

The TPEX High Dividend Yield Index Methodology

I. Eligibility

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

II. Qualification Criteria

1. Market Capitalization Used in the Selection of Constituents

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

2. Market Capitalization Used in the Calculation of Constituents Weights

Free float-adjusted market capitalization is used to calculate the weight of a constituent in TPEX High Dividend Yield 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".

3. The Price Used in the Calculation of Market Capitalization

The price used in the calculation of market capitalization comes from the most recent trade price of the stock through the automated trade matching system; if the most recent price is not available, the opening reference price will be used instead.

III. 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.

5. The free float factor of a constituent shall exceed 5%.

IV. Rules for Insertion and Deletion at the Annually Review

1. Stocks that have passed the liquidity test are ranked by market capitalization and the top 150 are selected as candidates.

2. Stocks that have paid cash in the past five consecutive fiscal years preceding the date of periodic review.

3. The candidates that pass the above selection criteria are then ranked by their cash

dividend yield, and the top 60 are selected as constituents. If stocks have the same cash dividend yield, the larger full market capitalization will be included.

4. The “cash dividend yield” means the sum of the cash dividend and the cash refund per share to be distributed as determined by its company during the last 12 months before periodic review divided by the stock’s closing price on the date of review.
5. To maintain the stability of constituents, constituents will be inserted or deleted according to the following principles at the time of selection:
 - (1) A company will be inserted at the annual review if its ranking of cash dividend yield rises to 30th or above among the eligible securities.
 - (2) Existing constituent stocks ranking at or below 91st by cash dividend yield will be deleted.
6. When there are fewer than 60 stocks that meet the preceding criteria, TPEX may adjust the liquidity test and the constituent selection criteria to maintain the number of index constituents.

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 ,where in $n \leq 60$
- p = The latest trading price of the constituent
- s = Shares in issue
- f = Free float factor
- d = Divisor

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

VI. Review of 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. Non-periodic review: 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 will not be immediately filled by

another stock. Thus, it is likely that the number of constituents may fall below 60 between two periodic reviews.

VII. Changes to Constituent Weightings

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