

Ground Rules for the TPEX RGA Quality 50 Index

Chapter 1 Introduction

The TPEX RGA Quality 50 Index is compiled by Taipei Exchange (hereafter TPEX) and Rayliant Global Advisors Limited (hereafter RGA). The Index Universe is the constituents of the TPEX 200 Index in which 50 stocks are selected by the RGA's exclusive Quality Factor in order to enhance the stability of the index returns as well as the performances.

Chapter 2 Eligible Securities

2.1 Sampling Scope

The sampling scope is the constituents of the TPEX 200 index.

2.2 Qualification Criteria

2.2.1 The initial weight of a single stock is determined by the RGA's Quality Factor Indicators, including accounting conservatism, investment conservatism, default risk, and productivity, which are integrated by the RGA's exclusive "Factor Overlay" method.

2.2.2 Stocks with negative initial weight will be excluded in the first place, and then the top 50 weighted stocks will be selected as the constituents. However, if the number of stocks with positive initial weight is under 50, the stocks with higher initial weight, including negative weighted stocks, would be selected as the constituents.

2.2.3 In consideration of the diversification of the index constituents, the weight of a single stock is no greater than 25%, and the total weight of the top 5 stocks is no greater than 60%.

Chapter 3 Index Calculation Method

3.1 Calculation Frequency

TPEX RGA Quality 50 Index is calculated in real-time and disseminated every 5 seconds using the latest trading prices during trading hours, and the end-of-day (EOD) index is calculated once a day after the close of trading. The TPEX also calculates the "TPEX RGA Quality 50 Total Return Index", which makes an adjustment to the Index by taking the cash dividend factor into consideration, in order to reflect the return on cash dividends. The index is calculated and published at the same frequency as TPEX RGA Quality 50 Index.

3.2 Index Algorithm

The index is calculated using the algorithm described below.

$$\sum_{i=1}^n \frac{(p_i \times s_i \times f_i \times w_i)}{d} \times 5,000$$

- i = The number of constituents, where $n \leq 50$
- p =The latest trading prices of the constituents
- s =Shares in issue for the constituents
- f =Free float factor
- w =Weight Adjustment factor
- d =Index base value

Chapter 4 Review of Constituents

The quarterly reviews of the TPEX RGA Quality 50 Index constituents are scheduled to be conducted on the Thursday after the second Friday in January, April, July and October by using the data of the last trading day in December of the previous year, yet March, June, and September respectively in this year. Any changes to the constituents will be effective on the next trading day of the fourth Friday in the review month.

Chapter 5 Changes to Constituent Companies

If any of the constituents in TPEX RGA Quality 50 Index is removed from TPEX 200 Index during non-periodic review, it will also be removed from TPEX RGA Quality 50 Index simultaneously.

Chapter 6 Index Maintenance

Except for the changes to the constituent and initial weight due to quarterly reviews, the index maintenance will be implemented in accordance with the TPEX's "Corporate Actions and Events Guide for narrow-band Indices".