

# TRADING

## TRADING PROCESS

An investor wishing to trade securities needs to open an account with a broker, and engages the broker as his/her agent. After the account is in place, the investor may place an order in person, by phone, fax or the Internet. Only limit order is allowed and outstanding orders are automatically canceled at the conclusion of the trading session.

Trading on TSEC starts at 9:00 a.m. and closes at 1:30 p.m. Buy/sell orders are in standard unit or multiples thereof. One standard trading unit (1,000 shares) is applicable to all listed stocks. Orders below 1,000 shares are considered odd-lot and that over 500,000 shares are block trading.

TSEC's computer assisted trading system was upgraded to the Fully Automated Securities Trading (FAST) system on May 3, 1993. The Market adopts a call market mechanism. When an order is placed by a customer or a dealer, the account number along with the bid or offer price, volume, and other required information, are entered via a terminal into the main computer of TSEC. The transaction is processed and executed by the trading system in a price and time priority principle. 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. As for warrants, the daily price fluctuation limit is set at 7% of the price of the target stock. For bonds, the limit is set at 5%. The intra-day volatility interruption system will be in force when the potential execution price of a stock falls out of a specified range (+/-3.5%) of the last traded price. Matching for that stock will be postponed for two to three minutes. Market will be informed of this situation and investors can modify their orders or enter new orders accordingly. Prices and volumes of unexecuted orders at the 5 best bid/offer are disclosed since 2003. To keep the

closing price from the risk of undue market influence, TSEC accumulates orders for 5 minutes (from 1:25 p.m. to 1:30 p.m.) before the closing call auction. Day trade is allowed only for investors with margin accounts.

After-hour fixed-price trading orders are submitted to TSEC 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 TSEC 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 TSEC 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 regular trading session.

## **MARGIN TRADING**

Individual investors that meet certain qualifications of age, trading experience and financial soundness can apply for margin accounts at eligible brokers or securities finance companies. The securities eligible for margin trading are common stocks and beneficiary certificates listed for more than six months, overly volatile stocks or shares with concentrated ownership are excluded from margin eligibility.

Margin account customers buy or sell securities based on the margin requirements regulated by the Central Bank of China and 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 meet the margin. Accounts failing to meet the maintenance ratio will receive notices of margin calls.

## ETF

Investors are able to trade the ETF by their securities trading accounts with a licensed brokerage house. Trading and settlement of the ETF are handled in the same manner as those of securities. The daily price up/down limit is also 7%. Once the ETF is listed, it is available to be traded in margin. Short selling under margin trading is exempted from the local up-tick rule, which requires short sales to take place at a price not lower than that of the previous day's closing.

Participating dealers can carry out in-kind creation (redemption), and selling the ETF (portfolio of stocks) on the same day for themselves or on behalf of their customers. They shall report their in-kind creation and redemption operations to TSEC.

## MARKET INFORMATION

Investors can acquire TSEC data from information vendors for value-added information. In addition, investors can also observe the data directly from Market Information System (MIS) through website provided by TSEC. As of the end of 2003, there were 39 real-time information vendors for the securities market.

Starting 2003, TSEC upgraded the transmission medium from the leased line of 9,600 bps to the IP network architecture of 512K in order to transmit larger amount of data.

In November 2003, TSEC began to develop more useful, timely, and convenient tools for disseminating end of day product and material information of listed companies for general investors in the coming year.

