

## The TPEX High Dividend Yield Index Methodology

### I. Eligibility

Common stocks that have been listed on TPEX for at least five years are eligible for inclusion in the TPEX High Dividend Yield Index, with the exception of managed stocks, emerging stocks, and stocks with an altered trading method as announced by TPEX.

### II. Constituent Selection Criteria

1. The stock has passed the liquidity test and ranks in the Top 150 by market capitalization.
2. The stock has paid cash in the past five consecutive years preceding the date of periodic review.
3. When there are fewer than 60 stocks that meet the preceding two criteria, the TPEX may adjust the constituent selection criteria to maintain the number of index constituents.

### III. Constituent Selection Process

1. Stocks that have passed the liquidity test are ranked by market capitalization and the top 150 are selected as candidates. The candidates are then ranked by their cash dividend yield (cash to be distributed as determined in the latest shareholders' meeting / stock's closing price on the date of review), and the top 30 are selected as constituents. If stocks have the same cash dividend yield, the larger full market capitalisation will be included.
2. To maintain the stability of constituents, constituents will be added or deleted according to the following principles at the time of selection:
  - (1) Prospective constituent stocks ranking in the top 30 (inclusive) by cash dividend yield will be considered in order for inclusion.
  - (2) Existing constituent stocks ranking in the top 90 (inclusive) by cash dividend yield will be given priority consideration for retention.

### IV. Liquidity Test

1. Prospective constituent stocks at the time of initial review and subsequent annual reviews: Stocks with a monthly turnover reaching 4% of float-adjusted shares outstanding in at least 10 out of the 12 months prior to the annual review will be qualified for inclusion in the index.
2. Existing constituents: Constituents with monthly turnover below 4% of float-adjusted shares outstanding in 4 or more out of the 12 months prior to the annual review will be deleted.
3. Stocks having a minimum trading record of at least 20 business days and with monthly turnover reaching 4% of float-adjusted shares outstanding prior to the annual review will also be qualified for inclusion in the index.
4. If a stock has not been traded for one month or longer, monthly turnover will be computed on pro rata basis.

V. Index Calculation

The TPEX High Dividend Yield Index is calculated and published in real time every 5 seconds during TPEX trading hours based on the latest transaction prices of constituent stocks. A closing index will be calculated after market closing each day. TPEX will also compile a total return index based on ex dividend adjustment of TPEX High Yield Index to reflect the dividend-included return on the constituent stocks. The total return index is calculated and published at the end of each business day.

The index is calculated using the following algorithm:

$$\sum_{i=1}^{60} \frac{(p_i \times s_i \times f_i)}{d} \times 100$$

Where:

- $i$  = The number of stocks in the index
- $p$  = The latest trading price of the constituent
- $s$  = Shares in issue
- $f$  = Free float factor
- $d$  = Divisor

The market value used for determining the weight of a stock in the index is calculated by the shares issued by the listed company, subject to the free float restrictions as follows:

1. Shares held by directors, supervisors, managerial officers, including those held by their spouses, minor children, and under the names of other parties;
2. Shares held by shareholders holding more than ten percent of the total shares, including those held by their spouses, minor children and under the names of other parties; and
3. Shares with trading restriction imposed by the competent authority.

The bands for free float factor are as follows:

Free float (%)	Free float factor ( $f$ )
$\% \leq 5\%$	Ineligible
$5\% < \% \leq 20\%$	Actual free float
$20\% < \% \leq 30\%$	30%
$30\% < \% \leq 40\%$	40%
$40\% < \% \leq 50\%$	50%
$50\% < \% \leq 60\%$	60%

Free float (%)	Free float factor ( <i>f</i> )
$60% < \% \leq 70%$	70%
$70% < \% \leq 80%$	80%
$80% < \% \leq 90%$	90%
$90% < \%$	100%

Following the initial free float adjustment, a constituent's free float factor will be changed only when its actual free float rises to a level more than 5 percentage points above the lower bound of the adjacent band or falls to a level more than 5 percentage points below the upper bound of an adjacent band. This 5 percentage point threshold does not apply when the free float is below 20%.

If the foreign ownership limit is more restrictive than the free float restriction, the specific foreign ownership limit will apply in the band rules; if the foreign ownership limit is equal to or less restrictive than the free float restriction, the free float restriction will apply.

#### VI. Changes to Constituents

1. Periodic review: Annual reviews of the TPEX High Dividend Yield Index take place on the Thursday following the first Friday of July every year. The closing data on the last business day in June are used for review. Any change to constituents will be implemented on the next business day following the third Friday of July.
2. Special review: When a constituent is deleted during a special review, it will not be immediately replaced by another stock. Thus it is likely that the number of constituents falls below 30 between two periodic reviews.

A constituent stock having any of the following situations will be deleted from the constituent list:

- (1) The company is acquired;
- (2) The stock is announced by TPEX as placed under an altered-trading method.
- (3) The stock has trading suspended as announced by TPEX; the stock may remain in the index if trading suspension is due to issue of replacement shares as a result of capital decrease or consolidation.
- (4) The stock is delisted.
- (5) Other causes for which the TPEX deems it necessary.

#### VII. Changes to Constituent Weightings

1. If a corporate action results in a change in the number of shares outstanding for a constituent, the change in shares will apply simultaneously on the date the corporation action takes effect.

2. If changes in shares outstanding did not arise from any corporate action, and the changes cumulatively amount to less than 1% of shares outstanding, the constituent weighting will not be adjusted; if the changes cumulatively amount to more than 1% but less than 10% of shares outstanding, weighting adjustment will be made quarterly after the close of business on the third Friday of January, April, July and October to avoid frequent adjustment of constituent weightings.
3. If changes in shares outstanding do not arise from any corporate action and the changes cumulatively amount to more than 10% of shares outstanding, weighting adjustment will take place promptly between two quarterly scheduled adjustments.
4. Except where otherwise prevented by market conditions, all adjustments are made before the start of index calculation for the day.