

TRADING

TRADING PROCESS

An investor wishing to conduct securities transactions shall first open an account with a broker, sign a contract granting the broker permission to act as his/her agent. After the account is approved, the investor may place an order in person, by phone, fax or internet. Currently only limit order is allowed. All outstanding orders are automatically canceled at the conclusion of the trading day.

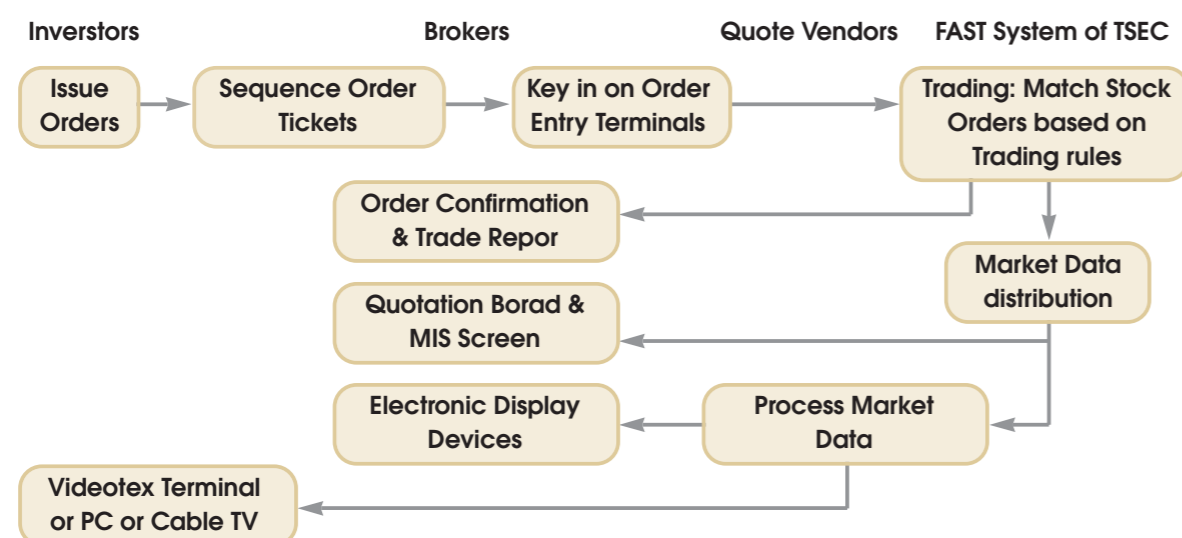
Trading on the Exchange starts at 9:00 a.m. and closes at 1:30 p.m. The orders can be entered half an hour before the trading session starts. Buy/sell orders are in standard unit or multiples of standard units. One standard trading unit is 1,000 shares, which is applicable to all listed stocks. Orders below 1,000 shares are considered odd-lot and orders over 500,000 shares are block trading.

The Exchange first installed TRW Datapoint computers in 1976 for the clearing process of the executed transactions. In August 1985, the Exchange launched Computer-Assisted Trading System (CATS) for most of Category B stocks. In the following years, securities traded through CATS expanded gradually. Up to September 1988, all equity shares were traded through CATS. Bond trading was computerized in November 1991.

CATS was upgraded to the Fully Automated Securities Trading (FAST) system on May 3, 1993. Currently all stocks, bonds, beneficiary certificates and warrants are traded through this FAST system. When an order is placed by a customer or a dealer, the account number along with the volume, bid or offer price, and other required information, are entered via a terminal into the main computer of the Exchange. The order is processed and executed by the trading system in a price and time priority principle which can be summarized as follows:

1. Higher limit price buy order takes precedence over lower limit price buy order, and lower limit price sell order takes precedence over higher limit price sell order.
2. Priority of same-price orders is determined by their entering time stamps, or sequenced randomly by computer if the order is entered before the market opens.

Trading Mechanism under FAST System



When the Market opens each day, a call market mechanism is adopted where the limit of two up/down ticks will not apply. The opening price is chosen to result in a maximum trading volume possible. After the opening price is determined, a continuous auction is in place, which is actually a series of call market executed within the range of the disclosing bid-ask price. The disclosing bid-ask price, on the other hand, is determined as the highest bidding (lowest offering) price within the range of two up/down tick over and under the reference price. For stocks or beneficiary certificates, the up/down tick varies with the price of the issue.

market price (P in NT\$)	up / down tick (NT\$)
$p < 5$	0.01
$5 \leq P < 15$	0.05
$15 \leq P < 50$	0.1
$50 \leq P < 150$	0.5
$150 \leq P < 1000$	1.0
$P \geq 1000$	5.0

Brokers/dealers will receive the trade report via printers installed in their offices immediately after a transaction is consummated. The report contains the trading details. Brokers will then notify their clients after receiving the trade report.

