

FTSE Custom Southbound Stock Connect High Dividend Index

v1.0

The index is not, and is not intended to be, used by supervised entities in the European Union or United Kingdom and accordingly, the European Benchmark Regulation* and the UK Benchmark Regulation# do not apply to the index. Consequently, supervised entities within the European Union and the United Kingdom are not permitted to use the index as a benchmark as set out in article 3(1)(7) of the European Benchmark Regulation.

For the avoidance of doubt, neither FTSE International Limited nor any other member of the London Stock Exchange Group plc group of companies, is the benchmark administrator (as defined in article 3(1)(6) of the European Benchmark Regulation) of the index.

* [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.](#)

[The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019 \(which amends the European benchmark regulation in the United Kingdom\)](#)



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Section 1

Introduction

1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE Custom Southbound Stock Connect High Dividend Index calculated by FTSE Russell.

The FTSE Custom Southbound Stock Connect High Dividend Index is designed to represent the performance of 23 companies with high 12-month trailing dividend yield (selection process detailed in rule 5.3) from FTSE Southbound Stock Connect Index.

1.2 These Ground Rules should be read in conjunction with the FTSE Southbound Stock Connect Index Series Ground Rules, which are available at www.lseg.com/en/ftse-russell/.

1.3 The FTSE Custom Southbound Stock Connect High Dividend Index does not take account of ESG factors in its index design.

1.4 Price, total return and net-of-tax total return indices will be calculated on an end-of-day basis.

Total return indices include income based on ex-dividend adjustments. All dividends are applied as declared in FTSE Total Return Indices.

Net-of-tax Total Return Indices are also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

1.5 The base currency for the index is Hong Kong Dollars. Index values may also be published in other currencies.

1.6 The index is calculated in real time and published on an intra-second streaming basis.

1.7 FTSE Russell

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and FTSE Fixed Income Europe Limited), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited, Refinitiv Benchmark Services (UK) Limited, Refinitiv Limited and Beyond Ratings.

1.7.1 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation of, the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.7.2 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any inaccuracies in these Ground Rules, and/or

- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any inaccuracies in the compilation of the index or any constituent data.

Section 2

Management responsibilities

2. Management responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of FTSE Custom Southbound Stock Connect High Dividend Index and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

2.1.3 Underlying companies are governed by their respective underlying index ground rules and associated committees.

2.2 Amendments to these Ground Rules

2.2.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.2.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

¹ FTSE is not the benchmark administrator of the Index Series as the term administrator is defined in the [IOSCO Principles for Financial Benchmarks](#) and [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

Section 3

FTSE Russell index policies

3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 FTSE Global Equity Index Guide to Calculation Methods

The aim of the guide is to describe how the indices are calculated, to facilitate users' replication of the index in order to support their investment and trading activities and to assist users in understanding the factors which influence the performance of the indices.

[FTSE Global Equity Index Guide to Calc.pdf](#)

3.2 Corporate Actions and Events Guide

3.2.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

3.3 Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Index Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

FTSE Russell's Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

3.4 Queries and Complaints

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

3.5 Index Policy for Trading Halts and Market Closures

3.5.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

3.6 Index Policy in the Event Clients are Unable to Trade a Market or a Security

3.6.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market or a Security.pdf](#)

3.7 Recalculation Policy and Guidelines

- 3.7.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index should be recalculated and/or associated data products reissued. Users of the FTSE Custom Southbound Stock Connect High Dividend Index will be notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

3.8 Policy for Benchmark Methodology Changes

- 3.8.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

3.9 FTSE Russell Governance Framework

- 3.9.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to ensure compliance with the IOSCO Principles for Financial Benchmarks², the European benchmark regulation³ and the UK benchmark regulation⁴. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

3.10 Real Time Status Definitions

- 3.10.1 Please refer to the following guide for details of real time status definitions for indices which are calculated in real time.

[Real Time Status Definitions.pdf](#)

² IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

³ Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

⁴ The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

Section 4

Eligible securities

4. Eligible securities

The eligible securities of the FTSE Custom Southbound Stock Connect High Dividend Index must be the Hong Kong constituents of the FTSE Southbound Stock Connect Index, i.e. excluding H Share, Red Chip and P Chip.

