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***Polaris Financial Group***

# ***TDR and IPO***

***Fred Pai***

***July 8, 2011***



# Content

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- **The strength of Taiwan**
- **The features of Taiwan capital market**
- **Comparison of Asia's major securities markets**
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# The strength of Taiwan

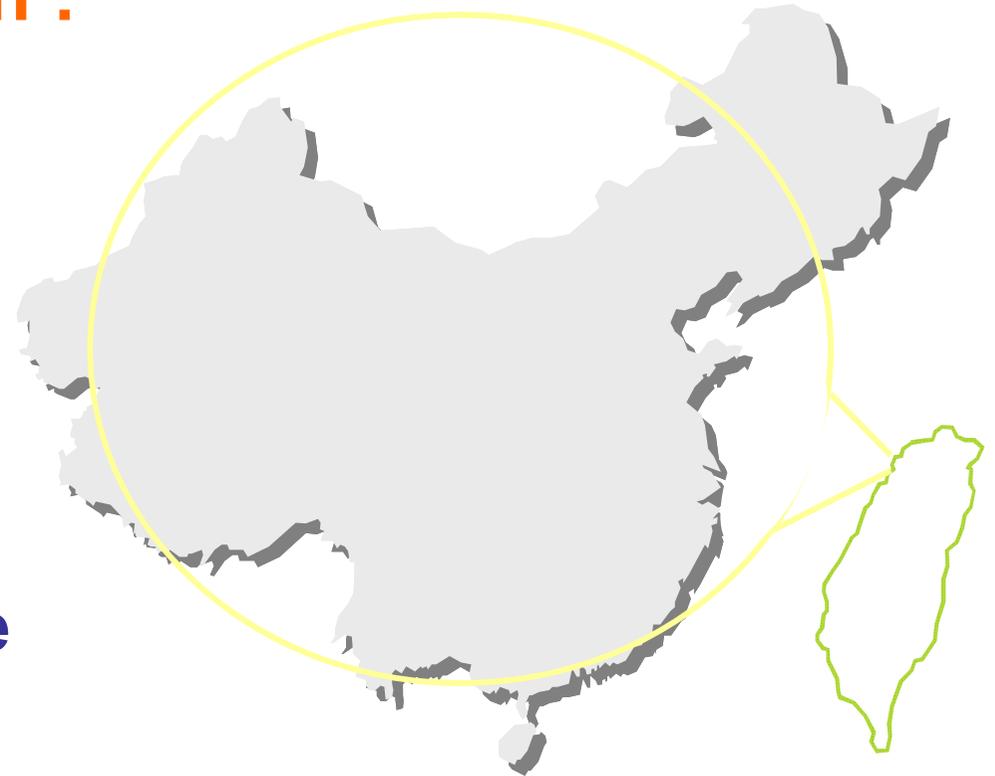


# The strength of Taiwan

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## The best position of Taiwan :

- The connection between world and China
- The resources integration platform of great China
- The value integrator of the industries chains



*Source: FCC Partners*



# The strength of Taiwan

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## The substantial effects of entering into ECFA :

- **Multi-national companies set up research centers in Taiwan**
- **Encouraging foreign institutions to invest in Taiwan**
- **Taiwan capital market becomes more active, which results in more TDR listings**



*Source: Abstracting from the speech of Vice President Mr. Siew for ACGA 10th Annual Conference*

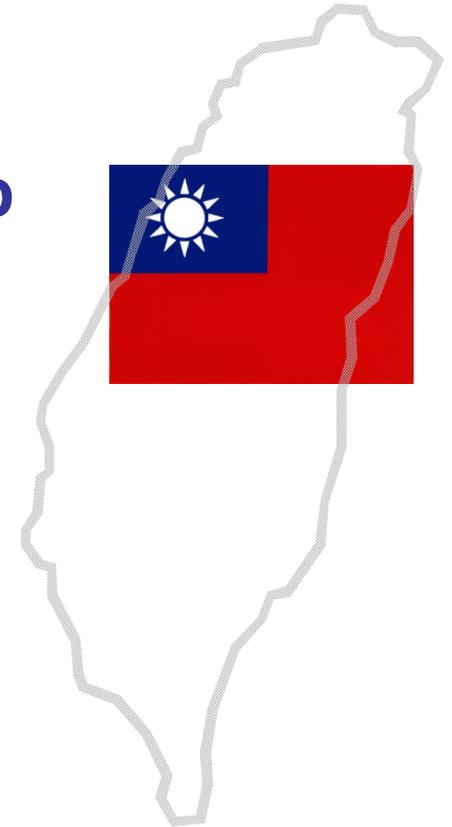


# The strength of Taiwan

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## The goals of Taiwan :

- To become the economic and trading hub of Asia
- To become the global operation headquarter for Taiwanese business
- To become the regional operation headquarters for foreign business
- To become the world's innovation center



*Source: Abstracting from the speech of President Mr. Ma for 2011 Common Wealth Economic Forum*



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# The features of Taiwan capital market



# The features of Taiwan capital market

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1. High proportion of small and medium companies

