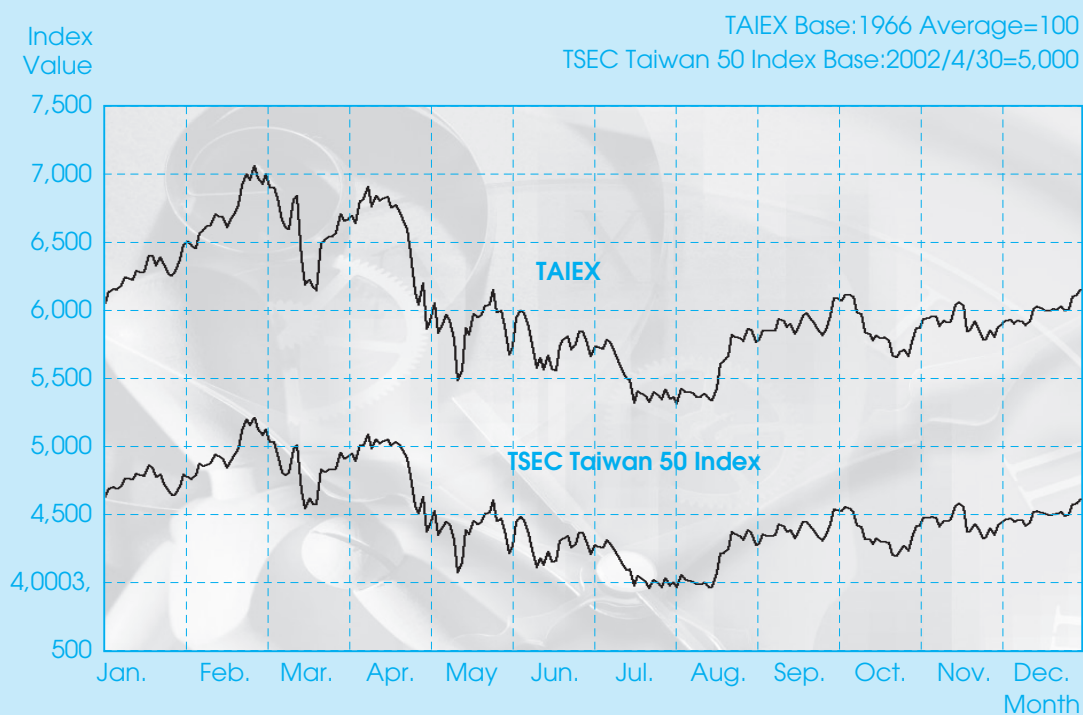


## YEAR 2004 IN REVIEW

The Taiwan Stock Exchange Corporation (TSEC) Capitalization Weighted Stock Index (TAIEX) closed at 6,139.69 points on December 31, 2004, up 4.23% in comparison with the close at 5,890.69 points in 2003.

With the global economic recovery, Taiwan's export orders and values have repeatedly set record highs since the beginning of 2004. The stock market reflected the positive economic fundamentals and climbed to the year's high of 7,034.10 points on March 4. Subsequently, however, political unrest stemming from the March 20 presidential election weakened investors' confidence and dragged the TAIEX down. The stabilized market performance after the post-election political chaos was once again jeopardized by a series of adverse factors such as corporate financial failures, China's economic policy of macro-control and soaring international crude oil prices. The TAIEX slipped to the year's

**TAIEX and TSEC Taiwan 50 Index Daily Closing 2004**



low of 5,316.87 points on August 4. The announcement of the MSCI's two-stage lifting of the "Limited Investability Factor" previously imposed on the Taiwan market drew huge amounts of foreign investment, which helped boost the TAIEX to 6,000 points. The export-oriented electronics sector, the once star industry, slipped 6.81 percent due to exchange losses and the explosions of a series of financial problems. Traditional sectors utilized their leading positions, and construction became the best-performing sector with a gain of 39.65 percent in 2004.

The regulatory framework in Taiwan underwent a dramatic change in 2004. In order to integrate multiple financial supervisory systems into a single integrated system so as to strengthen the operations of financial institutions and maintain financial stability, "Financial Supervisory Commission, Executive Yuan" ("FSC") was set up on July 1, 2004. TSEC has been coordinating with the new authority in an endeavor to propel market reforms. To improve the quality of listed companies, TSEC continued to supervise and inspect listed companies' financial and operational status on a routine basis, and carried out investigations into unusual circumstances. To facilitate foreign investments, TSEC simplified the registration process of investments from overseas Chinese and foreigners. In cooperation with FTSE, TSEC launched two new tradable indices, the TSEC Taiwan Mid-Cap 100 Index and TSEC Taiwan Technology Index, both of which are specifically designed for the development of index-related products. In addition, in 2004, the US SEC approved TSEC as a "designated offshore securities market", which assisted listed companies in raising funds from overseas.

The number of listed companies increased in 2004 to 697, up from 669 a year ago. Total market capitalization of listed shares was NT\$13.99 trillion, up 8.70% from the NT\$12.87 trillion of the previous year. There were 7.61 million investors, an increase of 0.22 million from the preceding year. The total trading value of securities in 2004 was NT\$24.18 trillion, up by 17.89% from NT\$20.51 trillion in 2003. The daily average securities trading value also went up to NT\$ 96.71 billion, a rise of NT\$ 14.33 billion from the year before. The number of brokers, including branches, was 1,153, thirty-two more than that at the end of the preceding year.