



恒生指數  
HANG SENG INDEXES

# Index Methodology General Guide

For Managing the  
Hang Seng Family of Indexes



## Amendment History

	Date	Description
1.0	June 2020	First Issue
1.1	August 2020	Updated section 5.2 Types of Securities
1.2	September 2020	Clarified the definition of Cash Dividend in section 8.2 Gross and Net Total Return Indexes
1.3	March 2021	<ul style="list-style-type: none"><li>• Clarified handling to reset constituent number because of Fast Entry under section 4.2;</li><li>• Added section 6.5 Smart Selection and Share Class Switch</li></ul>
1.4	May 2021	<ul style="list-style-type: none"><li>• Clarified handling of existing constituents under Fast Entry Rule in section 4.2</li><li>• Added section 6.6 AR Companies</li><li>• Added section 6.7 Companies with multiple listings</li><li>• Added section 7.2 Industry Capping</li></ul>
1.5	May 2021	Supplemented the handling of cross-market indexes under section 8 Index Calculation Formula
1.6	January 2022	<ul style="list-style-type: none"><li>• Updated definition of Hong Kong and Mainland Securities in section 5.1</li><li>• Clarified coverage of total market referred in liquidity supplementary test in section 5.6.2 and 5.6.3</li></ul>
1.7	March 2022	<ul style="list-style-type: none"><li>• Added section 5.11 Investment Companies</li><li>• Added section 5.12 Special Purpose Acquisition Companies</li><li>• Updated index calculation formula presentation and definition of Adjustment Factor under section 8.1</li></ul>
1.8	December 2022	<ul style="list-style-type: none"><li>• Updated definition of Dual-primary listing under section 5.2</li><li>• Added section 5.6.4 Index Handling of Dual Primary-listed Companies</li></ul>



## Amendment History

	Date	Description
1.9	February 2023	<ul style="list-style-type: none"><li>• Updated section 4.2 Fast Entry</li><li>• Added section 4.3 Suspension</li><li>• Updated section 5.9 Prolonged Suspension of Trading</li></ul>
1.10	March 2023	<ul style="list-style-type: none"><li>• Added section 5.11 Foreign Ownership Limit for A-shares</li><li>• Added section 5.12 Northbound Stock Connect Eligibility</li></ul>
1.11	June 2023	<ul style="list-style-type: none"><li>• Updated section 5.11 Foreign Ownership Limit for A-shares</li></ul>
1.12	June 2024	<ul style="list-style-type: none"><li>• Added section 5.13 Southbound Stock Connect Eligibility</li><li>• Updated section 6.5 Smart Selection and Share Class Switch</li><li>• Updated section 5.6 Liquidity Requirement and 5.10 ST / *ST shares and S-shares</li></ul>
1.13	August 2024	<ul style="list-style-type: none"><li>• Added section 5.16 Compulsory Delisting</li></ul>
1.14	December 2024	<ul style="list-style-type: none"><li>• Updated section 5.4.1 Market Coverage</li><li>• Updated section 5.9 Prolonged Suspension of Trading</li><li>• Updated section 5.15 Special Purpose Acquisition Companies</li><li>• Updated section 6.1 MV Rank</li><li>• Updated section 6.3 Company MV Rank</li><li>• Added section 7.3 X/Y Capping</li></ul>
1.15	February 2025	<ul style="list-style-type: none"><li>• Added section 5.17 Indexes with Fixed Constituent Number</li></ul>
1.16	May 2025	<ul style="list-style-type: none"><li>• Added section 9 Data Source and section 10 Third Party Disclosure</li></ul>