2. High market capitalization in high-tech sectors

3. IPO funding amount ranges between US\$10M~US\$30M

3. Easier for secondary fund raising

5. High proportion of individual investors

6. Includes wide product range

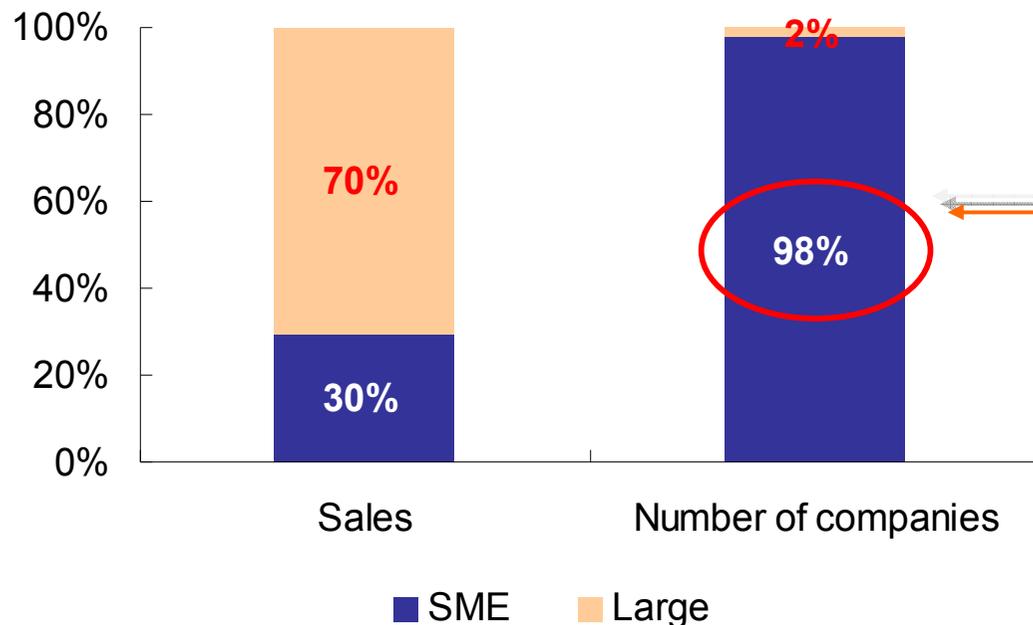
6. Multi-layers of market development structure



# The features of Taiwan capital market

## 1. High proportion of small and medium enterprises

The proportion of SME in terms of sales and number of companies as of the end of 2010



**1.25 million out of 1.28 million companies are small and medium enterprises**

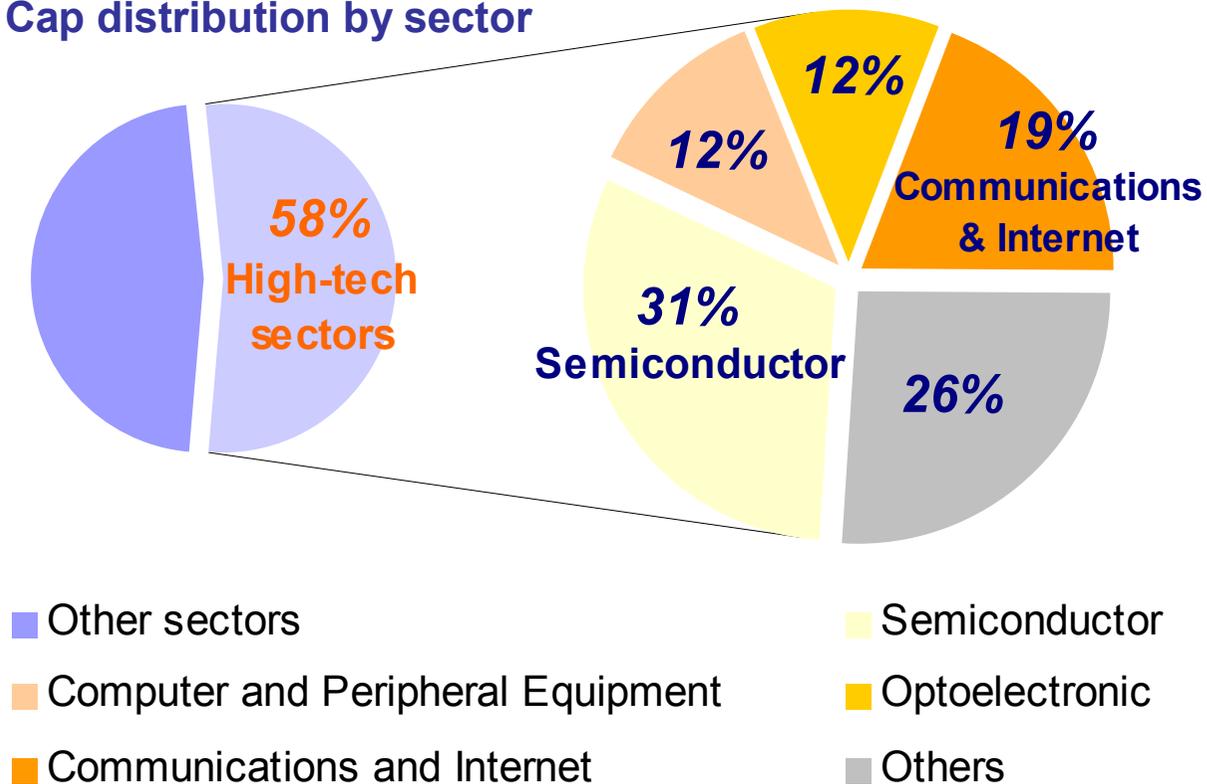
Source: Website of Small and Medium Enterprises Administration, Ministry of Economic Affairs



# The features of Taiwan capital market

## 2. High market capitalization in high-tech sectors

Market Cap distribution by sector



Source: (1) Taiwan Stock Exchange - "Status of Securities Listed on Taiwan Stock Exchange" for April 2011;  
(2) Polaris analysis

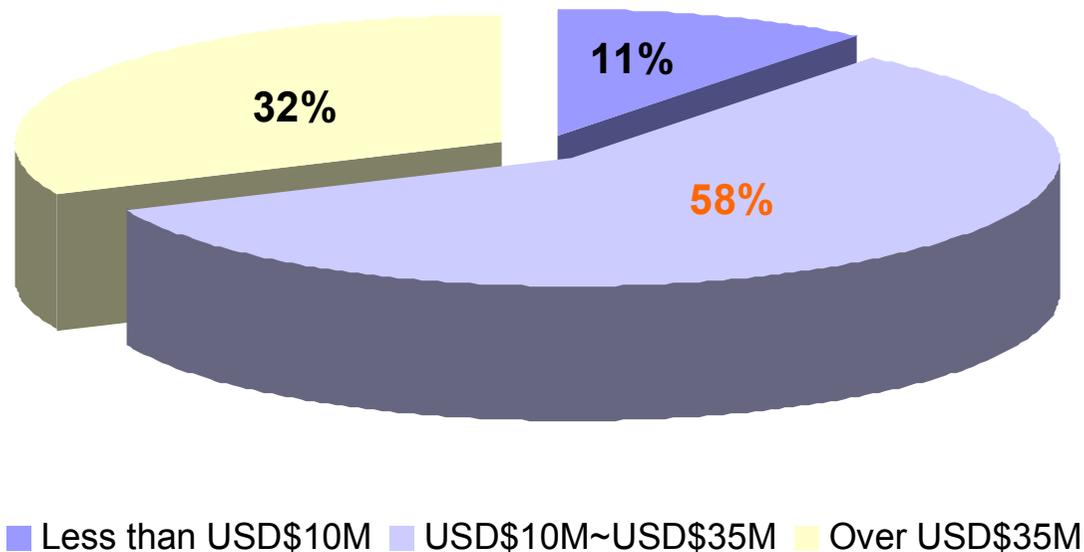


# The features of Taiwan capital market

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## 3. IPO funding amount ranges between US\$10M~US\$35M

