

## **Methodology of TAIEX and Industrial Sub-Indices Series**

1. The constituents of the Taiwan Stock Exchange Capitalization Weighted Stock Index (hereinafter referred to as “TAIEX”) compiled by Taiwan Stock Exchange Co., Ltd. (hereinafter referred to as “TWSE”) are taken from all common stocks listed on TWSE, as set forth below:

(1) Stocks of newly listed companies are included in the sample from the first trading day of the next month following one full calendar month from listing; however, stocks of listed companies converted into financial holding companies or investment holding companies, and listed companies transferred from the over-the-counter market are included in the sample from the day of listing.

(2) Stocks suspended from trading are excluded from the sample, and will be included in the sample from the first trading day of the next month following one full calendar month from reinstatement of normal trading; however, stocks suspended from trading because of issuance of replacement shares due to capital reduction resulted from a corporate split are included in the sample from the day of resuming trading of the new shares.

(3) Full delivery stocks are excluded from the sample, and will be included again on the day regular trading status is restored.

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

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

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

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

The base value at the time of commencement of calculation of the index base period is the current aggregate market value at the time.

3. Upon occurrence of any of the below-listed events, the base value of the TAIEX computed by TWSE shall be adjusted to maintain the continuity of the TAIEX:

- (1) Effective date of addition or deletion of a constituent stock;
- (2) Ex-right date of subscription of common shares for cash capital increase;
- (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 stock;
- (5) Ex-right date of holding by a listed company of treasury stock for which capital cancellation has not been carried out;
- (6) Ex-right date or the third trading day of the next month following public announcement of capital decrease, 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

failed offering for cash capital increase;

(8) Listing date of certificates of entitlement to new shares or issuance of new shares following company merger or consolidation;

(9) Listing date of common shares issued in replacement of certificates of entitlement to convertible 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 bonds issued through exercise of securities with subscription right;

(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) Listing date of common shares converted from convertible preferred shares;

(14) Or other non-trading factors affecting aggregate market value.

4. 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.

Adjustments in market value are calculated as follows:

Paragraph 1, Article 3 of these Directions:

Adjusted market value = Closing price of the previous day \*  
number of shares issued

Paragraph 2, Article 3 of these Directions:

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

Paragraph 3, Article 3 of these Directions:

Adjusted market value = Closing price of the commons 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

Paragraph 4, Article 3 of these Directions:

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

Ex-right reference price of common stocks = (Closing price  
before ex-right date + cash capital increase subscription  
price \* cash capital increase share distribution rate) / (1 +  
shareholder stock dividend rate + cash capital increase  
share distribution rate)

Shareholder stock dividend rate = Number of capital  
increase shares distributed as dividends to shareholders /  
number of shares issued before the ex-right date

Cash capital increase share distribution rate = Number of shares issued for the cash capital increase / number of shares issued before the ex-right date

Paragraph 5, Article 3 of these Directions:

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

Paragraphs 6, 7, 8, 9, 10, 11, 12, 13, and 14, Article 3 of these Directions:

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

If the closing price is not available, the opening auction price of the current day may be used for the calculation of the various adjusted market values in accordance with Article 4 after the closing of the previous day.

5. The base value is not adjusted for cash dividends, except for Total Return Index.

The formula for adjustment of the base value of 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]

6. All industrial sub-indices shall be computed in accordance with these Guidelines, with the exception of those whose constituents are selected from the same industry.
7. These Guidelines shall take effect from the date of announcement. Subsequent amendments hereto shall be effected in the same manner.

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.