

Message from the Chairman and the President

First of all we would like to thank you, our shareholders, for the support and encouragement you have shown over the years. In this report we will set out the results of our operations over the past year, and the prospects for the future.

In 2009, the gradual recovery of the global economy from the financial tsunami, the increasingly active economic exchange across the Taiwan Strait, the flow of Taiwanese capital back home from overseas, and investment in Taiwan from mainland China and elsewhere contributed to market momentum and led to a rising trend of the island's stock market. The Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) rose steadily, from 4,591.22 on the last day of 2008 ending 2009 at 8,188.11, up by 78.34%. The average daily trading value rose 12.04% during the year to reach NT\$120.0 billion, up from NT\$107.1 billion in 2008. The total value of trading in listed shares for the year increased by NT\$3.57 trillion to reach NT\$29.68 trillion, a growth of 13.65%.

In addition, with the support of shareholders, and the hard work of our entire staff, the number of companies listed on the Taiwan Stock Exchange Corp. (TWSE) in 2009 reached 755 (including 14 Taiwan Depository Receipts, TDRs), exchange traded funds (ETFs) rose to 14, and new warrant issues expanded to 6,120. These were all new highs.

Over the past year, TWSE continued to work with the competent authority to push the stock market in the direction of liberalization and internationalization. In the areas of both issuance and trading, a number of improvement measures were instituted to enhance the operating efficiency and service quality of the market, and to bring TWSE in line with international practice. Some of these measures are described below:

1. Enhancement of the fund-raising performance of Taiwan stock market and expansion of market scale

A total of 36 new companies (including 10 TDRs) were listed in 2009, achieving the goal of 35 new listings in the government's "Package Project for the Promotion of Financial Markets." TWSE also encouraged the listing of more foreign companies by holding promotional forums in Thailand, Silicon Valley in the U.S., Japan, and mainland China. A total of 182 overseas Taiwanese and foreign companies were visited or interviewed, and 46

foreign companies applied for underwriter's assistance to begin listing. By the end of 2009, 18 foreign companies had applied for listing on TWSE, of which 10 applications were for secondary listings.

2. Acceleration of financial innovation and development of diversified products

In order to provide investors with a diverse range of investment choices, TWSE vigorously promoted the listing of overseas ETFs. Two offshore ETFs—the Hang Seng H-Share Index ETF (0080) and Hang Seng Index ETF (0081), both from Hong Kong—along with one feeder fund ETF, the W.I.S.E. Polaris CSI 300 Securities Investment Trust Fund (0061) - were listed on TWSE in 2009. To encourage the warrants market, TWSE also cancelled the requirement for ownership dispersion prior to the listing of warrants, implemented a liquidity provider mechanism, and allowed TDRs to serve as underlying securities for warrants.

3. Promotion of market reform and formation of a fair, efficient, and safe stock market

In the management of issuance, TWSE continued to enforce information disclosure procedures in line with international standards in terms of promptness, completeness, and fairness. These efforts were aimed at lowering operation costs of the listed companies and attracting foreign capital to invest in Taiwan companies. The procedures include encouraging listed companies to submit financial reports via XBRL, and offering assistance to domestic listed companies in using International Financial Reporting Standards (IFRS) to prepare financial statements.

To speed up Taiwan's conformity with international practice in trading and clearing, TWSE has instituted a variety of market reform measures including the launch of the T+2 DVP (delivery versus payment) system, an adjustment to the block trading system, implementation of an overall continuous trading mechanism of warrants during normal trading hours, and relaxation of restrictions on asset transfers.

4. Strengthening of international exchange and cooperation to enhance international awareness of the Taiwan stock market

TWSE participated in the annual meetings, working committee meetings, and seminars of international organizations such as the World Federation of Exchanges (WFE), Asian and Oceanian Stock Exchanges Federation (AOSEF), and International Organization of Securities Commissions (IOSCO). TWSE also

strengthened exchange and cooperation with foreign securities-related organizations. In January 2009, the London Stock Exchange visited TWSE in order to cooperate on business development. In May, TWSE invited the Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, and HoChiMinh Stock Exchange to participate in a Cross-strait ETF Market Development Forum. TWSE also invited listed companies to join a mission to Singapore, Hong Kong, London, and New York, holding seminars with the aim of enhancing the visibility of Taiwan's capital market and attracting more foreign investment.

In the years to come, TWSE will continue to expand and deepen the scale of the market. In addition to encouraging the primary listings of outstanding domestic companies, overseas Taiwanese enterprises, and prominent foreign firms, and secondary listings of Taiwan Depository Receipts (TDRs), TWSE will also endeavor to establish a trading system and investment environment which conforms to international standards.

In the development of new financial products, TWSE will continue to promote the internationalization of the ETF market and plan for the issuance of new types of warrant products such as callable bull/bear contracts. In addition, the continuous trading of warrants will be implemented from June 28, 2010. A second trading platform will be set up to separate the warrants market from the central stock market, and day trading in warrants and other measures will be instituted.

The stock market is a window on the economy, a microcosm of industrial development. Taiwan should make good use of the benefits arising from the high-tech industry to attract the international funds flowing into Asia, and become a major fund-raising platform for the technology industry in the Asia-Pacific region or even the whole world. TWSE will continue its vigorous promotion of market system reform and the upgrading of service efficiency in an effort to mold Taiwan into an important fund-raising platform and asset management center in the region.



Chairman



President