4.1 For definition of H Share, Red Chip and P Chip, please refer to [Guide to Chinese Share Classes](#).

Section 5

Periodic reviews and weighting methodology

5. Periodic reviews and weighting methodology

5.1 Review dates

- 5.1.1 The FTSE Custom Southbound Stock Connect High Dividend Index is reviewed semi-annually in March and September. The constituents will be reviewed using prices as at the close of business on the Wednesday before the first Friday of the review month (review price cut-off date) and incorporating underlying index constituent changes as of the next trading day following the third Friday of the review month.
- 5.1.2 The data cut-off date for 12-month trailing dividend yield is the close of business on the last business day of the month prior to the review month.

5.2 Data

- 5.2.1 12-month trailing dividend yield is calculated as dividend paid in the 12-month period prior to the data cut-off date divided by the security price as of the data cut-off date. The data is sourced from WorldScope.

5.3 Constituent selection

- 5.3.1 Eligible securities with zero 12-month trailing dividend yield are excluded.
- 5.3.2 Eligible securities from 5.3.1. are ranked by 12-month trailing dividend yield in descending order. In the first review, the top securities ranked amounting to 60% of the Hong Kong stock number in section 4 are selected, rounded to the nearest integer. Securities without dividend yield data will be ranked as the lowest.
- 5.3.3 The subsequent index review will incorporate the buffer rules. A non-constituent will be added to the index if its dividend yield rank is at or above the top 55% of the Hong Kong stock number in section 4, rounded to the nearest integer. A current index constituent will be removed from the index if its dividend yield rank falls below 65% of the Hong Kong stock number in section 4, rounded to the nearest integer.
- 5.3.4 Eligible securities from 5.3.2 and 5.3.3 are ranked by each security's full market capitalisation in descending order. The top 23 ranked securities are selected to form the target index.

5.4 Reserve list

- 5.4.1 FTSE Russell will maintain a reserve list containing the five highest ranking non-constituents (see Rule 5.3.4) of the FTSE Custom Southbound Stock Connect High Dividend Index at the time of the semi-annual review. This Reserve List will be used in the event that one or more constituents is deleted from the FTSE Custom Southbound Stock Connect High Dividend Index during the period up to the next semi-annual review of the index. Companies on the Reserve List are constituents of the FTSE Southbound Stock Connect Index.
- 5.4.2 In the event that all the original Reserve List stocks have been used, the eligible non-constituents at the time of the latest semi-annual review, (see Rule 5.3.4) will be ranked by full market capitalisation in descending order based on prices two days prior to the deletion of a constituent, the highest ranking non constituent will be selected as the replacement company.

- 5.4.3 Where a current constituent is deleted after the periodic changes to the index have been announced but before the periodic changes have been implemented, the highest ranking non constituent from the new Reserve List, excluding current index constituents, will replace the deleted company.

5.5 Weighting methodology

- 5.5.1 The constituents of FTSE Custom Southbound Stock Connect High Dividend Index are weighted in proportion to investable market capitalisation.
- 5.5.2 At the semi-annual review the weight of each company is capped at 8%. Weight in excess of the maximum company weight is redistributed pro-rata across the remaining companies. The stock capping process is repeated until all company constraints are satisfied. Following capping, the weight of each company in the index moves freely in line with price movements.
- 5.5.3 The capping will be based on prices at close on the second Friday of the review month (capping cut-off date) with constituents, shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).
- 5.5.4 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.
- 5.5.5 Corporate actions/events announced after the second Friday of the review month that become effective up to and including the review effective date will not result in any further adjustment.

Section 6

Changes to constituent companies

6. Changes to constituent companies

6.1 Intra-review additions

6.1.1 The FTSE Custom Southbound Stock Connect High Dividend Index will not accept intra-review additions. Additions to the index will be considered for inclusion at the next semi-annual review.

6.2 Intra-review deletions

A constituent will be removed from the FTSE Custom Southbound Stock Connect High Dividend Index if it is also removed from FTSE Southbound Stock Connect Index. The deletion from the FTSE Custom Southbound Stock Connect High Dividend Index will be concurrent with its deletion from FTSE Southbound Stock Connect Index. The vacancy created will be filled by selecting the highest ranking securities by full market capitalisation from the Reserve List (see Rule 5.4) as at the close of the index calculation two days prior to the deletion.

Section 7

Corporate actions and events

7. Corporate actions and events

7.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide for Market Cap Weighted Indices using the following link:

[Corporate Actions and Events Guide.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division)/Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required, FTSE Russell will provide notice advising of the timing of the change.

7.2 Mergers, restructuring and demergers

7.2.1 If a constituent is acquired by a non-constituent, the constituent will be removed from the FTSE Custom Southbound Stock Connect High Dividend Index. This vacancy will be filled by selecting the highest ranking security by full market capitalisation from the Reserve List (see Rule 5.4) as at the close of the index calculation two days prior to the deletion.

