

## Message from the Chairman and the President

In 2010, the Taiwan Stock Exchange Capitalization Weighted Stock Index (TAIEX) sustained an upward trend for the second consecutive year by opening at 8,207.85 points on the first day of trading despite global market volatility. Factors such as the European sovereign debt crisis, the slow recovery of the American and European markets, and Mainland China's contractionary economic policies were all aspects of marketplace fluctuations. The TAIEX fell to a year-low of 7,071.67 points on June 9, 2010. This downward movement was tempered in the second half of the year by increased global capital flows led by the second round of quantitative easing (QE2) in the United States. The Taiwan market also benefited from the commencement of ECFA and improving economic ties across the Taiwan Strait, causing the TAIEX to rise steadily. It closed at 8,972.50 points on the final day of 2010, up 784.39 points or a 9.58% gain for the year.

With the support of shareholders and the dedicated work of our staff, TWSE also attained a number of new milestones in 2010, with the number of companies listed on TWSE reaching 784 (including 26 Taiwan Depository Receipts, [TDRs]), 15 Exchange-Traded Funds (ETFs), and 10,043 new warrants issued.

Over the past year, TWSE continued to work with regulators to push the stock market in the direction of greater liberalization and internationalization. A number of improvement measures were adopted in both the primary and secondary markets in order to enhance both operating efficiency and service quality, as well as bringing TWSE in line with international practice. Some of these measures are outlined below:

### 1. Enhancing fund-raising performance and the establishment of a high-tech and innovative listing platform

A record 39 new companies, 21 local and 18 foreign, were listed with 6 primary listings by foreign companies, beginning in May of 2010. There were also 12 secondary listings (TDRs) by companies based in Hong Kong, Singapore, Thailand and other markets, demonstrating the attractiveness of Taiwan as a fund-raising platform for foreign companies.

### 2. Promoting financial reform to better align with international practice

Throughout 2010, TWSE devoted itself to furthering market development, raising service efficiency, and aligning with international practice. TWSE continued to work with listed companies to strengthen corporate governance and encourage detailed disclosure, while also working with TDR issuers to ensure synchronized information transparency on TWSE and on their primary exchanges. TWSE also strongly encouraged listed companies to adopt XBRL financial reporting, achieving an adoption rate of 95% during the May 2010 voluntary reporting period. XBRL reporting was made compulsory in September 2010, a measure fully enforced by TWSE. Moreover, the launch of the "XBRL Information Platform" on the new Market Observation Post System website allowed investors to browse and download XBRL financial data. The platform also includes a section where investors can analyze and compare the financial performances of listed companies more conveniently.

TWSE remains committed to internationalizing its trading and clearing systems, which included the implementation of continuous trading for warrants, shortening the latency for index and statistical information disclosure to 15 seconds, and the trading suspension system plan for listed securities and off-market transactions. These services enhanced both market integrity and efficiency.

To stay at the cutting edge of information technology, TWSE established a FIX Communications Protocol Platform, which enables foreign exchanges and securities firms to place orders and report trades directly with TWSE using international information exchange standards, and raising trading efficiency. TWSE also launched a second core trading system with a continuous trading function; all warrant product trades have been transferred to this system.



*Chairman's signature*

Chairman



*President's signature*

President

### 3. Increasing financial innovation and the development of diversified, cross-border financial products

On December 8, the "Shanghai 50 ETF" became the fourth overseas ETF listed on TWSE, as well as the third direct cross-border ETF to list in Taiwan and the first cross-border A Shares ETF in the Greater China region. TWSE also worked to develop new indexes, launching the "Taiwan Employment Creation 99 Index" on December 30. This is a first-of-its-kind, aimed to encourage listed companies to fulfill corporate social responsibility.

In 2010, the total number of new warrants exceeded 10,000, with average daily trading value and market share growing exponentially. Effective September 1, 2010, domestic warrants based on foreign securities or indexes were allowed to be issued, with a total of 41 listed.

### 4. Strengthening of cross-strait and cross-border international cooperation and communication

TWSE continues to play an active role in international organizations such as the World Federation of Exchanges (WFE), Asian and Oceanian Stock Exchanges Federation (AOSEF) and the International Organization of Securities Commissions (IOSCO). TWSE also signed Memorandums of Understanding (MOU) with the BATS Exchange in the United States and Hanoi Stock Exchange in Vietnam, while also hosting "Taiwan Investment Forum 2010" in New York, London, Edinburgh, Paris and Shanghai. These events facilitated one-on-one meetings between listed companies and international investment institutions. TWSE arranged interviews with local media in Tokyo, London, Singapore, China and the U.S. to raise international awareness regarding the Taiwan capital market.

Looking forward, TWSE will continually seek to elevate the international competitiveness of its fund raising platform, while also enhancing information transparency, establishing a cross-border regulatory system, strengthening its promotional activities overseas and raising the visibility of the Taiwan capital market. In the area of market reforms, TWSE will work towards facilitating listing applications, boost trading flexibility and strengthen the clearing system.

TWSE will also facilitate the development of new and diversified financial products in order to internationalize its capital market and satisfy the needs of investors.

There is a strong relationship between the healthy development of the securities market and the national economy. Facing the future challenges posed by globalization and the liberalization of international capital markets, TWSE will cautiously and conscientiously provide comprehensive services to raise the competitiveness of our securities market in order to become a global "Fundraising Platform for Hi-Tech and Innovative Industries".