## Table of Contents

Contents	Page
1 Introduction	5
2 Management Responsibility	6
3 Other Index Policy References	7
4 Index Review	8
4.1 Regular Index Review	
4.2 Fast Entry	
4.3 Suspension	
5 Eligibility Criteria	9
5.1 Geographical Classification of Hong Kong-listed Securities	
5.2 Types of Securities	
5.3 Universe	
5.4 Market Value Requirements	
5.5 Listing History Requirements	
5.6 Liquidity Requirements	
5.7 Sustainability Performance Scores (ESG Scores)	
5.8 High Shareholding Concentration	
5.9 Prolonged Suspension of Trading	
5.10 ST / *ST shares and S-shares	
5.11 Foreign Ownership Limit for A-shares	
5.12 Northbound Stock Connect Eligibility	
5.13 Southbound Stock Connect Eligibility	
5.14 Investment Companies	
5.15 Special Purpose Acquisition Companies	
5.16 Compulsory Delisting	
5.17 Indexes with Fixed Constituent Number	
6 Constituent Selection	20
6.1 MV Rank	
6.2 Combined MV Rank	
6.3 Company MV Rank	
6.4 Buffer Zone	
6.5 Smart Selection and Share Class Switch	
6.6 AR Companies	
6.7 Companies with Multiple Listings	
7 Index Weightings	24
7.1 Capping for Constituents	
7.2 Industry Capping	
7.3 X/Y Capping	



## Table of Contents

	<b>Contents</b>	<b>Page</b>
8	Index Calculation Formula	27
	8.1 Price Indexes	
	8.2 Gross and Net Total Return Indexes	
9	Data Source	29
10	Third Party Disclosure	30
11	Disclaimer	31



## 1 Introduction

This document describes the general terms and calculation guidelines for the management of the Hang Seng Family of Indexes.

Users are reminded that there might be exceptions to the general approach in some special situations. Hang Seng Indexes Company Limited reserves the right to determine the most appropriate implementation method and will announce it prior to the changes becoming effective as soon as practicable.

Unless otherwise stated, the policies and guidelines shall be applicable to all indexes in the Hang Seng Family of Indexes.



## 2 Management Responsibilities

### **Hang Seng Indexes Company Limited (“HSIL”)**

HSIL is responsible for conducting regular reviews according to the Index Methodology.

HSIL is responsible for monitoring company announcements and making ad hoc proposals if constituent changes between the regular reviews are needed.

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.

HSIL is responsible for seeking the HSIL Index Governance Committee’s endorsement of changes to the Index Methodology.

### **HSI Advisory Committee**

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 Other Index Policy References

Please read this Index Methodology Guide in conjunction with the individual index methodology and also other index policies which are published on our website.

- Index Operation Guide
- Key Terms Definitions
- Index Design Review Policy
- Index Consultation Policy
- Index Termination Policy
- Potential Limitation on Index Usage





## 4 Index Review

### 4.1 Regular Index Review

Hang Seng Indexes Company Limited undertakes regular index reviews of constituents of the Hang Seng Family of Indexes according to the frequency stated on individual index methodology.

Quarterly data cutoff dates are the end of March, June, September and December. Constituent review results will be announced within 8 weeks of data cutoff dates. Constituent changes will be effective according to index rebalancing schedule.

### 4.2 Fast Entry

There is fast entry mechanism for newly listed securities outside regular index review for some indexes. Please refer to individual index methodology for details.

No existing constituent will be removed under the Fast Entry Rule. For indexes with a fixed number of constituents, the constituent number will be reset in the next regular review.

Index adjustment due to Fast Entry Rule during the period between the first trading day after regular index review result announcement, and the second trading day after regular rebalancing (both dates inclusive), will become effective in conjunction with the regular rebalancing.

### 4.3 Suspension

Prior to the effective date of regular rebalancing, should a security to be added as a constituent but is suspended from trading, generally it will be added as scheduled. Should a security to be removed from the index(es) and is suspended from trading for less than 3 months, generally it will be removed at last traded price. HSIL has the discretion to decide on suspended securities.