7.2.2 If the non-constituent is added to the relevant eligible universe as a result of the stock merger or acquisition, it will be considered for inclusion at the next semi-annual review.

7.2.3 If the effect of a merger or takeover is that one constituent of the FTSE Custom Southbound Stock Connect High Dividend Index is absorbed by another constituent, the resulting company will remain a constituent of the index and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security by full market capitalisation from the Reserve List (see Rule 5.4) as at the close of the index calculation two days prior to the deletion.

7.2.4 If an index constituent is split and forms two or more companies, the newly spun-off companies will be added to the FTSE Custom Southbound Stock Connect High Dividend Index on the ex date of the distribution, and subsequently be removed from the FTSE Custom Southbound Stock Connect High Dividend Index. The removal will be applied to the index two days upon listing of the spun off entity. The details of the removal treatment for the spun-off companies can be found within the Corporate Actions and Events Guide.

7.3 Suspension of dealing

7.3.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

7.3.2 Where the company is removed from the FTSE Custom Southbound Stock Connect High Dividend Index it will be replaced with the highest ranking company, by full market capitalisation, on the Reserve List (see Rule 5.4) eligible to be included in the index as at the close of the index calculation on the day preceding the inclusion of the replacement company. This change will be effected after the close of the index calculation and prior to the start of the index calculation on the following day.

Section 8

Treatment of dividends

8. Treatment of dividends

8.1 Declared dividends are used to calculate the Standard Total Return Index. All dividends are applied as at the ex-div date.

8.2 The net of tax Total Return Index also calculated based on the maximum withholding tax rates applicable to dividends received by institutional investors who are not resident in the same country as the remitting company and who do not benefit from double taxation treaties.

Withholding tax rates used in the net-of-tax indices can be accessed using the following link:

[Withholding Tax Service](#)

Please also refer to the FTSE Russell Withholding Tax Guide which can be accessed using the following link:

[FTSE Russell Withholding Tax Guide.pdf](#)

Section 9

Index calculation

9. Index calculation

9.1 Calculation frequency

9.1.1 FTSE Custom Southbound Stock Connect High Dividend Index use actual closing mid-market or last trade prices, where available, for securities with local bourse quotations.

9.2 Index calculation

9.2.1 FTSE Custom Southbound Stock Connect High Dividend Index will be calculated to an accuracy of eight decimal points.

9.2.2 FTSE Custom Southbound Stock Connect High Dividend Index are calculated using the following formula:

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times c_i)}{d}$$

Where,

- $i=1, 2, \dots, N$
- N is the number of securities in the FTSE Custom Southbound Stock Connect High Dividend Index.
- p_i is the latest trade price of the component security (or the price at the close of the index on the previous day).
- e_i is the exchange rate required to convert the security's currency into the index's base currency.
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the eligible index.
- c_i is the Capping Factor to be applied to a security to correctly weight that security in the index.
- d is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.

Appendix A

Index & market opening and closing hours

Index	Open	Close
FTSE Custom Southbound Stock Connect High Dividend Index	09:30	16:15*
Stock Market Trading Times:		
Stock Exchange of Hong Kong	09:30	12:00
	13:00	16:00

All times are Local Hong Kong Time

The index will not be calculated on Hong Kong Public Holidays.

* the official closing index value in non-base currency will be calculated after receipt of the WMR Closing Spot Rates at 16:00 UK time. The index will disseminate continuously up until 16:00 HK time and then pause dissemination until 17:00 UK time when the official closing index values are disseminated.

Appendix B

Status of Index

The FTSE Custom Southbound Stock Connect High Dividend Index is calculated in real time.

The index is being calculated using trade prices from the Hong Kong stock exchange for all constituents during the hours of the Official Index Period (see Appendix A).

The Official Closing Index for the FTSE Custom Southbound Stock Connect High Dividend Index is the last index value calculated at the end of the firm period. For further details of real time definitions please refer to the following guide:

[Real Time Status Definitions.pdf](#)

The official opening and closing hours of the FTSE Custom Southbound Stock Connect High Dividend Index are set out in Appendix A. Variations to the official hours of the indices are published by FTSE Russell as appropriate.

The FTSE Custom Southbound Stock Connect High Dividend Index will not be calculated on Hong Kong Public Holidays.

Appendix C

Further information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

[Glossary.pdf](#)

Further information on the FTSE Custom Southbound Stock Connect High Dividend Index is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at info@ftserussell.com.

Website: www.lseg.com/en/ftse-russell/

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