



恒生指數
HANG SENG INDEXES

Index Methodology

For Managing the
Hang Seng Composite Index Series



Amendment History

	Date	Description
1.0	November 2011	First Issue
1.1	December 2011	Edited the Fast Entry Rule in section 4.8
1.2	November 2013	Updated description of index universe in Section 3 - Constituent Eligibility
1.3	February 2015	1) Updated Universe for inclusion of REITs in Section 3 - Constituent Eligibility 2) Updated Fast Entry Rule in Section 4 - Index Review and Constituent Changes
1.4	June 2015	Added Hang Seng Composite LargeCap & MidCap Index and Hang Seng Composite MidCap & SmallCap Index
1.5	April 2016	Updated treatment to trading suspension in Section 4 – Index Review and Constituent Changes
1.6	June 2016	Addition of exclusion of Companies with High Shareholding Concentration in Section 4 - Index Review and Constituent Changes
1.7	July 2018	1) Updated description of index universe in Section 3 – Constituent Eligibility 2) Updated capping mechanism in Section 5 – Index Calculation
1.8	November 2018	Updated turnover requirements in Section 3 – Constituent Eligibility
1.9	September 2019	1) Updated description of index universe in Section 3 – Constituent Eligibility 2) Updated relevant parts about the HSCI industry indexes to reflect changes in the Hang Seng Industry Classification System
1.10	November 2019	Updated details of issued shares for secondary listings
1.11	January 2020	Updated Universe in Section 3 – Constituent Eligibility
2.0	June 2020	Updated capping in Section 5 – Index Calculation
2.1	July 2020	Updated Universe in Section 3 – Constituent Eligibility
2.2	January 2023	Removed special handling of issued shares for secondary listings (effective from December 2022 index review)
2.3	January 2024	Clarified eligibility of HK-listed Depository Receipts under Section 3 – Constituent Eligibility



Amendment History

2.4	December 2024	Updated Market Value Requirement under Section 3 – Constituent Eligibility
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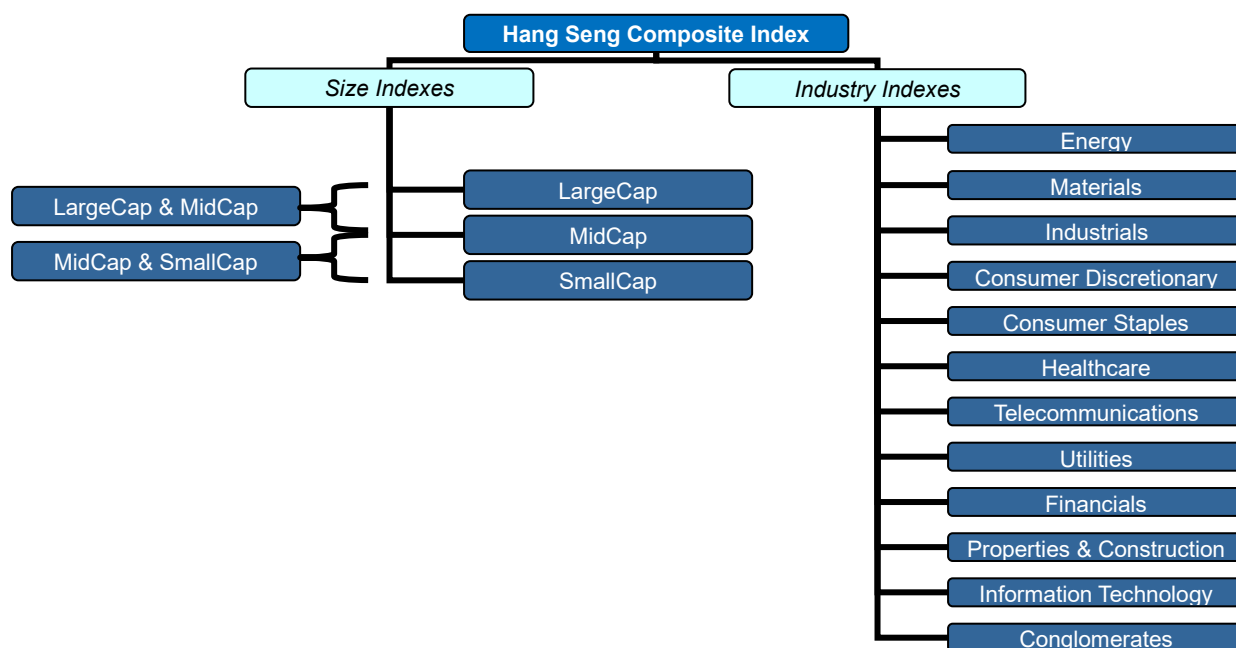
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1 Overview