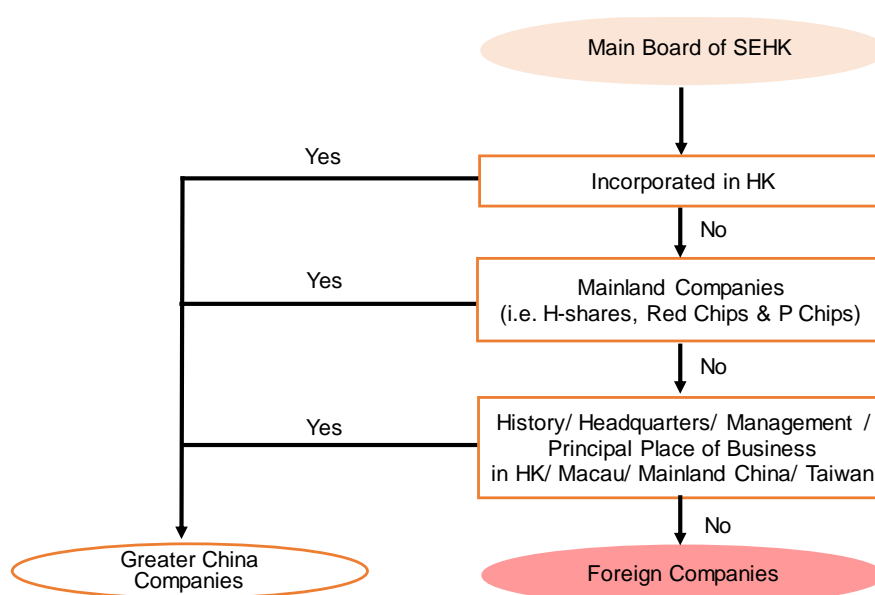


## 5 Eligibility Criteria

### 5.1 Geographical Classification of Hong Kong-listed Securities

Foreign Companies: Companies which are incorporated outside Greater China (i.e. Hong Kong, Mainland, Macau and Taiwan) and have the majority of their business presence outside Greater China; please refer to the below flow chart for details

Greater China Companies: Companies not classified as Foreign Companies



Hong Kong Securities: A Hong Kong Security is defined as a Hong Kong-listed security with at least 50% of sales revenue derived outside mainland China. Profit, assets and/or headquarters location will also be taken into consideration where these better reflect the company's business.

Mainland Securities: A Mainland Security is defined as a Hong Kong-listed security incorporated in China or with at least 50% of sales revenue derived from mainland China. Profit, assets and/or headquarters location will also be taken into consideration where these better reflect the company's business.

Red-chips: Mainland Securities with a minimum of 30% of shareholding held by Mainland China entities, including state owned organisations and provincial or municipal authorities in Mainland China

H-shares: Shares of companies incorporated in China as defined by the HKEX

P-chips: Mainland Securities that are neither H-shares nor Red-chips



## 5 Eligibility Criteria

### 5.2 Types of Securities

Stapled Securities: It refers to securities with a legal structure that is comprised of the below three components:

- 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 shares, which is stapled to the unit

Weighted Voting Right Companies: Companies with a structure where the voting power of shareholders of the same listing is not proportional to the economic rights. For listings in Hong Kong, stocks are marked by the indicator 'W' by the HKEX according to listing rules

Secondary-listed Companies: Companies primarily listed in an overseas stock exchange and the majority of their equity securities are usually traded outside Hong Kong; Company name with an indicator 'S' marked by the HKEX

Dual-primary Listings: Companies primarily listed in Hong Kong and with other primary listing(s) in overseas exchange(s); the shares trading in different exchanges should be of the same share class and transferrable

Note: A Dual-Primary-listed Company could be treated as a Primary-listing or Secondary-listing for index consideration. This is determined by whether the Dual-Primary-listed Company could pass the Velocity Test for Tradable Indexes using freefloat-adjusted full issued shares of the Company. For details, please refer to section 5.6.4.

Pre-revenue Biotech Companies in Hong Kong: Companies listed under Chapter 18A of HKEX listing rules; Company name with an indicator 'B' marked by the HKEX



## 5 Eligibility Criteria

### 5.3 Universe

#### 5.3.1 A300 List

A-shares are eligible for ranking if they satisfy the following criteria:

- (a) Rank in the top 90<sup>th</sup> percentile in terms of total market turnover over the past 12-month period; and
- (b) Are not classified as ST / \*ST shares or S-shares; and
- (c) Have not been suspended for more than one month as of the end of any review period (for A-shares not in the existing A300 List only)

Eligible A-shares are ranked according to their 12-month-average MV. The top 300 eligible A-shares will form the A300 List.

