



恒生指數  
HANG SENG INDEXES

# Index Methodology

For Managing the  
**Hang Seng Stock Connect China AH  
Index Series**



## Amendment History

|     | Date      | Description  |
|-----|-----------|--|
| 1.0 | May 2016  | First Issue  |
| 1.1 | July 2017 | Updated constituent selection method in Section 3 – Constituent Eligibility  |
| 1.2 | Sept 2017 | Renamed Hang Seng China AH Index Series, Hang Seng China AH (A+H) Index, Hang Seng China AH (A) Index, Hang Seng China AH (H) Index, Hang Seng China AH Premium Index, Hang Seng China AH Smart Index to Hang Seng Stock Connect China AH Index Series, Hang Seng Stock Connect China AH (A+H) Index, Hang Seng Stock Connect China AH (A) Index, Hang Seng Stock Connect China AH (H) Index, Hang Seng Stock Connect China AH Premium Index, Hang Seng Stock Connect China AH Smart Index |



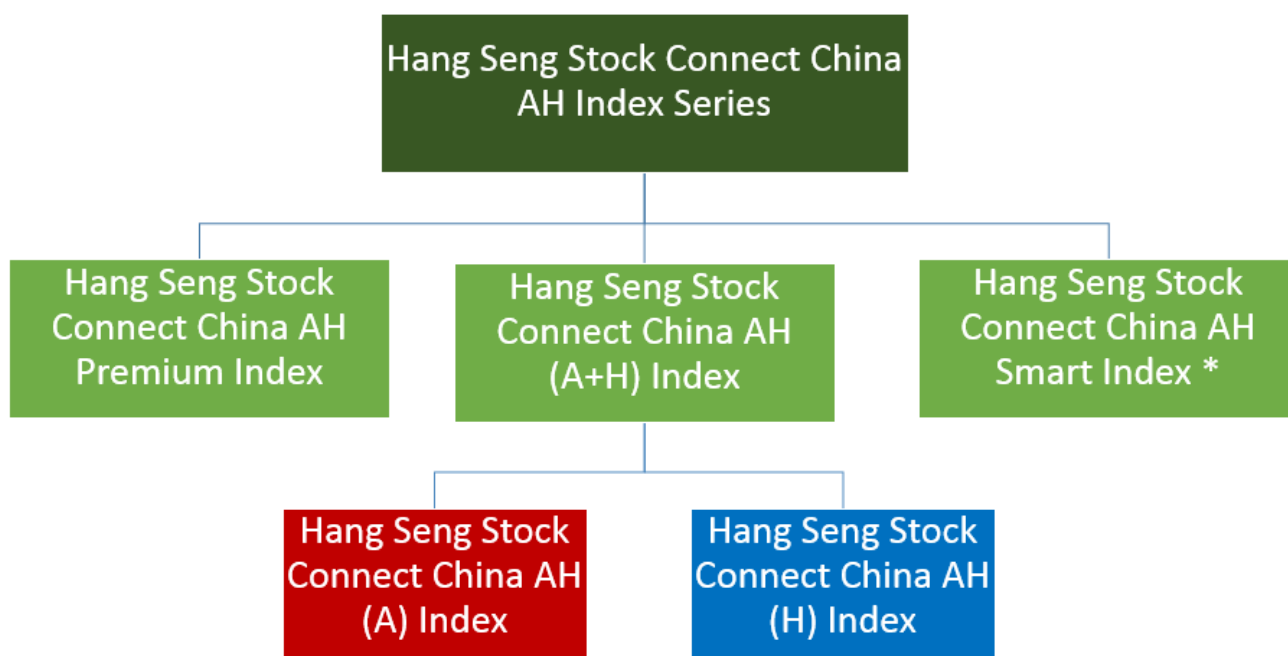
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# 1 Overview

- 1.1 The Hang Seng Stock Connect China AH Index Series (“AH Series”) includes the most liquid companies that have an A-share listing in the mainland China market and an H-share listing in the Hong Kong market (“AH companies”), which are eligible for Northbound and Southbound trading under the Stock Connect Scheme.
- 1.2 The AH Series includes five indexes, namely:
- (a) Hang Seng Stock Connect China AH Premium Index (“HSAHP”)
  - (b) Hang Seng Stock Connect China AH (A+H) Index (“AHXAH”)
  - (c) Hang Seng Stock Connect China AH (A) Index (“AHXA”)
  - (d) Hang Seng Stock Connect China AH (H) Index (“AHXH”)
  - (e) Hang Seng Stock Connect China AH Smart Index (“HSCAHSI”)\*
- 1.3 The HSAHP is a ‘ratio’ index, which is not denominated in a specific currency, while the other three indexes – AHXAH, AHXA and AHXH – are denominated in USD, CNY and HKD respectively.
- 1.4 Indexes under the AH Series are calculated and disseminated real-time at 2-second intervals during trading hours when the Mainland and/or Hong Kong stock markets are open.