**Table 12. Stock Trading Volume and Value 1998-2003**

Year & Month	No. of Trading Days	Volume (Unit: Million Shares)			Value (Unit: NT\$ Million)		
		Total	Daily Average	Turnover Rate(%)*	Total	Daily Average	Turnover Rate(%)**
1998	271	612,009	2,258	261.70	29,618,970	109,295	314.10
1999	266	678,063	2,549	237.57	29,291,529	110,119	291.10
2000	271	630,868	2,328	195.28	30,526,566	112,644	259.13
2001	244	606,420	2,485	159.58	18,354,936	75,225	206.57
2002	248	856,190	3,452	205.21	21,873,951	88,201	217.39
2003	249	917,579	3,685	205.50	20,333,237	81,660	190.67
Jan.	19	109,537	5,765	24.95	2,102,160	110,640	20.51
Feb.	16	51,530	3,221	11.75	963,644	60,228	10.63
Mar.	21	47,472	2,261	10.82	954,541	45,454	10.79
Apr.	22	58,370	2,653	13.35	1,180,126	53,642	13.90
May	21	49,526	2,358	11.31	985,831	46,944	10.58
Jun.	20	93,002	4,650	21.30	2,018,128	100,906	20.31
Jul.	23	126,176	5,486	28.65	2,940,538	127,849	27.60
Aug.	21	83,769	3,989	18.68	2,084,876	99,280	18.44
Sep.	21	67,059	3,193	14.80	1,725,712	82,177	15.06
Oct.	22	99,050	4,502	21.52	2,273,857	103,357	17.96
Nov.	20	71,315	3,566	15.45	1,676,394	83,820	13.80
Dec.	23	60,774	2,642	12.92	1,427,430	62,062	11.09

\* Based on total number of listed shares

\*\* Based on total market value of listed shares.

**Table 13. Ten Most Active Stocks 2003 (in Volume and in Value)**

**a. in Volume**

Rank	Name of Stock	Volume (Thousand Shares)	% of Market Total
1	UMC	24,882,780	2.71
2	AUO	23,558,270	2.57
3	CPT	17,965,227	1.96
4	China Steel	17,698,839	1.93
5	MEGA FHC	13,743,130	1.50
6	CMC	11,436,427	1.25
7	TSMC	11,186,550	1.22
8	MXIC	10,951,974	1.19
9	WEC	10,476,165	1.14
10	CMO	10,149,195	1.11

**b. in Value**

Rank	Name of Stock	Value (NT\$ Thousand)	% of Market Total
1	AUO	788,710,635	3.88
2	UMC	631,895,522	3.11
3	TSMC	620,375,006	3.06
4	China Steel	432,816,622	2.13
5	CMO	392,011,230	1.93
6	MediaTek	383,800,078	1.89
7	CPT	277,044,514	1.36
8	CMC	276,727,146	1.36
9	YP	268,593,910	1.32
10	Benq	268,377,799	1.32

**Table 14. Stocks with Largest Price Changes Year-end 2003**

Rank	Up	
	Name of Stock	Rise from End of 2002(%)
1	KTC	650.00
2	Highwealth	362.75
3	Hung Poo	332.62
4	Hold-Key	240.57
5	Kee Tai	216.61
6	CSSSC	206.90
7	Catcher	205.37
8	U-Ming	202.68
9	Awea	197.01
10	Huang Hsiang	192.83

Rank	Down	
	Name of Stock	Fall from End of 2002(%)
1	INFO INC.	-74.77
2	CARRY	-64.09
3	MII	-49.24
4	King's	-47.41
5	K Laser	-45.30
6	EDIMAX	-45.21
7	Summit	-43.03
8	TurboComm	-41.34
9	Abo-Com	-36.02
10	POFC	-35.17

**Table 15. Price Earnings Ratio (PE Ratio) Year-end 2003**

Industry	PE Ratio
All Listed Stocks	24.76
Cement	24.96
Foods	29.41
Plastics	20.35
Textiles	191.54
Electric & Machinery	17.38
Electric Appliance & Cable	58.97
Chemicals	18.74
Glass & Ceramics	31.62
Paper & Pulp	14.71
Steel & Iron	8.63
Rubber	14.51
Automobile	10.59
Electronics	27.15
Construction	-23.38
Transportation	27.43
Tourism	38.62
Finance	29.31
Wholesale & Retail	30.92
Others	14.79
Cement & Ceramics	26.45
Plastics & Chemicals	19.53
Electrical	26.99