- 1.1 The Hang Seng Composite Index Series (“HSCI Series”) serves to function as a comprehensive benchmark of the general performance of the Hong Kong stock market.
- 1.2 The HSCI Series comprises the Hang Seng Composite Index (“HSCI”) and two sub-index series - Hang Seng Composite Size Indexes and Hang Seng Composite Industry Indexes. The HSCI Series strives to cover the top 95% in terms of cumulative market capitalisation of the Hong Kong stock market.
- 1.3 There are three size indexes under the Hang Seng Composite Size Indexes: Hang Seng Composite LargeCap Index (“HSLI”), Hang Seng Composite MidCap Index (“HSMI”) and Hang Seng Composite SmallCap Index (“HSSI”), with respective target coverage of the top 80%, the next 15% and the remaining 5% in terms of cumulative market capitalisation of the HSCI.
- 1.4 The Hang Seng Composite LargeCap & MidCap Index (“HSLMI”) and Hang Seng Composite MidCap & SmallCap Index (“HSMCI”) aim at reflecting the overall performance of LargeCap & MidCap companies and MidCap & SmallCap companies respectively.
- 1.5 There are 12 Industry Indexes under the Hang Seng Composite Industry Indexes based on the Hang Seng Industry Classification System (“HSICS”).
- 1.6 The HSCI is freefloat-adjusted market-capitalisation weighted with individual and category capping. No extra capping is applied to the Hang Seng Composite Size Indexes and Hang Seng Composite Industry Indexes.





2 Management Responsibility

Hang Seng Indexes Company Limited (“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

Hang Seng Composite Index (“HSCI”)

Universe

- 3.1 The universe of securities (“Universe”) of HSCI includes securities listed on the Main Board of the Stock Exchange of Hong Kong (“HKEX”) only.

It includes the Primary or Secondary listed shares/ depositary receipts (“HDRs”) of companies, Real Estate Investment Trusts (“REITs”) and Stapled Securities* that are incorporated in Greater China or have the majority of their business presence in Greater China.

It also includes primary listed shares/ HDRs of ‘One Share One Vote’ foreign companies, which are incorporated outside Greater China and have the majority of their business presence outside Greater China.

** Only include stapled securities with a legal structure that is comprised of 1) a unit in the trust; 2) a beneficial interest in a specifically identified ordinary share held by the trustee-manager, which is linked to the unit; and 3) a specifically identified preference share, which is stapled to the unit.*

- 3.2 Investment Companies listed under Chapter 21 of the Listing Rules are excluded.

Eligible Securities

- 3.3 A security is eligible for HSCI constituent selection if it fulfils the following eligibility criteria.

Listing History Requirement

- 3.4 No listing history is required and new issues listed before the review cut-off date will be considered in the review.