TSE IPO project by size for 2010



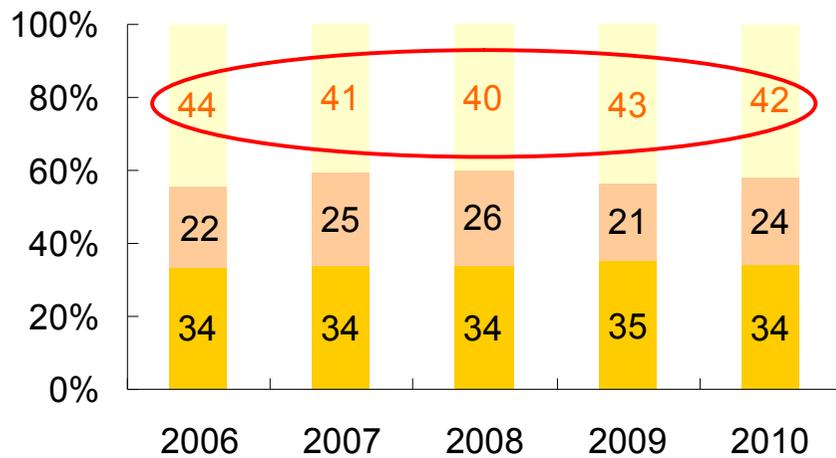
Source: Yuanta Securities statistics; Polaris analysis



# The features of Taiwan capital market

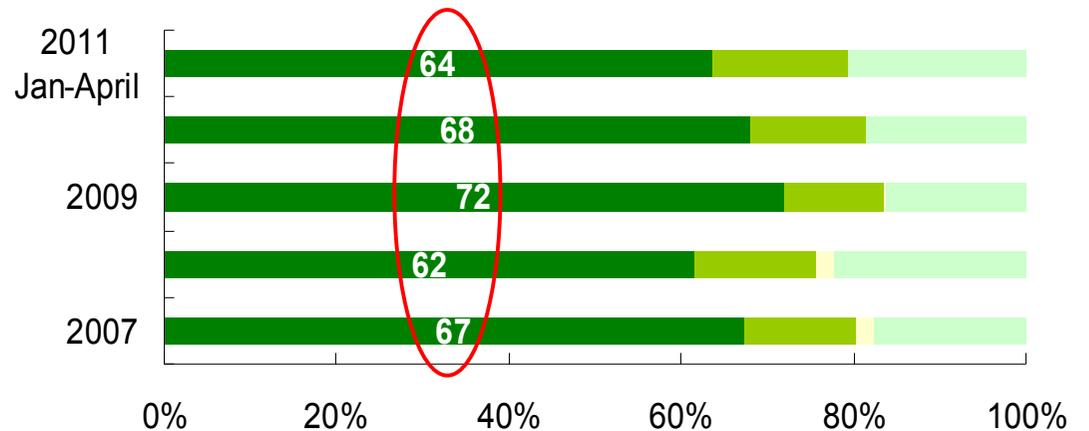
## 5. High proportion of individual investors

Source of capital by investor type



■ Domestic Institutions    ■ Foreign Institutions  
■ Individuals

Trading value by investor type



■ Domestic Individuals    ■ Domestic Institutions  
■ Foreign Individuals    ■ Foreign Institutions

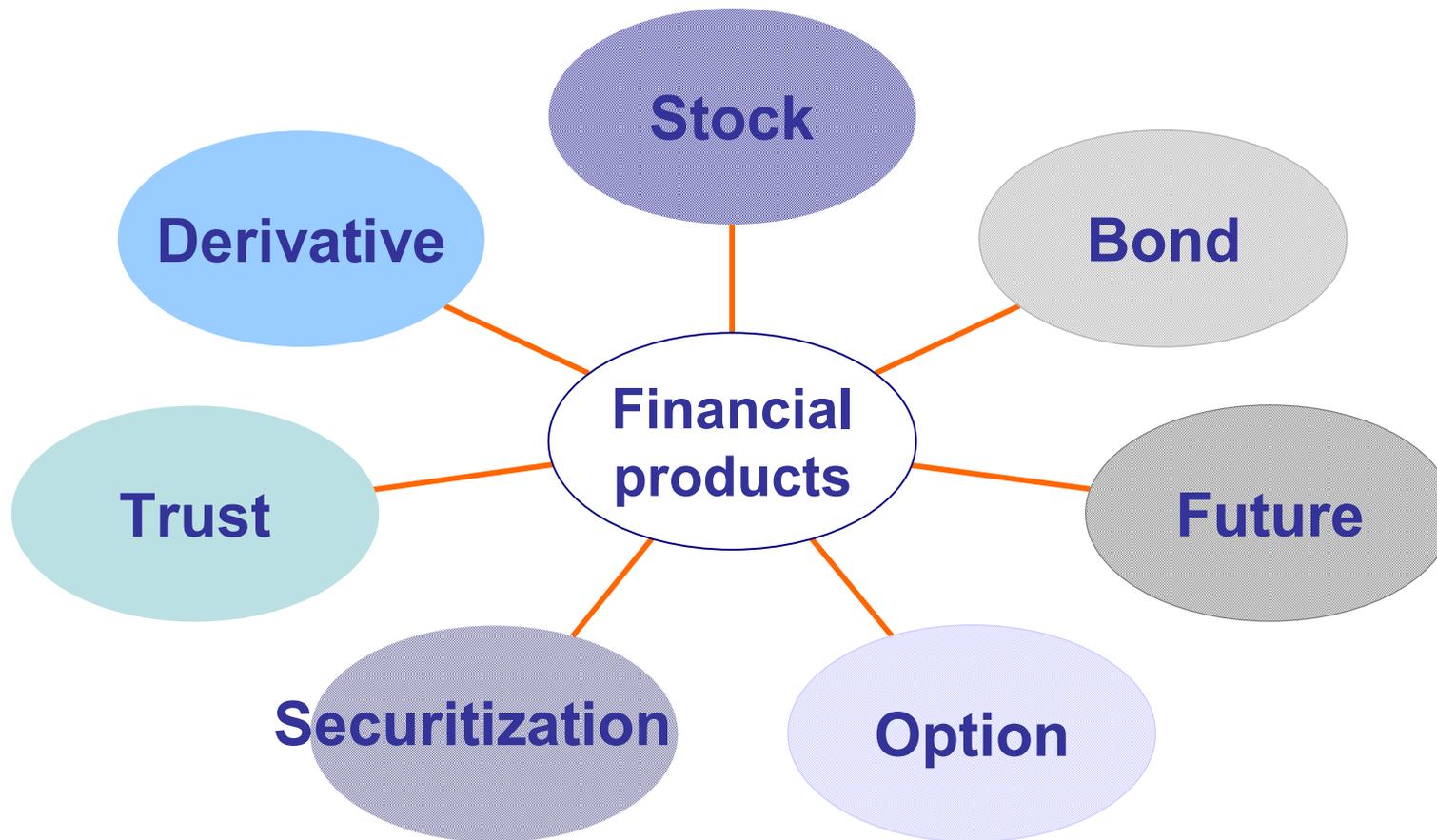
Source: (1) Taiwan Stock Exchange - "Sources of Capital of Listed Companies" and "Statistics of Securities Market"  
 (2) Polaris analysis



