public Offering and Issuance Prospectuses" and the "Criteria Governing Information to be Published in Annual Reports of Public Companies." These revisions include (1) disclosure of compensation for directors, supervisors, president, and vice presidents; (2) emphasis on risk forecast, disclosure of employee bonuses, and responsibility of professionals; and (3) abolition of compulsory financial forecasts and simplification of prospectus contents. |



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