3 Constituent Eligibility

Market Value (“MV”) Requirement

- 3.5 The MV of each individual security refers to the average of the daily MVs of the past 12 months (“12-month-average MV”) of any review period. For a security with a listing history of less than 12 months, the MV refers to the average of daily MVs since listing.
- 3.6 MV is defined as Number of Issued Shares times Share Price. Number of issued shares refers to the number of shares as per that particular constituent share class.
- 3.7 Securities in the universe are sorted in descending order of MV and the cumulative MV coverage is calculated at each security. Securities among those that constitute the cumulative MV coverage of top 95% are eligible.

Turnover Requirement

- 3.8 For each security, its turnover velocity in each of the past 12 months is calculated using the following formula:

$$\text{Velocity} = \frac{\text{Median Daily Traded Shares on SEHK in a Specific Calendar Month}}{\text{Freefloat-adjusted Issued Shares at Month-end}}$$

- 3.9 For the denominator used in the above turnover velocity calculation, the freefloat-adjusted issued shares figure at the end of each month is used. The freefloat-adjusted factor (“FAF”) for each security is calculated and reviewed at the end of March, June, September and December each year.
- 3.10 In order to meet the turnover requirement, a security should fulfil the following criteria:
(a) velocity is a minimum of 0.05% for at least 10 out of the past 12 months, and
(b) for the latest six months, velocity is a minimum of 0.05% for at least five out of six months.
- 3.11 (a) If a security failed to meet the turnover requirement as mentioned in 3.10, a supplementary turnover test will be applied for those months in which its velocity was less than 0.05%:
i. calculate the monthly aggregate turnover of the security;
ii. if the monthly aggregate turnover is among the top 90% in terms of cumulative turnover coverage of the total market*, the security passes the monthly turnover test for that month;
(b) The security will be regarded as meeting the turnover requirement if 3.10 is fulfilled after applying 3.11 (a) as a supplementary test.

* Total market includes securities in the universe of the Hang Seng Composite Index.



3 Constituent Eligibility

- 3.12 For a security with a trading history of less than 12 months or a security that has transferred from the Growth Enterprise Market[#] (“GEM”) to the Main Board in the past 12 months before the data review cut-off date, the following requirements replace those in section 3.10 and 3.11.

Trading Record	Measurements [^]
< 6 months	1) attain minimum velocity of 0.05% for all trading months
≥ 6 months	1) cannot have more than one month in which the security has failed to attain a velocity of at least 0.05%

[#] Securities transferred from GEM to the Main Board will be treated as new issues

[^] The supplementary turnover test as described in section 3.11 also applies.

- 3.13 For a security which has been suspended for any complete month(s) during the past 12 months before the review cut-off date, the relevant month(s) will be excluded from the velocity calculation. The security should meet the requirements as described in section 3.12.
- 3.14 The turnover requirement is not applied to the inclusion of new issues under the Fast Entry Rule described in 4.9-4.11.

No. of Constituents

- 3.15 The number of constituent securities is variable and there is no limit to the number of constituents.

Constituent Selection

- 3.16 Securities ranked within the top 95% of the cumulative MV coverage of the Universe and that fulfil the turnover requirements will be selected as constituents of the HSCI.
- 3.17 Details of constituent selection for the HSCI in regular reviews are contained in Section 4.
- 3.18 If a listed company has more than one class of shares listed on the HKEX, each class of shares will be treated as an individual security and will be reviewed separately.



3 Constituent Eligibility

Hang Seng Composite Size Indexes

	Cumulative MV Coverage of Composite Index
LargeCap	Top 80%
MidCap	Next 15%
SmallCap	Remaining 5%

- 3.19 The HSCI constituents ranked within the top 80% of the cumulative MV coverage of the HSCI will be included in the HSLI; the ones ranked within the next 15% will be included in the HSMI; and the constituents ranked within the remaining 5% will be included in HSSI.
- 3.20 The constituents of either the HSLI or the HSMI will be selected as constituents of the HSLMI and the constituents of either the HSMI or the HSSI will be selected as constituents of the HSMSI.
- 3.21 Details of constituent selection for the Size Indexes in regular reviews are in Section 4.