After-hour fixed-price trading orders are submitted to the Exchange between 2:00 p.m. and 2:30 p.m., Monday through Friday. The bid and offer prices of such orders are restricted to the closing prices of the regular trading session.

Buying and selling of odd-lot orders are submitted to the Exchange between 3:00 p.m. and 4:00 p.m., Monday through Friday. The bid and offer prices are restricted to the prices deducted 0.5% of the closing prices of the regular trading session.

Block trading orders are submitted to the Exchange between 2:30 p.m. and 3:30 p.m., Monday through Friday. The bid and offer prices of such orders are restricted to the closing prices of the morning trading session.

In order to maintain a stable stock market, the daily price fluctuation limits of stocks, beneficiary certificates and convertible bonds are set at 7% of the closing prices of the preceding business day. For bonds, the limits are set at 5%. Day trade is allowed only for investors with margin accounts.

MARGIN TRADING

Individual investors who meet certain qualifications of age, actual trading records and financial integrity can apply for margin accounts, which can be opened with eligible brokers or securities finance companies. The securities eligible for margin trading are common stocks and beneficiary certificates listed for more than six months, without being overly volatile or having too concentrated ownership.

Margin account customers buy or sell securities based on the margin requirements, of which maintenance ratios are regulated by the Central Bank of China and the SFC. The securities bought on margin and the sale value received for short sale are held as

collaterals. The collaterals are marked to market every day to see if they are above the maintenance ratio. For accounts falling to meet the maintenance ratio, margin calls are issued.

MARKET INFORMATION

Market data are packaged and generated by FAST system to disclose TAIEX and all listed securities information which include quotations, trade prices, volumes, etc. Information of listed companies, such as financial data and corporate actions is also available. These data are disseminated to contracted vendors and securities firms directly. TSEC introduced the Market Information System (MIS) in 1987 to display real-time trading data in a predefined format during trading session. Most vendors develop their own software packages for their subscribers. TSEC has no objection to vendors' subsequent charges to their subscribers.

Securities firms and information vendors are required to sign contracts with TSEC and pay exchange fees to obtain such data. End-users can obtain TSEC data from market information vendors only. The respective rates are listed below. In order to disseminate TSEC market information overseas, an annual fixed charge of NT\$720,000 shall be paid in advance.

Table 12. Fee of Market Data

a. Digital Fee			
Receiving Party	Location	Type or Units	Rate
Quote Vendors	Domestic	(note)	(note)
			NT\$60,000 / month
	Overseas		NT\$720,000 / year
Securities Firms	Domestic Only	Host to Host	NT\$4,000 / month

b. Securities Firms Usage Fee

Device Type	Units Installed	Rate
	1-20th	NT\$600/ ea. / month
Display Unit with 26" Screen or Smaller	21-100th	NT\$400 / ea. / month
	Over 100th	NT\$200 / ea. / month
Display Unit with Screen Larger than 26"	each	NT\$1,000/ month
Ticker Tape	each	NT\$1,000 / month
Wall Units	1-500th	NT\$80 / ea. / month
	Over 500th	NT\$40/ ea. / month
Quotation Board		Free of Charge

c. Other Quote Vendors Usage Fee

Device Type	Fee	Rate
Internet	flat	NT\$100,000 / month
Pager	flat	NT\$100,000 / month
Mobil Date	flat	NT\$100,000 / month
Mobil Phone	flat	NT\$100,000 / month
Teletext / TV Mail	flat	NT\$100,000 / month
FM Sub-Carrier	flat	NT\$100,000 / month
Audio and / or Database Inquiry	by time	NT\$0.1 / minute
Cable TV (Broadcast Only by Indirect Connection)	flat	NT\$30,000 / month

Note: A fixed amount per month ranging from NT\$60,000 to NT\$2,558,000 is levied for connection units ranging from less than 100 units to more than 5,000 units.