### 5.4 Market Value Requirements

#### 5.4.1 Market Coverage

Securities in the universe are sorted in descending order of the 12-month-average MV. The cumulative coverage is calculated at each security. Securities among those that constitute the cumulative coverage over the cut-off threshold are eligible.

12-month-average MV refers to the average of a security's daily market values of the past 12 months, excluding suspended trading day(s), before and including the review data cut-off date. For a security with a listing history of less than 12 months, the average of daily market values since listing is applied.



## 5 Eligibility Criteria

### 5.5 Listing History Requirements

The Listing History of a security refers to the period starts from the listing date to the review cut-off date, both dates inclusive. Listing history from overseas exchanges does not count.

### 5.6 Liquidity Requirements

#### 5.6.1 6-Month Average Daily Turnover

The average daily turnover of a security refers to the total traded value divided by the number of trading days of the security for six months before and including the review cut-off date.

If a company has more than one class of listed shares in the universe, the company is considered to have passed if any one of its share classes meets the 6-Month Average Daily Turnover requirement. Only the class of listed shares that fulfill the turnover requirement will be included in the index.



## 5 Eligibility Criteria

### 5.6.2 Velocity Test for Benchmark Indexes

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

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

For the denominator used in velocity calculation, freefloat-adjusted issued shares at the end of each month is used. Please refer to the Index Operation Guide on the calculation of freefloat-adjusted factor ("FAF").

If velocity of the month is greater than or equal to 0.05%, it is considered as passing the liquidity test for the month.

(1) A security should fulfil the following criteria:

- (a) Liquidity tests pass for at least 10 out of the past 12 months, and
- (b) Liquidity tests pass for at least 5 out of the past 6 months;
- (c) If a security fails to meet the requirements as mentioned in (a) and (b), 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 constituent;
  - ii. if the monthly aggregate turnover is among the top 90th percentile of the total market\*, the constituent passes the monthly turnover test for that month;
- (d) The security will be regarded as meeting the turnover requirement if (a) and (b) are fulfilled after applying (c) as a supplementary test.

\* For HK-listed securities, total market includes securities in the universe of the Hang Seng Composite Index. In case of A-shares, it refers to all A-shares listed on any of the Mainland China stock exchanges.

(2) For a security with a trading history of less than 12 months, or a security which has been suspended for any complete month(s), or a security that has transferred from the GEM to the Main Board in the past 12 months before the review data cut-off date, the following requirements replace those in section (1):

Trading Record	Measurements <sup>^</sup>
< 6 months	attain a minimum velocity of 0.05% for all trading months
≥ 6 months	no more than one month in which security has failed to attain a velocity of at least 0.05%

<sup>^</sup> The supplementary turnover test as described in section (1) (c) also applies



## 5 Eligibility Criteria

### 5.6.3 Velocity Test for Tradable Indexes

A security is regarded as passing the monthly turnover test if it attains a minimum velocity of 0.1% in that month.

#### (1) For New Constituents:

A security should fulfil the following criteria:

- (a) velocity is a minimum of 0.1% for at least 10 out of the past 12 months, and
- (b) velocity is a minimum of 0.1% in for the latest three months.

#### (2) For Existing Constituents:

A security should fulfil the following criteria:

- (a) velocity is a minimum of 0.1% for at least 10 out of the past 12 months
- (b) if a constituent fails to meet the turnover requirement as mentioned in (a), a supplementary turnover test will be applied for those months in which its velocity was less than 0.1%:
  - i. calculate the monthly aggregate turnover of the constituent;
  - ii. if the monthly aggregate turnover is among the top 90th percentile of the total market\*, the constituent passes the monthly turnover test for that month.
- (c) the constituent will be regarded as meeting the turnover requirement if (a) is fulfilled after applying (b) as a supplementary test.

\* For HK-listed securities, total market includes securities in the universe of the Hang Seng Composite Index. In the case of A-shares, it refers to all A-shares listed on any of the Mainland China stock exchanges.