Hang Seng Composite Industry Indexes

- 3.22 The HSCI constituents are classified into 12 Industries based on the Hang Seng Industry Classification System (HSICS). The 12 Industry Indexes are as follows:

Code	Industry
00	Energy
05	Materials
10	Industrials
23	Consumer Discretionary
25	Consumer Staples
28	Healthcare
35	Telecommunications
40	Utilities
50	Financials
60	Properties & Construction
70	Information Technology
80	Conglomerates

- 3.23 After the change of a security classification is confirmed at an Advisory Committee meeting, the switch of the constituent securities among the Industry Indexes will be put into effect as described in 4.5.4-4.5.5.



4 Index Review and Constituent Changes

Regular Half-Yearly Review

- 4.1 HSIL undertakes regular half-yearly reviews of constituents of the HSCI Series with data cut-off dates of the end of June and the end of December each year.
- 4.2 A half-yearly review is normally completed within eight weeks after the data cut-off dates.
- 4.3 Constituents for each index will be selected according to their respective selection criteria as stated in Section 3 of this Index Methodology.

HSCI

- 4.4 Constituents failing to meet the turnover requirements will be removed from the HSCI.

Buffer Zone

- 4.5 Existing constituents ranked below the top 96% of the cumulative MV coverage of the Universe will be removed from the HSCI, while non-constituent securities ranked within the top 94% will be included.

Size Indexes

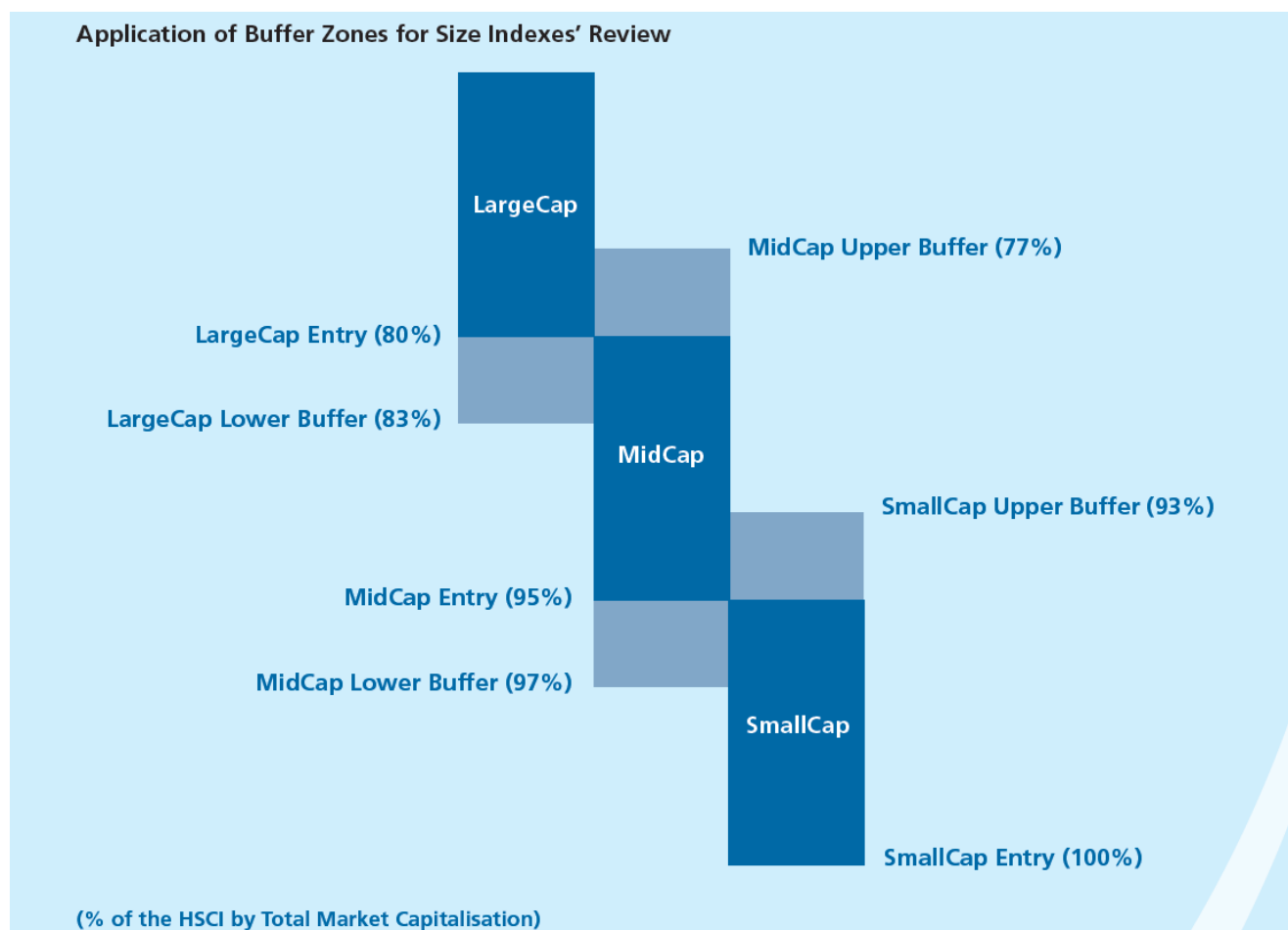
- 4.5.1 New HSCI constituents are sorted in descending order of MV and the cumulative MV coverage in the HSCI is calculated at each security. After applying the buffer zone, the inclusion threshold for existing and non-existing constituents are as below.

