



**恒生指數**  
**HANG SENG INDEXES**

# Index Methodology

For Managing the  
**Hang Seng Foreign Companies  
Composite Index**  
**Hang Seng Global Composite  
Index**



## Amendment History

	Date	Description
1.0	September 2011	First Issue
1.1	November 2013	Updated description of index universe in Section 3 - Constituent Eligibility
1.2	January 2015	Updated description of universe in Section 3 - Constituent Eligibility
1.3	April 2016	Updated treatment to trading suspension in Section 4 - Index Review and Constituent Changes
1.4	June 2016	Updated the cap levels in Section 5 - Index Calculation
1.5	June 2016	Addition of exclusion of Companies with High Shareholding Concentration in Section 4 - Index Review and Constituent Changes



# Table of Content

	<b>Page</b>
1. Overview	2
2. Management Responsibility	3
3. Constituent Eligibility	
- Hang Seng Foreign Companies Composite Index	4
- Hang Seng Global Composite Index	5
4. Index Review and Constituent Changes	6
5. Index Calculation	8
6. Index Rebalancing	9
7. Dissemination	10
8. Contact Information	11
9. Disclaimer	12



# 1 Overview

- 1.1 The Hang Seng Foreign Companies Composite Index (“HSFCCI”) serves as a benchmark that reflects the overall performance of foreign companies listed in Hong Kong.
- 1.2 The Hang Seng Global Composite Index (“HSGCI”) serves as a benchmark that reflects the overall performance of all companies (including foreign companies) listed in Hong Kong.
- 1.3 The HSFCCI and HSGCI use a freefloat-adjusted market-capitalisation weighted methodology with a cap on individual constituent weightings.
- 1.4 The HSFCCI and HSGCI are calculated and disseminated at the close of each trading day.



## 2 Management Responsibility

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

- 2.1 HSIL is responsible for conducting regular reviews in accordance with the Index Methodology.
- 2.2 HSIL is responsible for monitoring company announcements and making ad hoc proposals – which must be approved by the Chairman of the HSI Advisory Committee – if constituent changes between the regular reviews are needed.
- 2.3 HSIL is responsible for seeking the Hang Seng Index (“HSI”) Advisory 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 HSI Advisory Committee’s endorsement of changes to the Index Methodology.

### HSI Advisory Committee

- 2.5 The Committee is responsible for ensuring index reviews are undertaken in accordance with the Index Methodology.
- 2.6 The Committee is responsible for reviewing any actions proposed by HSIL in the event that, due to exceptional circumstances, an index review is not conducted according to the Index Methodology.
- 2.7 The Committee is responsible for reviewing and endorsing all changes to the Index Methodology as proposed by HSIL.
- 2.8 The Committee is responsible for giving advice on any issues related to the Index Methodology.



## 3 Constituent Eligibility

### Hang Seng Foreign Companies Composite Index (“HSFCCI”)

#### Universe

- 3.1 The universe for the HSFCCI includes all securities / depositary receipts, i.e. HDRs which have been classified as foreign companies and listed on HKEX, excluding securities or HDRs that are preference shares, debt securities, mutual funds and other derivatives.
- 3.2 The definition of foreign companies can be interpreted as companies which are incorporated overseas (outside Hong Kong / mainland China) and have a majority of their business overseas (outside Hong Kong / mainland China).

#### Eligible Securities / HDRs

- 3.3 A foreign security / HDR is eligible for 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.

#### *Market Value (“MV”) Requirement*

- 3.5 The MV of each individual security or HDR refers to the average of the month-end MVs of the past 12 months (“12-month-average MV”) of any review period. For a security or HDR with a listing history of less than 12 months, the MV will be the average of month-end MVs since listing.
- 3.6 The MV of an HDR is derived from the number of HDR approved for listing in Hong Kong.
- 3.7 An eligible security / HDR is required to have a 12-month-average MV of at least HKD3 billion.

#### Constituent Selection

- 3.8 Securities / HDRs with a 12-month-average MV of at least HKD3 billion will be selected as constituents of the HSFCCI.
- 3.9 Details of the constituent selection for the HSFCCI in regular reviews are outlined in Section 4.



## 3 Constituent Eligibility

- 3.10 If a company has more than one class of shares listed on the HKEX, each class of shares will be treated as an individual security and reviewed separately.

***Number of Constituents***

- 3.11 The number of constituent securities / HDRs is variable.

### Hang Seng Global Composite Index (“HSGCI”)

**Constituent selection**

- 3.12 The securities / HDRs which are constituents of either Hang Seng Composite Index (“HSCI”) or HSFCCI will be selected as constituents of the HSGCI.

***Number of Constituents***

- 3.13 The number of constituent securities / HDRs is variable.