## 5 Eligibility Criteria

- (3) For a security with a trading history of less than 12 months, or a security which has been suspended for any complete month(s), or a security that has transferred from GEM to the Main Board in the past 12 months before the review data cut-off date, the following requirements replace those in sections (1) and (2):

Trading Record	Measurements <sup>^</sup>
< 6 months	attain a minimum velocity of 0.1% for all trading months
≥ 6 months	1) no more than one month in which security has failed to attain a velocity of at least 0.1% AND 2) attained 0.1% for the latest three months if it is not an existing constituent

<sup>^</sup> For existing constituents, the supplementary turnover test as described in section (2) (b) also applies

### 5.6.4 Index Handling of Dual-Primary-listed Companies

A Dual-Primary-listed Company could be treated as a Primary-listing or Secondary-listing for index consideration. The handling would only affect its freefloat-adjusted issued shares and thus the corresponding index weighting. The company's listing status on HKEX will not be affected.

To determine the index handling, a Dual-Primary-listed Company will be assessed quarterly by the Velocity Test for Tradable Indexes (for details, please see section 5.6.3). If the Company passes the Velocity Test for Tradable Indexes with freefloat-adjusted Company's full issued shares, it will be treated as a Primary-listing for index consideration and its freefloat-adjusted issued shares will be based on the Company's full issued shares. If the Company cannot pass the above test, it will be treated as a Secondary-listing for index consideration and its freefloat-adjusted issued shares will be based on the HK-registered portion of the Company's full issued shares. Supplementary turnover test is also applicable for the above testing and the use of full issued shares or only HK portion of shares should be consistent in the calculation for all monthly velocity ratios.

The different index handling on freefloat-adjusted issued shares for Primary-listing and Secondary-listing can be referenced from section 6 of the Index Operation Guide.





## 5 Eligibility Criteria

### 5.7 Sustainability Performance Scores (ESG Scores)

The sustainability performance of each eligible company is measured by Hong Kong Quality Assurance Agency (“HKQAA”), an independent and professional assessment body, with its own research methodology and process.

The sustainability performance of each eligible company is assessed in both general and industry-specific criteria covering seven core areas: Corporate Governance, Human Rights, Labour Practices, Environment, Fair Operating Practices, Consumer Issues and Community Involvement and Development.

An HKQAA sustainability performance score and rating will be assigned to each eligible company after assessment.

Securities with ESG Scores substantially downgraded by HKQAA will be removed from the relevant indexes that apply ESG scores as selection criteria as soon as possible. Replacements (if any) will be made according to individual index methodology.

### 5.8 High Shareholding Concentration (“HSC”)

Companies that are the subject of a Securities and Futures Commission High Shareholding Concentration notice in Hong Kong are ineligible for constituency in the Hang Seng Family of Indexes. Existing constituents in the Hang Seng Family of Indexes with HSC will be removed from all relevant indexes on the regular quarterly rebalancing dates.

#### ***Conditions to Regain Eligibility***

To be eligible for reconsideration, a HSC company needs to issue a voluntary announcement entitled “Resolving of High Shareholding Concentration” to state that the High Shareholding Concentration issue has been resolved with proper disclosure on 1) the actions taken; and 2) the updated shareholding status. The company will be eligible for reconsideration to regain their constituency in the next index review following an observation period of 12 months after the voluntary disclosure.



## 5 Eligibility Criteria

### 5.9 Prolonged Suspension of Trading

Securities that have been suspended from trading 1) due to bankruptcy / regulatory investigation, OR 2) for three months or more are ineligible for constituency in the Hang Seng Family of Indexes. Such constituents in the Hang Seng Family of Indexes will be removed from all relevant indexes as soon as possible. Replacements (if any) will be made according to individual index methodology. 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.

Removal of suspended constituents during the period between the first trading day after regular index review result announcement, and the second trading day after regular rebalancing (both dates inclusive), will become effective in conjunction with the regular rebalancing.

For security resumes trading after prolonged suspension (three months or more), its trading record (e.g. price and traded value) before trading resumption will be excluded from index review (e.g. market value and liquidity test).

