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HANG SENG INDEXES

Hang Seng China High Dividend Yield Index

This methodology document should be read in conjunction with the Index Methodology General Guide on Hang Seng Indexes Co Limited ("HSIL")'s website.

Readers are reminded that there might be exceptions in the index handling to the below general approach in some special situations and HSIL reserves the right to determine the most appropriate handling.

Objective	To reflect the overall performance of high-dividend-yield mainland China securities that are listed in Hong Kong and are not classified in the Oil & Gas Producers, Casinos & Gaming, Tobacco or Telecommunication Services sectors
Universe	Mainland securities that are constituents of the Hang Seng Composite Index ("HSCI") as of index review data cut-off date
Eligibility Criteria	
Types of Securities	Exclude Foreign Companies and Stapled Securities
Market Value ("MV") Requirement	Large-cap or mid-cap constituents from the HSCI
Turnover Requirements	Velocity Test for Tradable Indexes; and 6-month Average Daily Turnover >= HKD 20 million
Dividend Requirements	Cash dividend paid record for the latest three consecutive fiscal years
Sector Requirement	Securities that are classified in the sector of "Oil & Gas Producers", "Casinos & Gaming", "Tobacco" or "Telecommunication Services"" under the Hang Seng Industry Classification System ("HSICS") will be excluded
Volatility Screening	The top 25% of the shortlisted securities in terms of one-year historical volatility – i.e. standard deviation of daily logarithmic return for the past 12 months to the Data Cut-off Date – will be excluded from constituent selection
Price Performance Screening	Securities which meet the below two conditions will be screened out: • Price dropped by more than 50% over the past 12 months; and • Last 12-month price performance ranked in the bottom 10% of the eligible candidates

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Constituent Selection	
Selection Criteria	The eligible securities in terms of Net Dividend Yield will be ranked: $$Net\ Dividend\ Yield = \frac{After-tax\ Dividend\ Per\ Share}{Price\ as\ of\ Data\ Cut-off\ Date}$$ Dividend per share refers to the trailing one-year declared cash dividend, i.e. total dividend for the latest two (or four) periods if a security pays dividends bi-annually (or quarterly), as at the Data Cut-off Date; Non-constituent, which has changed fiscal year-end date within 12 months to the Data Cut-off Date, will be excluded from constituent selection. For existing constituent which has changed fiscal year-end date within 12 months to the Data Cut-off Date, the dividend of the latest complete fiscal year will be used for yield calculation; If a security bears a Net Dividend Yield above 7%, its yield will be reviewed and recalculated to exclude any one-off cash distributions
Number of Constituents	Fixed at 50
Buffer Zone	Existing constituents ranked below 100th will be removed from the index, while non-constituents ranked 25th or above will be included Securities will be added or excluded according to their Net Dividend Yield rank to maintain the number of constituents at 50
Review Frequency	• Annually • The annual review is normally completed one week before the Implementation Date

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Rebalancing Frequency	Annual rebalancing is conducted on the Implementation Date, and comes into effect on the next trading day.	
Implementation Date*	Last Friday in April	
Data Cut-Off Date	End-March	
Replacement for Ad-hoc Removal	Nil	
Weighting	Net-dividend-yield weighted: The weighting of each constituent is calculated in proportion to its net dividend yield. $Net\ Dividend\ Yield\ for\ weighting = \frac{After-tax\ Dividend\ Per\ Share}{Price\ at\ three\ trading\ days\ preceding\ the\ Implementation\ Date}$ *Note: Dividend per share is used as at review cut-off date*	
Capping	10% on individual securities	
Launch Date	17 Feb 2020	
Base Date	31 Dec 2013	
Base Value	3,000	
Currency	Hong Kong Dollar	
Dissemination Frequency	Real-time at every two seconds	
Vendor Codes	**Refinitiv**	**Bloomberg**
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HSIL reserves the right to remove a candidate's index eligibility if it carries abnormally high dividend yield

*In the event if the Implementation Date is a non-trading day, the Implementation Date will be deferred to the next trading day

For more information on the terms used in this document and calculation details, please refer to the Index Methodology General Guide on HSIL's website.

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Amendment History

	Date	Description
1.0	February 2020	First Issue
1.1	July 2020	Updated Eligibility Criteria
1.2	March 2022	Updated Eligibility Criteria • Added Price Performance Screening • Exceptional treatment for abnormally high-yield candidate
1.3	May 2022	• Updated sector requirement (to be effective in the March 2023 index review) • Provided the transition arrangement for the changes in the Appendix
1.4	Jun 2024	• Updated description for index objective • Removed the Appendix for the transition arrangement mentioned in v1.3
1.5	Feb 2025	• Updated the format of the methodology book • Update the specification of the Universe • Updated details in the Review and Rebalancing Frequency to reflect the revised Implementation Date

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