# The features of Taiwan capital market

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## 6. Includes wide product range



# The features of Taiwan capital market

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## 7. Multi-layers of market development structure

Taiwan Stock Exchange Market

GreTai Securities Market

Emerging Market



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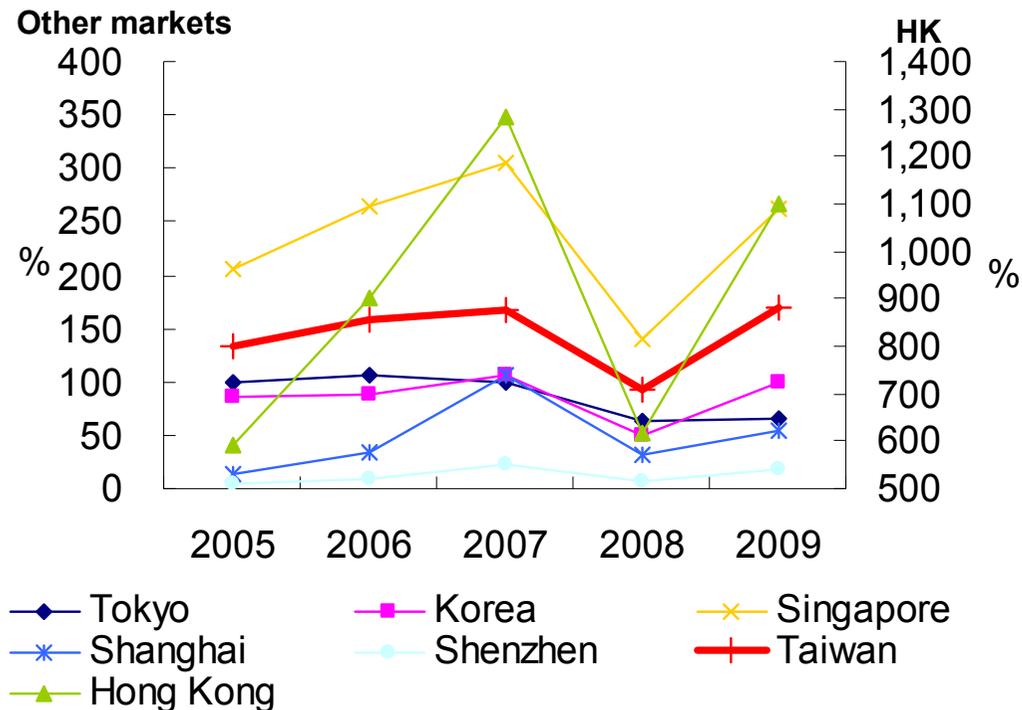
# Comparison of Asia's major securities markets



# Comparison of Asia's major securities markets

Taiwan securities market is well developed and relatively mature compared with other markets in Asia ....