### 5.10 ST / \*ST shares and S-shares

ST / \*ST shares and S-shares listed on any of the Mainland China stock exchanges are ineligible for constituency in the Hang Seng Family of Indexes.

If a constituent has been classified as ST/\*ST stocks, it (and its corresponding H-shares in the same index) will be removed from all relevant indexes on the regular monthly rebalancing date of the following month. Replacements (if any) will be made according to individual index methodology.

### 5.11 Foreign Ownership Limit for A-shares

For indexes which consider A-shares Foreign Ownership Limit ("FOL"), the following rules will apply:

*Existing constituents:* A-shares with foreign investor shareholding over 26% will be excluded

*New constituents:* A-shares with foreign investor shareholding over 24% will not be added

The FOL checking will be performed on quarterly basis.



## 5 Eligibility Criteria

For indexes with ad hoc replacement, existing constituent(s) removed due to the FOL breach (outside regular index review) will be replaced by the next eligible candidate(s) from the last regular index review. If the index does not have ad hoc replacement, existing constituent(s) will be removed without any replacement.

### 5.12 Northbound Stock Connect Eligibility

For indexes which consider Northbound Stock Connect eligibility, constituent eligibility under Northbound Stock Connect will be reviewed on a monthly basis.

For indexes with ad hoc replacement, existing constituent(s) removed due to Northbound Stock Connect ineligibility (outside regular index review) will be replaced by the next eligible candidate(s) from the last regular index review. If the index does not have ad hoc replacement, existing constituent(s) will be removed without any replacement.

### 5.13 Southbound Stock Connect Eligibility

For indexes with Quarterly Southbound Stock Connect Review, constituent eligibility under Southbound Stock Connect will be reviewed on a quarterly basis.

Existing constituent(s) that are ineligible for Southbound Stock Connect (outside regular index review) will be removed without any replacement unless otherwise stated.

### 5.14 Investment Companies

Companies listed under Chapter 21 of HKEX listing rules (“Investment Companies”) are ineligible to the Hang Seng Family of Indexes.

### 5.15 Special Purpose Acquisition Companies (“SPACs”)

Companies listed under Chapter 18B of HKEX listing rules are ineligible to the Hang Seng Family of Indexes.

For de-SPACs, they will be handled the same as securities transferred from the GEM to the Main Board.



## 5 Eligibility Criteria

### 5.16 Compulsory Delisting

Companies that trigger compulsory delisting are ineligible for constituency in the Hang Seng Family of Indexes.

Existing constituents in the Hang Seng Family of Indexes that trigger compulsory delisting will be removed from all relevant index(es) on the regular quarterly rebalancing dates, or as soon as practicable after the announcement of delisting. Should such security be suspended from trading, generally it will be removed at the lowest system price, i.e. \$0.0001 in the security's price currency. Such price will be used for index calculation on the trading day preceding the effective date of the removal.

Replacements (if any) will be made according to individual index methodology unless otherwise stated.

### 5.17 Indexes with Fixed Constituent Number

If the number of eligible securities is less than the fixed constituent number prescribed in the methodology, all eligible securities will be selected as constituents unless otherwise specified.



## 6 Constituent Selection

### 6.1 MV Rank

The market value (“MV”) of eligible securities will be used for ranking. It does not include other listed share classes of the same company. For example, MV of an H-shares security is calculated only based on the H-shares.

The MV of a security refers to the average daily market value of the past 12 months of any review period excluding suspended trading day(s). For securities with a listing history of less than 12 months, the MV refers to the average of the past trading days since the securities listed.

The MV will be sorted in descending order to get the MV Rank.

### 6.2 Combined MV Rank

#### ***Freefloat-adjusted Market Value (“FFMV”)***

It refers to the 12-month-average Market Value multiplied by FAF calculated at the review data cut-off date.

The FFMV will be sorted in descending order to get the FFMV Rank.

#### ***Combined Ranking***

- a)  $0.5 \times \text{MV Rank} + 0.5 \times \text{FFMV Rank} = \text{Combined MV Score}$
- b) Securities are ranked in ascending order by Combined MV Score
- c) In cases where two securities have the same Combined MV Score, a higher rank will be assigned to the security with higher MV Rank.