Table 13. Stock Trading Volume and Value 1997-2001

Year & Month	No. of Trading Days	Volume (Unit: Million Shares)			Value (Unit: NT\$ Million)		
		Total	Daily Average	Turnover Rate (%)*	Total	Daily Average	Turnover Rate (%)**
1997	286	654,200	2,287	368.50	37,241,149	130,214	407.10
1998	271	612,009	2,258	261.70	29,618,969	109,295	314.10
1999	266	678,063	2,549	237.60	29,291,523	110,119	292.10
2000	271	630,868	2,328	195.28	30,526,568	112,644	259.13
2001	244	606,420	2,485	159.60	18,354,936	75,225	179.27
Jan.	16	56,123	3,508	15.51	1,812,336	113,271	17.67
Feb.	19	64,149	3,376	17.73	2,293,139	120,692	23.36
Mar.	22	60,441	2,747	16.70	2,200,637	100,029	21.90
Apr.	20	38,588	1,929	10.66	1,426,869	71,343	15.03
May	22	33,954	1,543	9.36	1,120,189	50,918	12.91
Jun.	20	28,737	1,437	7.90	946,597	47,330	11.89
Jul.	21	32,271	1,537	8.70	885,424	42,163	12.32
Aug.	23	47,699	2,074	12.55	1,160,036	50,436	15.11
Sept.	17	30,301	1,782	7.59	654,575	38,504	10.07
Oct.	21	43,140	2,054	10.70	986,744	46,988	13.99
Nov.	22	70,553	3,207	17.47	1,857,508	84,432	22.91
Dec.	21	100,464	4,784	24.73	3,010,881	143,375	29.41

* Based on total number of listed shares

** Based on total market value of listed shares.

Table 14. Ten Most Active Stocks 2001 (in Volume and Value)

a. in Volume

Rank	Name of Stock	Volume (Thousand Shares)	% of Market Total
1	Winbond Electronics	18,032,448	2.97
2	Mosel Vitelic Inc.	15,301,320	2.52
3	UMC	14,648,131	2.42
4	Macronix International	13,006,812	2.15
5	Yageo	11,574,681	1.91
6	Acer	11,146,546	1.84
7	Silicon Integrated Systems	10,163,247	1.68
8	CMC	10,090,062	1.66
9	CDB	9,023,645	1.49
10	TSMC	8,960,692	1.48

b. in Value

Rank	Name of Stock	Value (NT\$ Thousand)	% of Market Total
1	Via Technologies	918,833,897	5.01
2	TSMC	684,460,549	3.73
3	UMC	651,799,010	3.55
4	Macronix International	461,903,289	2.52
5	Silicon Integrated Systems	449,479,470	2.45
6	RITEK	438,018,683	2.39
7	Winbond Electronics	436,834,788	2.38
8	Yageo	376,976,966	2.05
9	Asustek Computer	360,582,521	1.97
10	Realtek Semiconductor	345,693,806	1.88

Table 15. Stocks with Largest Price Changes Year-end 2001

Up		
Rank	Name of Stock	Rise from End of 2000(%)
1	Elitegroup Computer Systems	659.35
2	Shuttle	511.48
3	Biostar	426.23
4	Micro-Star International	387.72
5	Chicony Electronics	325.00
6	CLEVO	314.12
7	Chou-Chin Industrial	264.36
8	Teapo Electronic	251.41
9	Accton	250.65
10	ABIT	229.47

Down		
Rank	Name of Stock	Fall from End of 2000(%)
1	Kaohsiung Business Bank	-94.71
2	CSB	-93.38
3	Maxim Intl.	-84.85
4	Sun Splendor	-82.99
5	Ezplace	-82.31
6	U-Lead Ind.	-81.33
7	Yu Fong	-78.16
8	Chih Lien Industrial	-74.81
9	CIS	-71.90
10	UB Office systems	-70.59

Table 16. Price Earnings Ratio (PE Ratio) Year-end 2001

Industry	PE Ratio
All Listed Stocks	41.57
Cement	-
Foods	72.39
Plastics	28.72
Textiles	-
Electric & Machinery	17.81
Electric Appliance & Cable	-
Chemicals	30.80
Glass & Ceramics	39.52
Paper & Pulp	-
Steel & Iron	75.00
Rubber	47.78
Automobile	10.18
Electronics	33.80
Construction	-
Transportation	22.47
Tourism	30.38
Finance	41.28
Wholesale & Retail	26.81
Others	15.94
Cement & Ceramics	-
Plastics & Chemicals	30.18
Electrical	33.83