Hang Seng SCHK High Dividend Yield 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.

Objective	To reflect the overall performance of high-yield securities listed in Hong Kong that are eligible for Southbound Stock Connect trading
Universe	Constituents in Hang Seng Composite Index that are eligible for trading under the Stock Connect Scheme
Eligibility Criteria#	
Listing History Requirements	At least one month
Turnover Requirements	Velocity Test for Tradable Indexes
Market Value Requirements	Candidates with 12-month-average MV less than HKD5 billion will be removed; The top 150 eligible securities with the highest MV rank will be shortlisted
Volatility Screening	The top 20% 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 review cut-off date – will be excluded from constituent selection
Dividend Requirements	Cash dividend paid record for latest three consecutive fiscal years
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

Hang Seng SCHK High Dividend Yield Index

Constituent Selection	
Selection Criteria	The top 50 securities in terms of the latest 3-year average Net Dividend Yield will be selected as constituents; $$Net\ Dividend\ Yield = \frac{After-tax\ Dividend\ Per\ Share}{Price\ as\ of\ Dividend\ Data\ Cut-off\ Date}$$ The 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 of the Dividend Data cut-off date; 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; 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 lower than 60th will be removed from the index, while non-constituents ranked 40th or above will be included Securities will be added or excluded according to their 3-year average Net Dividend Yield rank to maintain the number of constituents at 50
Review Frequency	Half-yearly (Data cut-off end-June/ December)
Rebalancing Frequency	Half-yearly
Replacement for Ad-hoc Removal	Nil

恒生指數
HANG SENG INDEXES

Hang Seng SCHK High Dividend Yield Index

Weighting	Net-dividend-yield weighted	
Capping	10% on individual securities	
Launch Date	18 November 2019	
Base Date	31 December 2014	
Base Value	3,000	
Currency	Hong Kong Dollars	
Dissemination Frequency	Real-time at every two seconds	
Vendor Codes	**Refinitiv**	**Bloomberg**
PI	.HSSCHKY	HSSCHKY
Gross TRI	.HSSCHKYT	HSSCHKYT
Net TRI	.HSSCHKYN	-

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	Nov 2019	• First Issue
1.1	Feb 2020	• Modified wordings on the description of index universe
2.0	Oct 2022	• 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

Disclaimer

The information contained herein is for reference only. Hang Seng Indexes Company Limited ("Hang Seng Indexes") ensures the accuracy and reliability of the information contained herein to the best of its endeavours. However, Hang Seng Indexes makes no warranty or representation as to the accuracy, completeness or reliability of any of the information contained herein and accepts no liability (whether in tort or contract or otherwise) whatsoever to any person for any damage or loss of any nature arising from or as a result of reliance on any of the contents of this document, or any errors or omissions in its contents and such contents may change from time to time without notice.

The information contained herein does not constitute any express or implied advice or recommendation by Hang Seng Indexes for any investments. Investment involves risks. Prospective investors should not make any investment decision based solely on the information provided herein and should seek independent investment advice to ensure that any of their decisions is made with regard to their own investment objectives, financial circumstances and other particular needs. Prospective investors should also note that value of securities and investments can go down as well as up and past performance is not necessarily indicative of future performance.

Hang Seng Indexes is a subsidiary of Hang Seng Bank Limited which is part of the group of companies under HSBC Holdings plc ("HSBC Group"). Potential conflicts of interest may arise between Hang Seng Indexes and other HSBC Group member(s). To manage actual or potential conflicts of interest, Hang Seng Indexes has in place policies and/or procedures to identify and manage conflicts of interest that relate to the creation, submission and administration of its indexes and/or that may arise between Hang Seng Indexes and other HSBC Group member(s). To reduce and avoid such conflicts of interest, each of Hang Seng Indexes and other HSBC Group members has its independent management structure and each entity acts independently and on an arm's length basis.