Securities with the highest rank based on Combined MV Score will be selected.

### 6.3 Company MV Rank

The total market value of all classes of shares (including unlisted portion) of eligible companies will be used for ranking.

The estimated price for any unlisted share is the average price weighted by number of each class of listed shares. For “AH” companies, the  $P^A$  and  $P^H$  in the below formula will be adjusted to the same currency for calculation.

$$\text{Price for unlisted share} = \frac{P^A \times \text{No. of A shares} + P^H \times \text{No. of H shares}}{\text{No. of A shares} + \text{No. of H shares}}$$



## 6 Constituent Selection

The Company MV refers to the average total daily market value of the past 12 months of any review period. For those companies with a listing history of less than 12 months, the Company MV refers to the average of the past trading days since the company made its listing debut.

The Company MV calculation will exclude the trading day(s) on which the company was suspended in any of the relevant stock exchanges. If a company was prolonged suspended within the past 12 months, its Company MV before resumption of trading will be excluded from the calculation.

The Company MV will be sorted in descending order to get the Company MV Rank.

### 6.4 Buffer Zone

Existing constituents ranked lower than the lower limit will be removed from the index, while non-constituents ranked equal to or above the upper limit will be included.

For indexes with a fixed number of constituents, if the number of incoming securities is greater than the number of outgoing constituents, constituents with the lowest rank will be removed from the index; If the number of incoming securities is smaller than the number of outgoing constituents, securities with the highest rank will be added to the index.

### 6.5 Smart Selection and Share Class Switch

The Smart Selection method is only applicable to constituent companies with both H-share listing and A-share listing on the Shanghai Stock Exchange or the Shenzhen Stock Exchange. The share class with the relatively lower price will be selected for index calculation. The share class of constituent companies with the relatively lower price will be selected for index calculation. Share class selection is based on the constituent's AH Price Ratio ("AHPR"). If the constituent's AHPR is below 1, the A-share class will be selected. Otherwise, the H-share class will be selected.

Note: AHPR refers to A-share price divided by H-share price after adjusting for the foreign exchange rate.

The A-share class of a constituent in the index will be switched to the H-share class when its AH Price Ratio ("AHPR") is above 1.03; the H-share class of a constituent will be switched to the A-share class when its AHPR is below 0.97. The share classes remain unchanged if the AHPR is within the range of 0.97-1.03.



## 6 Constituent Selection

The share class switches are based on AHPRs calculated at the closes of the Hong Kong and mainland China stock markets two days before the rebalancing dates. In case trading in either the A-share or the H-share of a constituent company is suspended on the AHPR calculation date, no share class switching will be performed for that constituent company.

Share class switches are conducted on a monthly basis. Rebalancing dates of share class switches will normally be the first Friday of each month. If that Friday or AHPR calculation date falls on a non-trading day of either the Hong Kong or mainland China market, it will be postponed subject to the final decision made by HSIL. The effective date for a switch will be the next trading day that either the Hong Kong or mainland China stock market opens immediately after the rebalancing dates.

### 6.6 AR Companies

An “AR” Company is defined as a Red-chip that is listed on the HKEX but also has an A-share listing on a Mainland stock exchange. Different from an “AH” Company, an “AR” Company can be in the form of two different companies where one is the holding company of the other while an “AH” Company is one company issuing two classes of shares.

An example of “AR” Company is China Unicom: China Unicom “A” (600050.SS) is the holding company of China Unicom “R” (0762.HK), which wholly owns the subsidiaries engaging in telecommunications business and does not have other businesses.

For “AR” Company, the following rules on constituent selection will be applied:

- a) in index reviews, the two stocks will be ranked separately by their respective full MV;
- b) either the “A”-class company or the “R”-class company can be selected as a constituent, and the inclusion of one company would not lead to automatic selection of the other company;
- c) if both “A” and “R”-class companies are selected as constituents, they will only take up one constituent place in the index.

### 6.7 Companies with Multiple Lines of Listings

If a company has more than one line of listings, it is considered to have fulfilled the eligibility requirement if any one of its listings meets the respective eligibility requirements. However only the line(s) of listings that pass the eligibility requirements will be selected as index constituents.



