



TRADING

TRADING PROCESS

MARGIN TRADING

ETF

MARKET INFORMATION

TRADING

▶ TRADING PROCESS

An investor wishing to trade securities needs to open an account with a broker and engage 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 orders are 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 units 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.

TSEC's computer assisted trading system was upgraded to the Fully Automated Securities Trading (FAST) system on May 3, 1993. The Market operates a call market mechanism. When a customer or a dealer places an order, the account number along with the bid or offer price, volume, and other required information are entered into the main computer of TSEC. The transaction is processed and executed by the trading system on 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. For warrants, the daily price fluctuation limit is set at 7% of the price of the underlying stock. For bonds, the limit is set at 5%. The intra-day volatility interruption system comes into effect 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 is postponed for two to three minutes. The market is 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 bids/offers have been disclosed since 2003. To keep the closing price free 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 held at 0.5% below the closing prices of the regular trading session.

Block trading can be executed within regular trading sessions or after the market closes. Orders are matched continuously between the upper and lower 2% of the average of the most recent best bid and offer prices generated in the regular trading session before the block trading session begins, which is 09:30 to 09:40 and 11:30 to 11:40. Alternatively, orders are matched between the upper and lower 2% of the closing price of the intra-day session from 13:35 to 13:50. For single-stock block trading, the minimum order size is 500,000 shares, or NT\$ 15 million, and that for basket trading is 5 stocks and NT\$ 15 million.

▶ 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. Securities eligible for margin trading are common stocks and beneficiary certificates listed for more than six months. However, overly volatile stocks or shares with concentrated ownership are excluded from margin eligibility.

Margin investors buy or sell securities based on the margin requirements regulated by the Central Bank of China (Taiwan) and FSC. Customers shall be collected at least 40% of the margin for margin purchase value, and shall be collected 90% of the margin for short selling value. Securities procured through margin purchase and proceeds from short selling are held as collaterals. The collaterals are marked to market at the daily closing price to see if they meet the margin.

▶ ETF

Investors are able to trade ETF through their securities trading accounts with a licensed brokerage house. Trading and settlement of ETF is 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 on 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 ETF (stock portfolios) on the same day for themselves or on behalf of their customers. They need to 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 refer to the data provided directly by the Market Information System (MIS) through the website provided by TSEC. As of the end of 2004, there were 38 real-time information vendors for the securities market.

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

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

On February 19, 2004, TSEC officially launched a new website <http://dataeshop.tse.com.tw>. In addition to presenting a wide variety of data and listed companies' information, the website also provides other information such as historical trading data and various index constituents.

Table 12. Stock Trading Volume and Value 1999-2004

Year & Month	No. of Trading Days	Volume (Unit:Million Shares)			Value (Unit:NT\$ Million)		
		Total	Daily Average	Turnover Rate(%)*	Total	Daily Average	Turnover Rate(%)**
1999	266	678,064	2,549	237.57	29,291,529	110,119	288.62
2000	271	630,868	2,328	195.28	30,526,566	112,644	259.16
2001	244	606,420	2,485	159.58	18,354,936	75,225	206.95
2002	248	856,190	3,452	205.21	21,873,951	88,201	217.41
2003	249	917,579	3,685	205.50	20,333,237	81,660	190.82
2004	250	987,574	3,950	206.09	23,875,366	95,501	177.46
Jan.	15	77,980	5,199	16.58	1,826,601	121,773	13.13
Feb.	20	141,863	7,093	30.08	3,177,051	158,853	21.53
Mar.	23	149,366	6,494	31.66	3,717,785	161,643	26.03
Apr.	22	116,702	5,305	24.86	3,151,976	143,272	23.48
May	21	73,431	3,497	15.64	1,852,712	88,224	14.11
Jun.	21	58,703	2,795	12.47	1,457,107	69,386	11.53
Jul.	22	48,076	2,185	10.06	1,165,112	52,960	9.90
Aug.	20	51,873	2,594	10.73	1,241,157	62,058	9.98
Sept.	21	74,764	3,560	15.15	1,730,814	82,420	13.45
Oct.	20	71,472	3,574	14.33	1,637,218	81,861	12.88
Nov.	22	64,343	2,925	12.80	1,527,767	69,444	11.50
Dec.	23	59,002	2,565	11.73	1,390,067	60,438	9.94

