

The TAIEX Methodology

I. Introduction

The Taiwan Stock Exchange Capitalization Weighted Stock Index (hereinafter referred to as “TAIEX”) is a benchmark to measure the aggregate performance of listed stocks on the Taiwan Stock Exchange (hereinafter referred to as the “TWSE”), and it is an index compiled by the TWSE.

II. Calculation and management

1. The TAIEX index types include the “Price Index” and the “Total Return Index”, and the TWSE is responsible for compilation, real-time calculation and dissemination.
2. Taiwan Index Plus Corporation is designated to conduct constituent adjustment and index maintenance in accordance with the index rules.
3. The TWSE retains the closing market capitalization records of constituents.

III. Eligibility of Constituents

The TAIEX constituent stocks are all common stocks listed on the TWSE (excluding Taiwan Innovation Board (hereinafter referred to as “TIB”) listed companies or TIB primary listed companies), as set forth in the rules below:

1. Stocks of newly listed companies (including TIB listed companies or TIB primary listed companies transferring to be the TWSE listed companies or primary listed companies) are included in the constituents from the first trading day of the next month following one full calendar month from listing (or transferring); however, listed companies converted their shares to other newly incorporated companies, established financial holding companies or investment holding companies, newly incorporated companies resulting from listed companies splitting up, and listed companies transferred from the Taipei Exchange Mainboard listed companies are included in the constituents from the day of listing.
2. Listed stocks suspended from trading are excluded from the constituents, and will be included in the constituents from the first trading day of the next month following one full calendar month from reinstatement of normal trading; however, listed stocks suspended from trading because of issuance of new replacement

shares due to a capital reduction for the purpose of making up losses, by cash refund of capital stock, or resulting from a corporate split, or because of issuance of new replacement shares due to a change in par value, or because of mergers and acquisitions in accordance with the “Business Mergers and Acquisitions Act”, “The Financial Institutions Merger Act” or other laws and regulations, are retained within the constituents, and would not be excluded.

3. Full delivery stocks are excluded from the constituents on the 2nd trading day following the announcement by the TWSE, and will be included from the day regular trading status is restored. If listed stocks also are excluded from the constituents in case of suspended trading, the date to be included in the constituents is determined by the principles set out in Article 3, Paragraph 2.
4. Listed stocks delisted are excluded from the constituents on the date of delisting.

IV. Index Calculation Method

1. Index Calculation Frequency

- (1) The “Price Index” is calculated and disseminated every five seconds based on the latest trade prices of constituents during the trading hours of the TWSE's centralized securities exchange market, and the End-of-Day index is calculated once a day after the market close.
- (2) The “Total Return Index” makes an adjustment by taking the cash dividend factor into consideration to reflect the return including reinvesting the cash dividend. The index is calculated and disseminated every five seconds based on the latest trade prices of constituents during the trading hours of the TWSE's centralized securities exchange market, and the End-of-Day index is calculated once a day after the market close.

2. TAIEX compiled by TWSE is calculated by the following formula:

$$\text{Index} = \text{Aggregate market value} / \text{Base value of the current day} * 100$$

3. The aggregate market value is the aggregate of the market values obtained by multiplying the trade price of each constituent by the number of issued shares of the current day.

If there is no trade price on the current day, the opening auction reference price of the current day may be used for calculation. However, stocks of newly listed companies included in the index calculation may be accounted for on the basis of the number of listed shares of the current date.

4. Where listed stocks retained within the constituents in the period of suspended trading, the retained market value included in the calculation of the index is the market value obtained by the closing price and number of shares issued on the previous day of suspended trading. If the listed stocks are ex-dividend on the date of suspended trading, the retained market value included in the calculation of the index is the market value obtained by the closing price minus the amount of the dividend per share and number of shares issued on the previous day of suspended trading.
5. The base of the index is the annual average at 1966, and the base value is 100 points.