## Market Capitalization / GDP

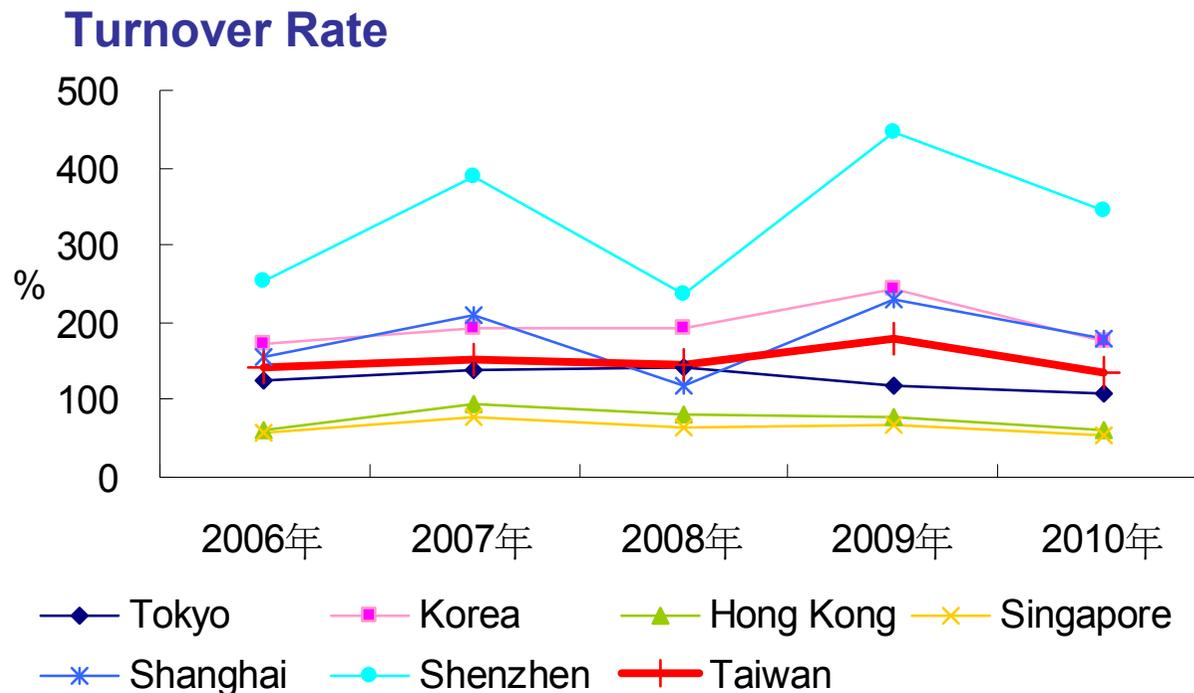


Source: Taiwan Stock Exchange - "Comparison of World's Major Securities Markets"



# Comparison of Asia's major securities markets

**Taiwan securities market is more active than HK, SG and JP, and is relatively stable compared with SZ and SH...**

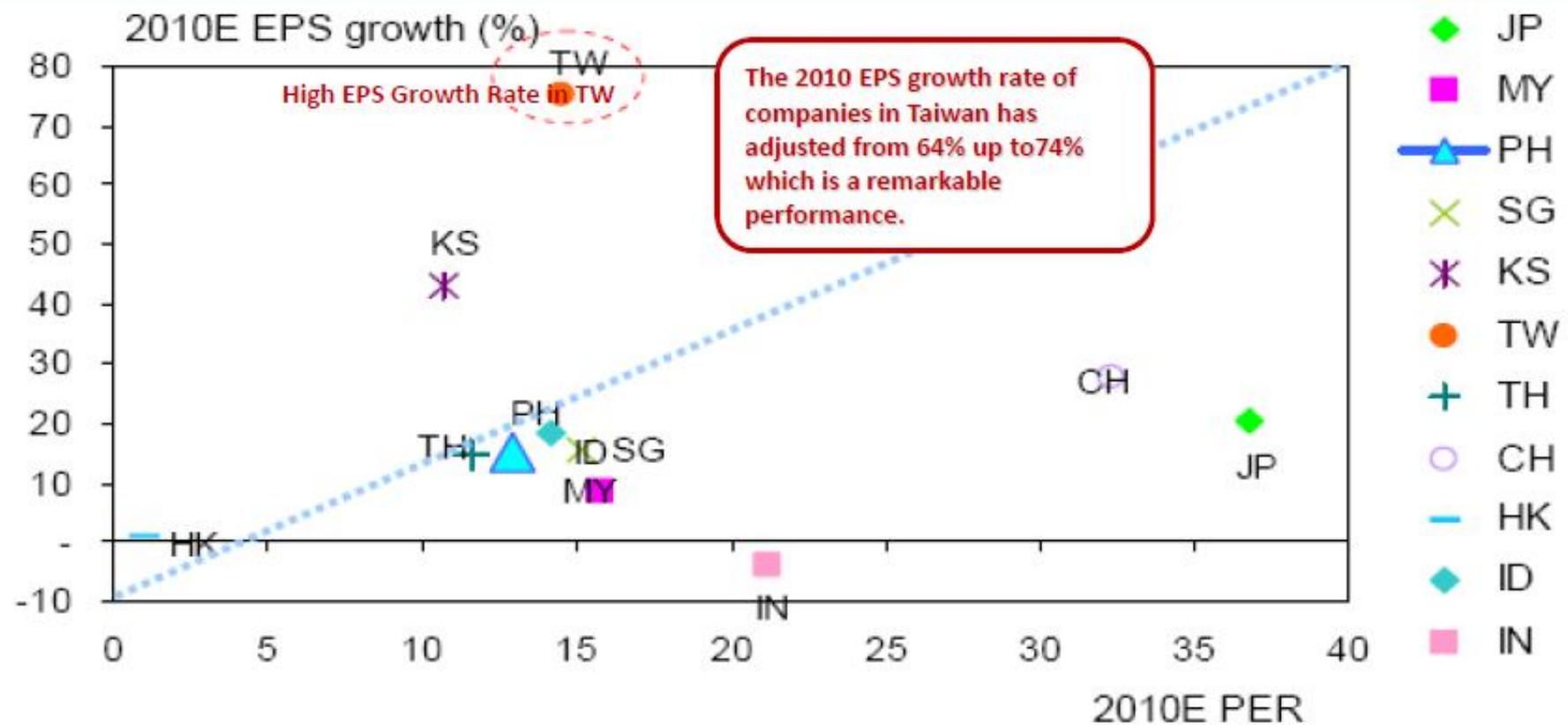


Source: Taiwan Stock Exchange - "Comparison of World's Major Securities Markets"



