

Ground Rules for the Management of the TPEX 200 Index

Chapter 1 Introduction

The constituents of the TPEX 200 Index are sorted by market value, after considering each company's free float and turnover. The TPEX 200 index is calculated by Modified Free Float Adjusted Market Capitalization, where each stock's weight in the index is proportional to its float-adjusted market value. The TPEX 200 Index is designed to represent the comprehensive performance of Taipei Exchange (hereafter TPEX).

Chapter 2 Eligible Securities

2.1 Sampling scope

Common stocks listed on TPEX mainboard are eligible to join TPEX 200 Index, except managed stocks and altered-trading-method stocks as announced by TPEX.

2.2 Qualification Criteria

2.2.1 Market Value

All eligible securities to be the constituents of TPEX 200 Index will be ranked by full market capitalization (before the application of any free float restrictions).

2.2.2 Market Cap Weighted

Free float-adjusted market capitalization is used to calculate the weight of a constituent in TPEX 200 Index. As for the definition and maintenance of the free float, please refer to "TPEX Corporate Actions and Events Guide for Narrow-Band Stock Indices".

2.2.3 Market Price

The index uses the most recent trade price through the automated trade matching system; if there the most recent price is not available, the opening reference price will be used instead.

2.3 Liquidity

2.3.1 Prospective constituents : Securities with a turnover of at least 3% of their shares in issue, after the application of any free float restrictions, per month for ten of

the twelve months, or whose average monthly trading volumes reach 10,000 trading units for the most recent three months prior to the periodic review will be eligible for inclusion in the TPEX 200 Index.

- 2.3.2 Existing constituents: An existing constituent without a turnover of at least 3% of its shares in issue, after the application of any free float restrictions, per month for more than four of the twelve months, prior to the periodic review will be deleted. However, an existing constituent may remain in the TPEX 200 Index when the average monthly trading volumes reach 10,000 trading units for the most recent three months.
- 2.3.3 The monthly turnover used for the liquidity test will be applied on a pro-rata basis where the trading period is less than one month.
- 2.3.4 The free float factor of a constituent shall exceed 10%.
- 2.3.5 In exceptional market conditions, if trading volumes are very low, the TPEX may reduce the percentage figure stated in 2.3.1 and 2.3.2 above in order to avoid a large number of constituents being deleted from the TPEX 200 Index. This discretion may not be applied to individual securities.
- 2.3.6 Liquidity test will be conducted in accordance to 2.3.1 in the initial review.

Chapter 3 Index Calculation Method

3.1 Calculation Frequency

TPEX 200 Index is calculated in real-time and published every 5 seconds using last trade prices from the Taipei Exchange stock market during trading hours. The closing index value for TPEX 200 Index is calculated and published after market closing at the end of each trading day. The Total Return Index (TPEX 200TR Index) includes income based on cash dividend adjustments. The TPEX 200TR Index is calculated and published at the same frequency as TPEX 200 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 securities in the Index, where in $n \leq 200$
- p = The latest trade price of the constituent.
- s = Shares in issue for the constituent
- f = Free float factor
- w = Weight Adjustment Factor

d = Index base value, a figure that represents the total issued share capital of the index at the base date.

The maintenance of index base value is in accordance with “TPEX Corporate Actions and Events Guide for Narrow-Band Stock Indices”.

Chapter 4 Review of Constituents

4.1 Review Dates

4.1.1 The quarterly reviews of the TPEX 200 Index constituents take place in January, April, July and October. The procedure to review the constituents will be held on the Thursday after the first Friday of January, April, July and October using data from the close of the last trading day in March, June, September and December. Any constituent changes will be implemented on the next trading day following the third Friday of the review month.

4.1.2 At the quarterly review the liquidity criterion stated in 2.3 will also be tested.

4.2 Rules for Insertion and Deletion at the Quarterly Review

4.2.1 The rules for inserting and deleting companies at the quarterly review are designed to provide stability in the selection of constituents of TPEX 200 Index while ensuring that the Index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly.

4.2.2 All eligible securities are ranked in descending order of full market capitalization. Non-constituents with a rank of 160 or higher in the eligible universe will be inserted in the TPEX 200 Index on a priority basis at the periodic review.

4.2.3 A company will be deleted at the periodic review if its market value falls below 241st among the eligible securities.

4.2.4 A constant number of constituents will be maintained for the TPEX 200 Index at the quarterly review. Where a greater number of companies qualify to be inserted in the Index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted at the quarterly review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the highest ranking which are presently not included in the Index will be inserted at the quarterly review.

4.2.5 To ensure adequate diversification of the constituents, the weight of each constituent is capped with 30%, and the total weight of the top 5 constituents shall not exceed 65% in TPEX 200 Index.

Chapter 5 Changes to Constituent Companies

5.1 New Issues

- 5.1.1 A newly listed company will be eligible for fast entry inclusion to the TPEX 200 Index if its full market capitalization (before the application of any free float restrictions) would ensure the company joins the TPEX 200 Index in 80th position or higher. In such a case, the security will normally be included on the sixth day of official trading. The Fast Entry security is not required to pass a liquidity test. The existing constituent with the lowest ranking by full market capitalization of TPEX 200 index will be selected for removal simultaneously.
- 5.1.2 A newly listed company which does not qualify for Fast Entry under rule 5.3.1 will be eligible for inclusion at the next quarterly review if it has a trading record of at least 20 trading days prior to the date of the review and a turnover of at least 3% per month of their shares in issue, after the application of any free float restrictions.
- 5.1.3 For the purpose of this Rule, a company which is resumed after suspension or is reorganized or which arises from a merger, takeover, or split with another company which is a non-constituent, shall not be considered to be a new issue.

5.2 Others

- 5.2.1. If a constituent has an event of merge/acquisition or changes status to altered-trading-method stocks, suspended or terminated TPEX trading, all treatments will be in accordance with “TPEX Corporate Actions and Events Guide for Narrow-Band Stock Indices”. The vacancy created from the deletion will be filled at next quarterly review.
- 5.2.2. In the event of special circumstances during the quarterly review, please refer to the “TPEX Corporate Actions and Events Guide for Narrow-Band Stock Indices”.

Chapter 6 Changes to Constituent Weightings

The maintenance of shares in issue and free float factor of the constituents is in accordance with “TPEX Corporate Actions and Events Guide for Narrow-Band Stock Indices”.

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