\* For details of the HSCAHSI, please refer to a separate Index Methodology provided on HSIL's website.



## 2 Management Responsibility

### Hang Seng Indexes Company Ltd (“HSIL”)

- 2.1 HSIL is responsible for conducting regular reviews according to the Index Methodology.
- 2.2 HSIL is responsible for monitoring company announcements and making ad hoc proposals if constituent changes between the regular reviews are needed.
- 2.3 HSIL is responsible for seeking the HSIL Index Governance Committee’s endorsement of any special action in cases where, due to exceptional circumstances, an index review is not conducted according to the Index Methodology.
- 2.4 HSIL is responsible for seeking the HSIL Index Governance Committee’s endorsement of changes to the Index Methodology.

### HSI Advisory Committee

- 2.5 When a change to the index methodology is considered material, i.e. affecting the principles/objectives of the index construction; or resulting changes in the rules impacting the index universe, constituent selection and their weightings, as per agreement by the HSIL Index Governance Committee, it will be brought to the HSI Advisory Committee for advice.



## 3 Constituent Eligibility

### Universe

- 3.1 The universe (“Universe”) for the AH Series includes all companies with both A-share and H-share listings where their shares are primarily listed on the Shanghai Stock Exchange (“SSE”) or Shenzhen Stock Exchange (“SZSE”) and the Main Board of the Stock Exchange of Hong Kong (“SEHK”).

### Eligible Companies

- 3.2 An AH company is eligible if both its A-shares and H-shares are eligible for trading under Stock Connect and have fulfilled the eligibility criteria listed below.

#### *H-shares*

- 3.3 H-shares should have an average daily turnover of at least HKD 20 million in the past six months.

#### *A-shares*

- 3.4 A-shares should have an average daily turnover of at least RMB 20 million in the past six months.

### Constituent Company Selection

- 3.5 All eligible AH companies fulfilling the above criteria will be selected as constituents, and all the indexes under the AH series will have the same list of constituent companies.

### Number of Constituents

- 3.6 There is no fixed number of constituents for the AH Series.



## 4 Index Review and Constituent Changes

### **Regular Half-yearly Review**

- 4.1 HSIL will undertake regular half-yearly reviews of the AH Series with data cut-off dates of the end of June and the end of December each year.
- 4.2 The review would normally be completed within eight weeks after the end of June and December.

### ***Effective Date***

- 4.3 Effective dates of constituent changes will be the next trading day after the first Friday of March and September. If that Friday falls on a public holiday in Hong Kong or on the Mainland, it will be postponed to the next Friday, subject to the final decision made by HSIL. Under normal circumstances, five trading days' notice (days when both Hong Kong and mainland China stock markets are open) will be given for any constituent changes before the effective dates.

### **ST/\*ST Treatment**

- 4.4 If the A-shares of a constituent company have been classified as ST/\*ST stocks, the company will be removed from the index with effect from the next trading day after the first Friday of the following month. If that Friday falls on a public holiday in Hong Kong or on the Mainland, it will be postponed to the next Friday, subject to the final decision made by HSIL.

### **Trading Suspension**

- 4.5 Any constituent company that has been suspended from trading 1) due to bankruptcy / regulatory investigation, OR 2) for three months will be removed from the index as soon as possible. Such constituent may be retained in the index only in exceptional circumstances if it is believed that its shares are highly likely to resume trading in the near future. Please refer to the Index Operation Guide for details.



## 5 Index Calculation

### HSAHP

- 5.1 HSAHP calculates the premium of A-shares versus H-shares by taking the total MV of the constituent stocks using their A-share prices against the total MV using their H-share prices.
- 5.2 The formula of the HSAHP is set out below:

$$I_t = \frac{\sum_{i=1}^n \left( (IS_i^A \times FAF_i^A + IS_i^H \times FAF_i^H) \times P_{i,t}^A \times \frac{1}{FX_t^A} \right)}{\sum_{i=1}^n \left( (IS_i^A \times FAF_i^A + IS_i^H \times FAF_i^H) \times P_{i,t}^H \times \frac{1}{FX_t^H} \right)} \times 100$$

$P_{i,t}^j$  = Price of j-class shares of Company i at time t  
(j-class: A-shares, H-shares)

$IS_i^j$  = Total issued j-class shares of Company i

$FAF_i^j$  = Freefloat-adjusted factor of j-class shares of Company i

$FX_t^j$  = Foreign Exchange Rate of a traded currency of j-class shares vs USD at time t