# Comparison of Asia's major securities markets

## High EPS growth rate in Taiwan ....

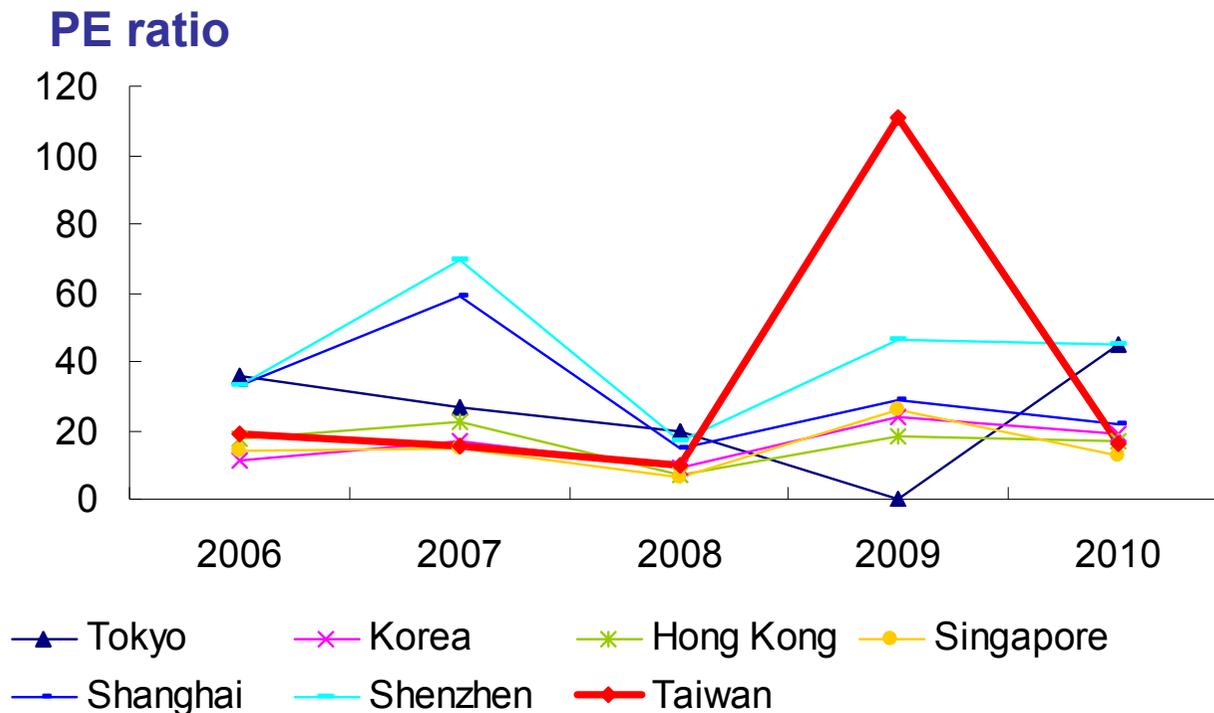


Source: TSE presentation document date 27 July 2010 - "New Taiwan IPO"



# Comparison of Asia's major securities markets

**Taiwan securities market has substantial growth potential ...**

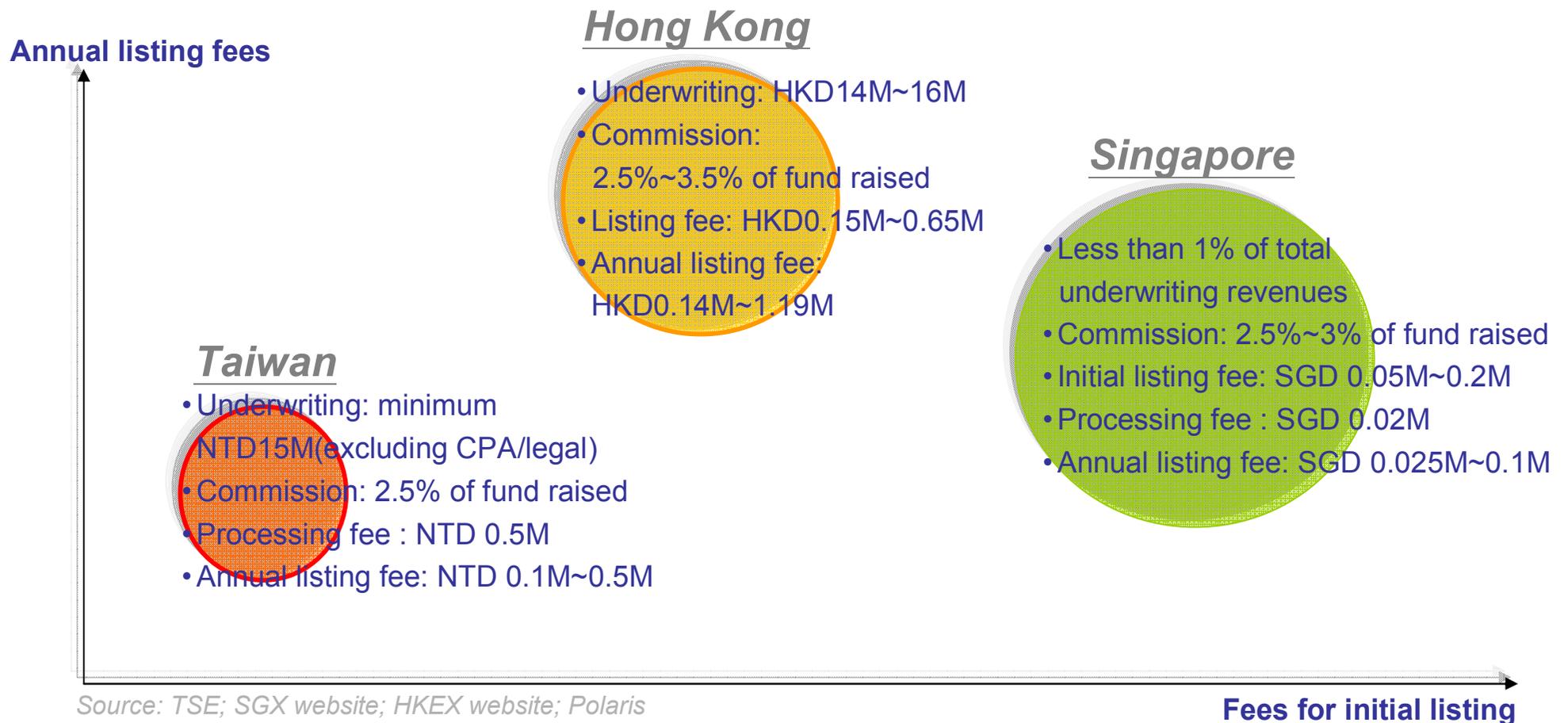


Source: Taiwan Stock Exchange - "Comparison of World's Major Securities Markets"



