



Hang Seng SCHK High Dividend Low Volatility Index

This methodology document should be read in conjunction with the Index Methodology General Guide on Hang Seng Indexes Co Ltd (“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.

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| Objective | To reflect the overall performance of low volatility, high-yield companies listed in Hong Kong that are eligible for Southbound Trading under Hong Kong Stock Connect |
| Universe | Constituents in Hang Seng Composite Index that are eligible for trading under the Stock Connect Scheme |
| Eligibility Criteria# | |
| <i>Listing History Requirements</i> | At least one year |
| <i>Turnover Requirements</i> | Velocity Test for Tradable Indexes; and 6-month Average Daily Turnover \geq HKD 20 million |
| <i>Dividend Requirements</i> | Cash dividend paid record for latest three consecutive fiscal years; and Dividend payout ratio as at the latest complete fiscal year should be positive and at most 100% |
| <i>Price Performance Screening</i> | Securities which meet the below two conditions will be screened out: <ul style="list-style-type: none">• 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 | <p>The top 75 eligible securities in terms of Net Dividend Yield will be shortlisted (“Top 75 High Yield List”);</p> $\text{Net Dividend Yield} = \frac{\text{After – tax Dividend Per Share}}{\text{Price as of Dividend Data Cut – off Date}}$ <p>The Dividend Per Share refers to the trailing one-year cash dividend that has gone ex-dividend, i.e. total dividend for the latest two (or four) periods if a security pays dividends bi-annually (or quarterly), as of the review cut-off date;</p> <p>Non-constituent, which has changed fiscal year-end date within 12 months to the Dividend 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 Dividend Data cut-off date, the dividend of the latest complete fiscal year will be used for yield calculation;</p> <p>If a security bears a Net Dividend Yield above 7%, its yield will be reviewed and recalculated to exclude any one-off cash distributions</p> <p>The shortlisted 75 securities will be ranked in ascending order in terms of one-year historical volatility – i.e. standard deviation of daily logarithmic return for the past 12 months to the review cut-off date;</p> <p>The top 50 securities will be selected as constituents</p> |
| Number of Constituents | Fixed at 50 |
| Buffer Zone | Existing constituents ranked lower than 100th in terms of Net Dividend Yield will be removed from the Top 75 High Yield List, while non-constituents ranked 50th or above will be included to the Top 75 High Yield List |



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| Buffer Zone | Securities will be added to or excluded from the Top 75 High Yield List according to their Net Dividend Yield rank to maintain the number of securities in the Top 75 High Yield List at 75 | |
| Review Frequency | Half-yearly (Data cut-off end-June/ December) | |
| Rebalancing Frequency | Half-yearly | |
| Replacement for Ad-hoc Removal | Nil | |
| Weighting | Net-dividend-yield weighted | |
| Capping | 5% on individual securities | |
| Launch Date | 8 May 2017 | |
| Base Date | 3 September 2010 | |
| Base Value | 3,000 | |
| Currency | Hong Kong Dollars | |
| Dissemination Frequency | Real-time at every two seconds | |
| Vendor Codes | Refinitiv | Bloomberg |
| PI Gross TRI Net TRI | .HSHYLV .HSHYLV DV .HSHYLV DVN | HSHYLV HSHYLV DV HSHYLVN |

HSIL reserves the right to remove a candidate's index eligibility if it carries abnormally high dividend yield.

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.



Amendment History

| | Date | Description |
|-----|-------------|---|
| 1.0 | May 2017 | <ul style="list-style-type: none">• First Issue |
| 2.0 | Oct 2022 | <ul style="list-style-type: none">• Added Price Performance Screening (effective in December 2022 index review)• Exceptional treatment for abnormally high-yield candidate (effective in December 2022 index review)• Updated format of the Index Methodology |
| 2.1 | Sep 2025 | <ul style="list-style-type: none">• Added vendor codes for Net TRI (Effective 15 September 2025) |



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