## 4 Index Review and Constituent Changes

### Regular Half-yearly Review

- 4.1 HSIL undertakes regular half-yearly reviews of constituents of the HSFCCI and HSGCI with data cut-off dates of the end of June and the end of December of 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 detailed in Section 3.

### HSFCCI

- 4.4 Existing constituents with a 12-month-average MV of less than HKD3 billion will be removed, while non-constituent securities with a 12-month-average MV of at least HKD3 billion will be included.

### HSGCI

- 4.5 Constituents of the HSGCI will be based on the review results of the HSCI and HSFCCI.

### Effective Dates

- 4.6 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, 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 before 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 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.

### Fast Entry Rules

- 4.8 If a newly listed security is added to the HSCI by Fast Entry, such security will be added to the HSGCI at the same time, as constituents of the HSGCI are from those of the HSCI and HSFCCI.





## 4 Index Review and Constituent Changes

### High Shareholding Concentration

- 4.9 Companies that are the subject of a Securities and Futures Commission High Shareholding Concentration notice will not be eligible for inclusion in the HSFCCI and the HSGCI.



## 5 Index Calculation

- 5.1 The HSFCCI and HSGCI are freefloat-adjusted MV weighted with a cap on the weighting of individual securities or HDRs. The cap levels are detailed below:

Number of Constituents	Cap Level
≥ 15	10%
8 - 14	15%
5 - 7	25%
≤ 4	100% / Number of Constituents

- 5.2 The formula of the HSGCI and HSFCCI is set out as below:

$$I_t = I_{t-1} \times \frac{\sum_{i=1}^n (P_{i,t} \times IS_i \times (FAF_i \text{ or } LR_i) \times CF_i)}{\sum_{i=1}^n (P_{i,t} \times IS_i \times (FAF_i \text{ or } LR_i) \times CF_i)}$$

- $P_{i,t}$  = Price of security / HDR  $i$  at time  $t$   
 $IS_i$  = Issued shares / units of security / HDR<sup>#</sup>  $i$   
 $FAF_i$  = Freefloat-adjusted-factor of security  $i$   
 $LR_i$  = Local ratio of security / HDR\*  $i$   
 $CF_i$  = Capping factor on security / HDR  $i$

<sup>#</sup> Issued units of HDRs are the number of HDRs approved for listing in Hong Kong

\* LRs are applied to secondarily listed foreign companies and HDRs in Hong Kong

- 5.3 LRs, instead of FAFs, are applied to secondarily listed foreign companies and HDRs to reflect the number of shares available for trading in Hong Kong.
- 5.4 For secondarily listed foreign companies, LRs are estimated by the proportion of issued shares deposited in the Central Clearing And Settlement System (“CCASS”) and rounded up to the nearest 5%.
- 5.5 For HDRs, LRs are estimated by the number of issued units divided by the number of units approved for listing and rounded up to the nearest 5%.
- 5.6 Indexes are price indexes without adjustments for cash dividends or warrant bonuses.



## 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 adjustment of the Local Ratios (“LRs”), the calculation of the Cap Factors (“CFs”) and the update of issued shares (“IS”) will be undertaken quarterly.
- 6.3 The 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 at 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, 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 rebalance.



## 7 Dissemination

- 7.1 The HSFCCI and HSGCI are calculated and disseminated at the market close of each trading day, based on the calendar of the HKEX.
- 7.2 Please refer to the index dissemination timetable provided on HSIL's website for further details. ([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))
- 7.3 The HSFCCI and HSGCI are published in Hong Kong dollars.
- 7.4 Vendor codes for the HSFCCI and HSGCI

### Hang Seng Foreign Companies Composite Index

Vendor	Code for Price Index	Code for Total Return Index
Thomson Reuters	.HSFCCI	.HSFCCIDV
Bloomberg	HSFCCI	HSI 48

### Hang Seng Global Composite Index

Vendor	Code for Price Index	Code for Total Return Index
Thomson Reuters	.HSGCI	.HSGCIDV
Bloomberg	HSGCI	HSI 49



## 8 Contact Information

Hang Seng Indexes Company Limited

Address : 83 Des Voeux Road Central, Hong Kong

Website: [www.hsi.com.hk](http://www.hsi.com.hk)

E-mail: [info@hsi.com.hk](mailto:info@hsi.com.hk)



## 9 Disclaimer

All information contained herein is provided for reference only. Hang Seng Indexes Company Limited (“HSIL”) ensures the accuracy and reliability of the above information to the best of its endeavours. However, HSIL 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 in this document is not intended to provide professional advice and should not be relied upon in that regard. Persons intending to use any information obtained from this document are advised to obtain appropriate professional advice.

© Hang Seng Indexes Company Limited 2016. All rights reserved.

- End -