# Comparison of Asia's major securities markets

## Competitive fee charges for initial listing on TSE ...



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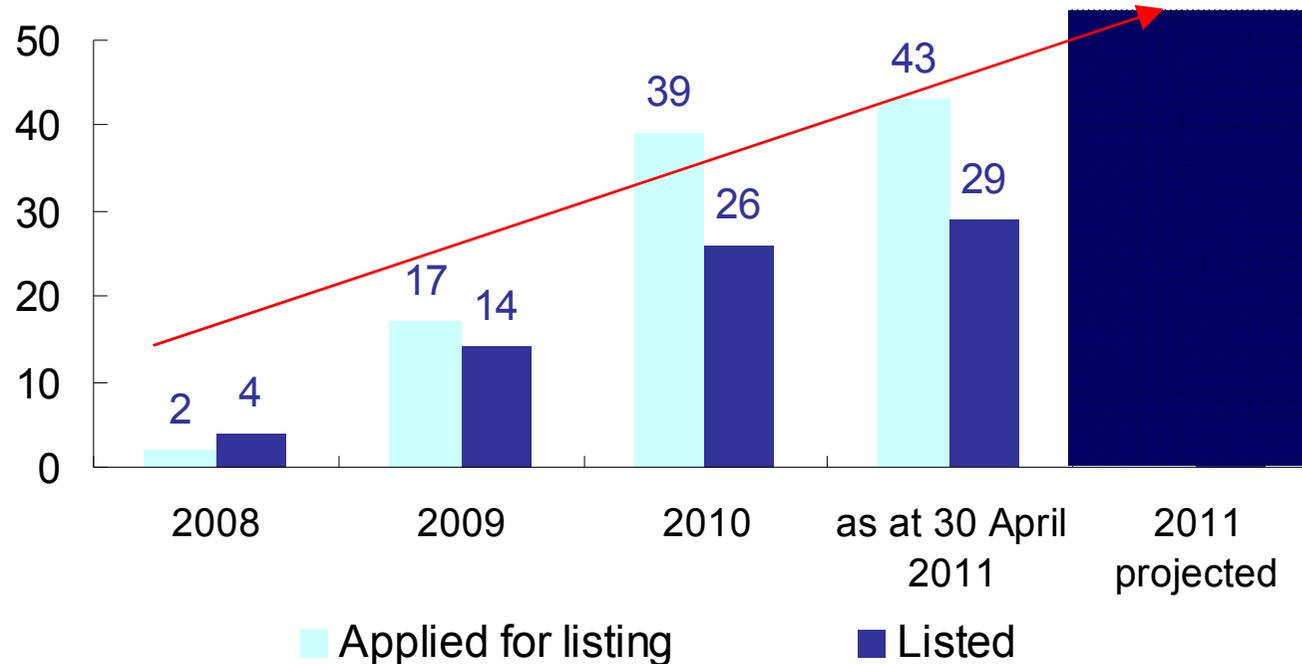
# The performance of TDR and IPO



# The performance of TDR

**TDR listed increased dramatically over the five years !**

Accumulated numbers of TDR listed



Source: TSE presentation document date 3 May 2011

Note: 5 TDR have listed prior to the TDR policy being released in 2008; among which, two TDR delisted in 2008 and 2011, respectively



# The performance of TDR

**TDR issuers have extended to 5 out of 16 securities markets being approved !**

1. The NYSE Euronext, Inc. (US)
2. The American Stock Exchange (US)
3. The NASDAQ (US)
4. The London Stock Exchange (UK)
5. Deutsche Borse Group (Germany)
6. The Italian Stock Exchange (Italy)
7. The Toronto Stock Exchange Group (Canada)
8. The Australian Stock Exchange (Australia)
9. The Tokyo Stock Exchange (Japan)
10. The Osaka Stock Exchange (Japan)
11. The Stock Exchange of Singapore (Singapore)
12. Bursa Malaysia (Malaysia)
13. The Stock Exchange of Thailand (Thailand)
14. The Johannesburg Securities Exchange (South Africa)
15. Hong Kong Exchange (Hong Kong)
16. Korea Exchange (South Korea)

**Japan (1)**

**Hong Kong (15)**

**Thailand (2)**

**Singapore (10)**

**South Africa (1)**

*Source: Market Observation Post System*



# The performance of TDR

## Higher PE ratio than original share!

Company	PE Ratio		TDR over Original share (Time)
	TDR	Original share	
Eastern Asia	6.27	6.15	<b>1.02</b>
Medtecs	63.23	16.38	<b>3.86</b>
Tingyi	37.44	38.13	0.98
Mustek	7.98	7.88	<b>1.01</b>
Sandmartin	33.04	32.88	1.00
Cal-Comp	15.81	12.09	<b>1.31</b>
Oceanus	13.02	8.33	<b>1.56</b>
New Focus	156.25	109.88	<b>1.42</b>
Vietnam Manufacturing	11.25	11.05	<b>1.02</b>
Kith	7.9	7.95	0.99
HWA FONG	15.28	14.94	<b>1.02</b>
Super Group	17.6	16.19	<b>1.09</b>
BH Global Marine	9.82	9.48	<b>1.04</b>

Company	PE Ratio		TDR over Original share (Time)
	TDR	Original share	
Yangzijiang	14.9	15.15	0.98
United Envirotech	79.17	48.07	<b>1.65</b>
China Taisan	12.13	8.96	<b>1.35</b>
Hu An Cable	6.63	5.46	<b>1.21</b>
Neo-Neon	37.39	32.88	<b>1.14</b>
Good Friend	19.27	16.91	<b>1.14</b>
Ju Teng	7.24	5.44	<b>1.33</b>
Global Sweeteners	20.57	18.34	<b>1.12</b>
Want Want China	36.71	37.24	0.99
Solargiga Energy	na	na	na
Yorkey Optical	25.62	14.1	<b>1.82</b>