V. Constituent Adjustment and Index Maintenance

1. Upon occurrence of any of the below-listed events, the TAIEX base value computed by the TWSE shall be adjusted to maintain TAIEX continuity:
 - (1) Effective date of addition or deletion of a constituent;
 - (2) Ex-right date of subscription of common shares for cash capital increase; adjustment on the date of resumption of suspended trading if listed companies carry out a capital reduction and cash capital increase as well;
 - (3) Listing date of distribution of common shares or certificates of entitlement to new shares to employees as compensation;
 - (4) Ex-right date of distribution of common shares as stock dividends on preferred shares;
 - (5) Ex-right date of holding of the treasury stock for which capital reduction has not been carried out by a listed company;
 - (6) Ex-right date or the third trading day of the next month following public announcement of a capital decrease by a listed company, whichever comes

first, for share cancellation in accordance with the law;

- (7) Reversing to the original number of issued shares on the third trading day of the next month following receipt of notification of a failed offering for a cash capital increase by a listed company;
 - (8) Listing date of certificates of entitlement to new shares or issuance of new shares following a company merger or consolidation;
 - (9) Listing date of common shares issued in replacement of certificates of entitlement to convertible corporate bonds;
 - (10) Ex-right date or the third trading day of the next month following the public announcement of capitalization amendment registration in the event of common shares converted directly from convertible corporate bonds or shares issued through exercise of securities with subscription rights;
 - (11) Listing date of cash capital increase shares or certificates of payment for which shareholders have waived subscription rights and public underwriting has been adopted;
 - (12) Listing date of new shares issued for global depositary receipts;
 - (13) Ex-right date or the third trading day of the next month following the public announcement of capitalization amendment registration in the event of common shares converted from convertible preferred shares;
 - (14) The date of resumption of suspended trading by the listed company carrying out procedures for the issuance of new replacement shares due to a capital reduction or a change in par value;
 - (15) Ex-right date or listing date of new restricted employee shares;
 - (16) Ex-right date or the third trading day of the next month following the public announcement of capitalization amendment registration in the event of shares issued through exercise of employee stock warrants;
 - (17) Or other non-trading factors affecting aggregate market value.
2. The formula for adjustment of the base value is as follows:

Base value of the current day = Base value of the previous day * (Adjusted

aggregate market value after the close of the previous day / closing aggregate market value of the previous day)

Adjusted aggregate market value after the close of the previous day = Closing aggregate market value of the previous day + sum total of all adjustments in market value

3. Adjustments in market value are calculated as follows:

(1) Article 5, Paragraph 1, Subparagraph 1 of these Directions:

Adjusted market value = Closing price of the previous day * number of shares issued, or = Retained market value

(2) Article 5, Paragraph 1, Subparagraph 2 of these Directions:

Adjusted market value = Subscription price of cash capital increase * number of cash capital increase shares

(3) Article 5, Paragraph 1, Subparagraph 3 of these Directions:

Adjusted market value = Closing price of the common shares before the listing date of distribution of common shares or certificates of entitlement to new shares to employees as compensation * number of shares resulting from compensation to employees

(4) Article 5, Paragraph 1, Subparagraph 4 of these Directions:

Adjusted market value = Ex-right/Ex-dividend reference price of common shares * total number of common shares issued as stock dividends on preferred shares

(5) Article 5, Paragraph 1, Subparagraph 5 of these Directions:

Adjusted market value = Aggregate market value on the ex-right date – aggregate market value before the ex-right date

Market value before the ex-right date = (Closing price before the ex-right date – cash dividends per share) * number of shares issued before the ex-right date

Market value on the ex-right date = (Closing price before the ex-right date – cash dividends per share) / (1 + shareholder stock dividend rate) * number of shares issued on the ex-right date

- (6) Article 5, Paragraph 1, Subparagraph 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, and 17 of these Directions:

Adjusted market value = Closing price of the previous day * change in the number of shares

- (7) Article 5, Paragraph 1, Subparagraph 14 of these Directions:

Adjusted market value = reference price on the date of resumption of suspended trading * number of shares issued on the date of resumption of suspended trading – retained market value

Number of shares issued on the date of resumption of suspended trading do not include the number of cash capital increase shares if a listed company carries out a capital reduction and cash capital increase as well.

4. Retained market value is determined by the principles set out in Article 4, Paragraph 4.
5. If the closing price of the previous day is not available, the opening auction reference price of the current day may be used for the calculation of the various adjusted market values in accordance with Article 5, Paragraph 3.
6. The base value is not adjusted for cash dividends, except for the Total Return Index. The formula for adjustment of the base value of the Total Return Index is as follows:

Base value of the current day = Base value of the previous day * [(adjusted aggregate market value after the close of the previous day – aggregate cash dividends distributed on the current day) / closing aggregate market value of the previous day]

NOTE: The English version is for reference only. If there is any discrepancy between the English version and the Chinese version, the Chinese version will prevail.