Inclusion Threshold	Cumulative MV Coverage of Composite Index			
	Existing Constituents			Non-existing constituents
	HSLI	HSMI	HSSI	
HSLI	83%	77%	77%	77%
HSMI	97%	97%	93%	93%
HSSI	100%	100%	100%	100%

- 4.5.2 Securities ranked within the inclusion threshold of the HSLI will be included in the HSLI. Securities ranked within the inclusion threshold of the HSMI but below that of the HSLI will be included in the HSMI. Securities ranked below the inclusion threshold of the HSMI will be included in the HSSI.



4 Index Review and Constituent Changes



Reclassification for the Industry Indexes

- 4.5.3 The HSCI constituents will be reclassified and included in the 12 Industry Indexes respectively, with the cut-off dates of the end of June and the end of December each year.
- 4.5.4 If a security is reclassified into an industry class that is different from its previous classification after the data cut-off date but before the effective date, the reclassification will not be considered in the current review.



4 Index Review and Constituent Changes

Effective Date

- 4.6 Effective dates of constituent changes will be the next trading day after the first Friday of September and March for the half-yearly reviews for data cut-off dates of the end of June and the end of December respectively. If that Friday falls on a public holiday, it will be postponed to the next Friday, subject to the final decision made by HSIL. Under normal circumstances, five trading days' notice will be given for any constituent changes before the effective dates.

Trading Suspension

- 4.7 Any constituent that has been suspended from trading 1) due to bankruptcy / regulatory investigation, OR 2) for three months will be removed from the index on the regular monthly rebalancing date of the following month. 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.

High Shareholding Concentration

- 4.8 Companies with High Shareholding Concentration* will not be eligible for inclusion in the HSCI.

* According to the "High Shareholding Concentration Announcements" posted on the Securities and Futures Commission's website.

Fast Entry Rule

Quarterly

- 4.9 Securities that are newly listed in the first or third quarter of each year and that meet the criteria for joining the HSLI or HSMI as described in 4.5.1-4.5.2 will be added to the HSCI and the relevant - indexes on the regular rebalancing date in June or December respectively. The regular rebalancing day is usually the first Friday in June or December as relevant, subject to the final decision made by HSIL. The next trading day will be the effective date.