* Based on total number of listed shares

** Based on total market value of listed shares.

Table 13. Ten Most Active Stocks 2004 (in Volume and in Value)**a. in Volume**

Rank	Code and Name of Stock	Volume (Thousand Shares)	% of Total Market
1	2475 CPT	28,995,974	2.94
2	3012 QDI	23,484,557	2.38
3	2409 AUO	22,123,370	2.24
4	2303 UMC	21,925,406	2.22
5	2801 C.H.B	17,482,697	1.77
6	3009 CMO	15,691,275	1.59
7	2337 MXIC	15,624,701	1.58
8	2834 TBB	15,279,724	1.55
9	2408 NTC	14,695,005	1.49
10	2002 China Steel	14,532,498	1.47

b. in Value

Rank	Code and Name of Stock	Value (NT\$ Thousand)	% of Total Market
1	2409 AUO	1,140,034,040	4.77
2	3009 CMO	811,590,559	3.40
3	2330 TSMC	660,686,174	2.77
4	2303 UMC	582,233,037	2.44
5	2475 CPT	552,687,689	2.31
6	3012 QDI	539,348,644	2.26
7	2002 China Steel	474,636,083	1.99
8	2882 Cathay Holdings	405,813,769	1.70
9	2408 NTC	385,034,142	1.61
10	2801 C.H.B	355,199,215	1.49

Table 14. Price Earnings Ratio (PE Ratio) Year-end 2004

Industry	PE Ratio
All Listed Stocks	12.58
Cement	10.40
Foods	23.28
Plastics	11.36
Textiles	15.96
Electric & Machinery	12.19
Electric Appliance & Cable	7.85
Chemicals	11.73
Glass & Ceramics	16.67
Paper & Pulp	14.15
Steel & Iron	8.03
Rubber	16.26
Automobile	8.76
Electronics	11.71
Construction	21.86
Transportation	8.82
Tourism	25.71
Finance	19.51
Wholesale & Retail	18.18
Others	13.88
Cement & Ceramics	11.60
Plastics & Chemicals	11.59
Electrical	11.64

Table 15. MONTHLY TRADING VOLUME AND VALUE 2004

Month	Trading Days	Trading Value	Daily Average Value	Stocks		TDRs	
				Volume	Value	Units	Value
Total	250	24,177,803,655	96,711,215	987,573,775	23,875,366,203	1,131,660	9,860,180
Jan.	15	1,846,216,140	123,081,076	77,979,771	1,826,600,561	133,209	1,046,926
Feb.	20	3,209,687,903	160,484,395	141,862,907	3,177,051,356	232,314	2,092,907
Mar.	23	3,774,346,855	164,102,037	149,366,492	3,717,784,807	226,054	2,500,969
Apr.	22	3,200,208,925	145,464,042	116,701,526	3,151,975,543	139,851	1,432,571
May	21	1,881,160,373	89,579,065	73,430,558	1,852,712,047	94,243	773,446
Jun.	21	1,475,491,506	70,261,500	58,702,947	1,457,106,778	53,948	441,609
Jul.	22	1,178,565,993	53,571,181	48,075,805	1,165,112,140	39,575	350,223
Aug.	20	1,251,305,247	62,565,262	51,872,970	1,241,156,716	30,916	186,974
Sep.	21	1,745,812,203	83,133,914	74,764,052	1,730,813,708	50,105	351,307
Oct.	20	1,652,552,106	82,627,605	71,472,281	1,637,218,489	37,338	214,363
Nov.	22	1,544,094,140	70,186,097	64,342,845	1,527,766,910	32,752	138,703
Dec.	23	1,418,362,265	61,667,925	59,001,620	1,390,067,147	61,355	330,183

Value : NT\$1,000 \ Volume:1,000Shrs \ 1,000Units

Warrants		ETFs		Closed-end Funds		Bonds	No. of Transactions
Units	Value	Units	Value	Units	Value	Value	
108,548,603	207,750,294	1,690,384	79,306,569	280,759	1,540,859	3,979,550	183,844,085
5,926,290	12,149,176	120,517	5,820,854	20,071	108,977	489,647	13,410,136
11,670,856	24,757,170	102,297	5,002,084	31,900	182,287	602,099	23,705,681
17,254,818	40,160,246	266,515	13,382,601	45,553	267,737	250,495	26,226,754
13,730,184	38,485,173	152,580	7,614,346	33,267	201,590	499,703	22,851,403
10,883,723	21,038,646	138,642	6,184,359	25,660	131,412	320,463	14,870,696
9,289,862	13,026,653	108,010	4,724,384	6,979	36,854	155,227	12,069,580
8,077,152	8,561,743	102,013	4,343,993	6,963	32,573	165,320	10,114,643
5,469,374	5,145,164	95,522	4,149,262	6,728	33,761	633,370	10,256,098
5,787,112	8,391,566	122,527	5,612,384	16,611	84,447	558,791	14,064,180
5,206,667	9,085,182	125,548	5,803,165	16,651	89,069	141,838	13,203,809
4,065,909	6,720,214	198,613	9,260,529	12,900	68,642	139,143	11,968,837
11,186,656	20,229,361	157,600	7,408,608	57,476	303,510	23,455	11,102,268