Source: TSE presentation document date 30 Nov 2010

Note: PE= Price as at the end of Oct. 2010 / 2008 EPS



# The performance of TDR

## Higher market price than original share!

Company	Adjusted price of original share	Share price 31 May 2011 (NTD)	Premium%
Medtecs	1.98	4.04	<b>104.04%</b>
Tingyi	87.8	43.25	-1.48%
Mustek	21.35	20.65	-3.28%
Sandmartin	12.16	12.55	<b>3.21%</b>
Cal-Comp	3.1	4.23	<b>36.45%</b>
Oceanus	5.84	7.82	<b>33.90%</b>
New Focus	9.28	10.4	<b>12.07%</b>
Golden Meditech	5	14.55	<b>45.50%</b>
Digital China	54.08	27	-0.15%
Vietnam Manufacturing	6.08	12.1	-0.49%
Kith	5.3	5.31	<b>0.19%</b>
HWA FONG	1.95	15.2	<b>29.91%</b>
Super Group	34.32	16.9	-1.52%
BH Global Marine	5.37	10.1	-5.96%

Source: Market Observation Post System

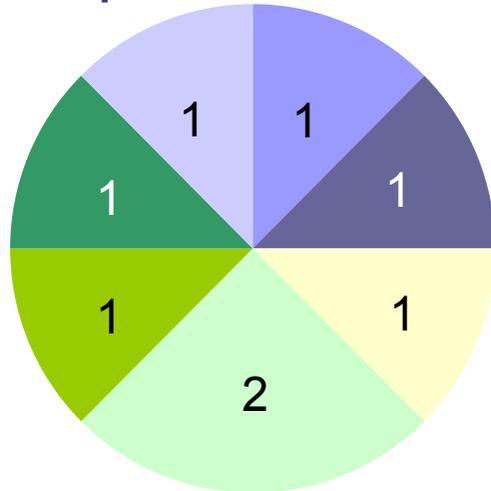
Company	Adjusted price of original share	Share price 31 May 2011 (NTD)	Premium%
Yangzijiang	37.38	18.75	<b>0.32%</b>
United Envirotech	8.52	16	<b>50.23%</b>
China Taisan	3.15	8.79	<b>39.52%</b>
Hu An Cable	9.11	16.35	<b>43.55%</b>
Dukang Distillers	13.43	14.65	<b>9.08%</b>
Neo-Neon	9.49	8.81	<b>85.47%</b>
SIM	5	9.97	-0.30%
Good Friend	31.79	27.35	-13.97%
Ju Teng	8.26	16.15	<b>95.52%</b>
Global Sweeteners	5.96	12	<b>0.67%</b>
Want Want China	27.54	27.2	-1.23%
Solargiga Energy	7.76	14.85	<b>91.37%</b>
Elpida Memory	391.1	19.7	<b>0.72%</b>
Yorkey Optical	4.6	6.92	<b>50.43%</b>





# The performance of IPO

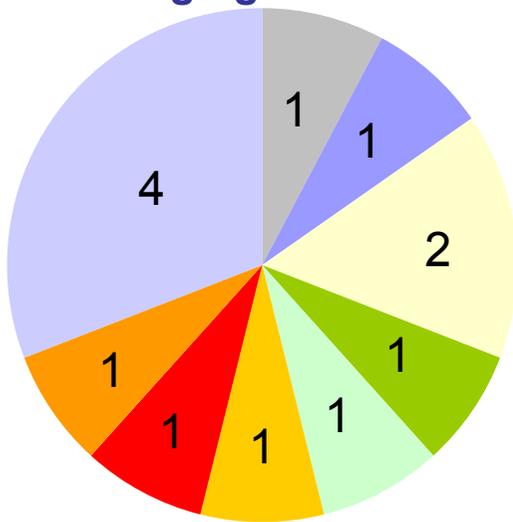
Companies listed on TSE



- Electric Machinery
- Shipping and Transportation
- Tourism
- Semiconductor
- Other Electronic
- Optoelectronic
- Semiconductor
- Others

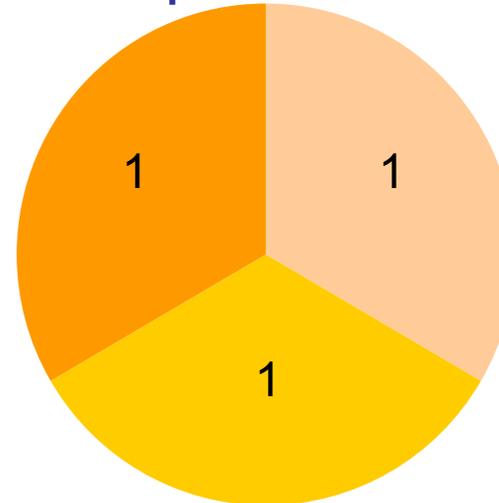
**Foreign companies listed in Taiwan are from extensive industry ranges**

Companies listed on Emerging market



- Plastics
- Electric Machinery
- Tourism
- Other Electronic
- Semiconductor
- Biotechnology & Medical Care
- Computer and Peripheral Equipment
- Electronic Parts & Components
- Others

Companies listed on GTSM



- Information Service
- Biotechnology & Medical Care
- Electronic Parts & Components

Source: TSE; GESM; Polaris analysis



# The performance of IPO

## Foreign companies listed on TSE have enjoyed high premium!

### Foreign company listed on TSE

Ticker	Company	Listing date	Listing price (NTD)	Share price 31 May 2011(NTD)	Premium%
1590	AIRTAC	2010/12/13	88	268	<b>205%</b>
2637	WISDOM	2010/12/1	38	44.85	<b>18%</b>
2723	Gourmet	2010/11/22	168	267	<b>59%</b>
3638	IML	2010/5/18	143	117	<b>-18%</b>
3665	BHI (BizLink)	2011/4/21	56	55.2	<b>-1%</b>
3673	TPK	2010/10/29	220	935	<b>325%</b>
3697	Mstar	2010/12/24	300	197	<b>-34%</b>
8404	PAIHO SHIH	2011/5/18	32	29.5	<b>-8%</b>

Source: Market Observation Post System; TSE



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# Conclusions



# Conclusions

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## The vision of Taiwan capital market :

- Taiwan, China as well as the global market can be developed collaboratively via cross strait cooperation.
- Multi-listing is becoming the tendency
- Asia's best capital market for listing of small and medium companies.
- Fund raising in Taiwan, and investing in Taiwan.



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Thank You!