Ad Hoc

- 4.10 A newly listed security will be added to the HSCI and its sub-indexes out of regular review periods if its MV ranks within the top 10% of the existing HSCI constituents (in terms of number of constituents) at the market close of its first trading day.
- 4.11 The ad hoc addition will normally be implemented after the close of the 10th trading day of the new issue.



5 Index Calculation

- 5.1 The HSCI is freefloat-adjusted MV weighted with a 10% cap on individual securities.
- 5.2 The aggregate weighting of foreign companies is capped at 5%. If capping is needed, the excess weighting of foreign companies will be redistributed to the remaining constituents in proportion to their respective weightings. The capping level will be reviewed if necessary.
- 5.3 The formula of the HSCI is set out as follows:

$$\text{Current Index} = \frac{\sum (P_t \times IS \times FAF \times CF)}{\sum (P_{t-1} \times IS \times FAF \times CF)} \times \text{Yesterday's Closing Index}$$

P_t : Current Price at Day t

P_{t-1} : Closing Price at Day $(t-1)$

IS : Issued Shares

FAF : Freefloat-adjusted Factor, which is between 0 and 1

CF : Cap Factor, which is between 0 and 1

- 5.4 Indexes in the HSCI Series are price indexes without adjustments for cash dividends or warrant bonuses.
- 5.5 The Hang Seng Composite Size Indexes and Hang Seng Composite Industry Indexes are also freefloat-adjusted MV weighted and derived directly from the HSCI, and therefore use cap factors from the HSCI. No extra capping is applied.



6 Index Rebalancing

- 6.1 The following provides the general principles on 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 Cap 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 in 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 HSIL’s website: https://www.hsi.com.hk/static/uploads/contents/en/products/is_update.xlsx

Ad Hoc Changes

- 6.5 IS will be updated simultaneously with the index adjustment for corporate actions such as bonus issue, rights issue, share split and share 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 weighting that is higher 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.



7 Dissemination

- 7.1 The HSCI, Hang Seng Composite Size Indexes and Hang Seng Composite Industry Indexes are calculated and disseminated at real-time intervals of every 2 seconds during trading hours on each trading day of the Hong Kong stock market, based on the calendar of the HKEX.
- 7.2 Vendor codes for the HSCI Series

Vendors	Refinitiv		Bloomberg	
	Price Index	Total Return Index	Price Index	Total Return Index
HSCI	.HSCI	.HSCIDV	HSCI	HSI 6
LargeCap	.HSLI	.HSLIDV	HSLI	HSI 34
MidCap	.HSMI	.HSMIDV	HSMI	HSI 35
SmallCap	.HSSI	.HSSIDV	HSSI	HSI 36
LargeCap & MidCap	.HSLMI	.HSLMIDV	-	-
MidCap & SmallCap	.HSMSI	.HSMSIDV	-	-
Energy	.HSCIE	.HSCIEDV	HSCIEN	HSI 29
Materials	.HSCIM	.HSCIMDV	HSCIMT	HSI 30
Industrials	.HSCIIG	.HSCIIGDV	HSCIIN	HSI 8
Consumer Discretionary	.HSCICD	.HSCICDT	HSCICD	HSCICDT
Consumer Staples	.HSCICS	.HSCICST	HSCICS	HSCICST
Healthcare	.HSCIH	.HSCIHT	HSCIH	HSCIHT
Telecommunications	.HSCIT	.HSCITDV	HSCITC	HSI 31
Utilities	.HSCIU	.HSCIUDV	HSCIUT	HSI 11
Financials	.HSCIF	.HSCIFDV	HSCIFN	HSI 12
Properties & Construction	.HSCIPC	.HSCIPCDV	HSCIPC	HSI 13
Information Technology	.HSCIIT	.HSCIITDV	HSCIIT	HSI 14
Conglomerates	.HSCIC	.HSCICDV	HSCICO	HSI 15



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