### AHXAH

- 5.3 AHXAH is freefloat-adjusted MV weighted with a 10% cap on the total weighting of individual company.
- 5.4 The formula of the AHXAH is set out below:

$$I_t^{AH} = \frac{\sum_{i=1}^n \left( \left( P_{i,t}^A \times IS_i^A \times FAF_i^A \times \frac{1}{FX_t^A} + P_{i,t}^H \times IS_i^H \times FAF_i^H \times \frac{1}{FX_t^H} \right) \times CF_i \right)}{\sum_{i=1}^n \left( \left( P_{i,t-1}^A \times IS_i^A \times FAF_i^A \times \frac{1}{FX_{t-1}^A} + P_{i,t-1}^H \times FAF_i^H \times IS_i^H \times \frac{1}{FX_{t-1}^H} \right) \times CF_i \right)} \times I_{t-1}^{AH}$$

$CF_i$  = Capping Factor on Company i





## 5 Index Calculation

### AHXA and AHXH

- 5.6 The A-share portion of the constituents of the AH Series will be taken out to form the AHXA and H-share portion of the constituents will be taken out to form AHXH.
- 5.7 AHXA and AHXH are freefloat-adjusted MV weighted.
- 5.8 An Adjusted Factor ("AF") will be imposed on each individual constituent such that the weighting of each individual constituent in the AHXA and the AHXH will be synchronised with those of the corresponding constituents in the AHXAH on the rebalancing dates.
- 5.9 The formulas of the AHXA and AHXH are set out below:

AHXA:

$$I_t^A = \frac{\sum_{i=1}^n (P_{i,t}^A \times IS_i^A \times FAF_i^A \times AF_i^A)}{\sum_{i=1}^n (P_{i,t-1}^A \times IS_i^A \times FAF_i^A \times AF_i^A)} \times I_{t-1}^A,$$

AHXH:

$$I_t^H = \frac{\sum_{i=1}^n (P_{i,t}^H \times IS_i^H \times FAF_i^H \times AF_i^H)}{\sum_{i=1}^n (P_{i,t-1}^H \times IS_i^H \times FAF_i^H \times AF_i^H)} \times I_{t-1}^H$$

$AF_i^j$  = Adjusted Factor of j-class shares of Company i



## 6 Index Rebalancing

- 6.1 The following provides the general principles for index rebalancing. Please refer to the Index Operation Guide for details about corporate actions adjustments and index rebalancing.

### Frequency and Schedule

- 6.2 The adjustment of the freefloat-adjusted factors (“FAFs”), the calculation of the capping factors (“CFs”) and the update of issued shares (“IS”) will be undertaken quarterly.
- 6.3 Regular rebalancing is usually implemented after market close on the first Friday of March, June, September and December, and comes into effect on the next trading day.
- 6.4 The schedule for regular index rebalancing is available on the HSIL’s website:  
[http://www.hsi.com.hk/HSI-Net/static/revamp/contents/en/products/is\\_update.pdf](http://www.hsi.com.hk/HSI-Net/static/revamp/contents/en/products/is_update.pdf).

### Ad Hoc Changes

- 6.5 IS will be updated simultaneously with the index adjustment for corporate actions such as bonus issue, rights issue, stock split and stock consolidation.
- 6.6 Ad hoc rebalancing will be conducted if a constituent’s IS and/ or FAF is substantially different from the production data.
- 6.7 The index will also be recapped in the event of constituent changes if the newly added component has a heavier weighting than the index cap level.
- 6.8 A minimum notice period of two trading days will be given to subscribers of data products issued by HSIL for any ad hoc rebalancing.

### Weighting Rebalancing for AHXA and AHXH

- 6.9 A quarterly rebalancing will be performed for AHXA and AHXH, so that the two indexes have the same constituent weightings as AHXAH at the rebalancing dates of each quarter.
- 6.10 If the AHXAH is recapped due to other corporate events such as placing and issue of new shares, additional rebalancing will be performed for AHXA and AHXH to re-synchronise the weightings.
- 6.11 Additional rebalancing will be performed for ad hoc constituent deletion between regular reviews.



## 7 Dissemination

- 7.1 The AH Series is calculated and disseminated real-time every 2 seconds during trading hours on each trading day of either the Hong Kong or mainland China stock market.
- 7.2 Please refer to the index dissemination time ([http://www.hsi.com.hk/HSI-Net/static/revamp/contents/en/products/timetable\\_e.pdf](http://www.hsi.com.hk/HSI-Net/static/revamp/contents/en/products/timetable_e.pdf)) provided on HSIL's website for further details.
- 7.3 HSAHP is ratio value and no special currency will be provided.
- 7.4 AHXAH, AHXA and AHXH are calculated and published in USD, RMB and HKD respectively for real-time dissemination. The day-end value of the three indexes will be provided in the other two currencies.
- 7.5 Vendor codes for the AH Series

| Vendor          | HSAHP   | AHXAH   | AHXA     | AHXH     |
|-----------------|---------|---------|----------|----------|
| Bloomberg       | HSAHP   | AHXAH   | AHXA     | AHXH     |
| Thomson Reuters | .HSCAHP | .HSCAHI | .HSCAHAI | .HSCAHHI |



## 8 Contact Information

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