## 6 Constituent Selection

If a company has its shares listed in the form of Depositary Receipts (“DR”) in addition to its primary or secondary listing, with the assumption that they are fungible and convertible, only the most liquid one will be included into the index.





## 7 Index Weightings

### 7.1 Capping for Constituents

Index capping is performed using closing price three trading days preceding the regular index rebalancing date to determine the CFs.

Unless specified in the individual index methodology book, the cap level of indexes with capping is set according to the number of constituents of the respective index at the quarterly index rebalancing day. Details of the cap levels are as follows:

Number of Constituents	Cap Level
$\geq 15$	10%
8 - 14	15%
5 - 7	25%
$\leq 4$	100% / Number of Constituents

Some indexes may apply alternative capping mechanism. Please refer to the individual index methodologies.

### 7.2 Industry Capping

#### Constraints

- a) No individual constituent in the index has a weighting greater than [x]% of the index; and
- b) No industry in the index has a weighting greater than [y]% of the index.

#### Capping Method

- 1) Apply [x]% cap to the constituent uncapped weightings.
- 2) The excess weighting will be redistributed proportionally to the rest of the constituents.
- 3) Iterate until no weighting of any constituents exceeds [x]%.
- 4) If the aggregate weighting of all constituents in an industry exceeds [y]%, the result will be discarded. Otherwise, these are the final constituent weightings.

#### ***Capped Industry***

- 5) The aggregate weighting of constituents in an industry that exceeds [y]% in step 3 above will be confined at [y]%.
- 6) Within the capped industry, the [y]% weighting will be proportionally distributed to constituents according to their uncapped weightings.
- 7) Any constituents with weighting exceeds [x]% will be capped at [x]%.
- 8) The excess weighting will be redistributed proportionally to the rest of the constituents within the same industry.
- 9) Iterate until no weighting of any constituents in the industry exceeds [x]%.



## 7 Index Weightings

### ***Uncapped Industry***

- 10) Constituents outside the capped industries will take up the residual weighting of the index [r]% which is equal to  $100\% - n \times [y]\%$  where n is the number of capped industries.
- 11) The [r]% weighting will be proportionally distributed to all constituents outside the capped industries according to their uncapped weightings.
- 12) Any constituents with weighting exceeds [x]% will be capped at [x]%.
- 13) The excess weighting will be redistributed proportionally to the rest of the constituents outside the capped industries.
- 14) Iterate until no weighting of any constituents outside the capped industries exceeds [x]%.

### **7.3 X/Y Capping**

#### **Constraints**

- a) No individual constituent in the index has a weighting greater than [x]% of the index; and
- b) The aggregate weighting of top [m] constituents cannot be greater than [y]% of the index.

#### **Capping Method**

- 1) Apply [x]% cap to the constituent uncapped weightings.
- 2) The excess weighting will be redistributed proportionally to the rest of the constituents.
- 3) Iterate until no weighting of any constituents exceeds [x]%.
- 4) If the aggregate weighting of the top [m] constituents exceeds [y]%, the result will be discarded. Otherwise, these are the final constituent weightings.

#### ***Top [m] Group***

- 5) The aggregate weighting of the top [m] constituents in step 3 above will be confined at [y]%.
- 6) Within the group, the [y]% weighting will be proportionally distributed to constituents according to their uncapped weightings.
- 7) Any constituents with weighting exceeds [x]% will be capped at [x]%.
- 8) The excess weighting will be redistributed proportionally to the rest of the constituents within the same group.
- 9) Iterate until no weighting of any constituents in the group exceeds [x]%.



## 7 Index Weightings

### ***Other Constituents***

- 10) Constituents outside the top [m] group will take up the residual weighting of the index [r]% which is equal to  $100\% - [y]\%$ .
- 11) The [r]% weighting will be proportionally distributed to all constituents outside the top [m] group according to their uncapped weightings, subject to cap level which equals to the weighting of the  $m^{\text{th}}$  constituent derived in step 9.
- 12) The excess weighting will be redistributed proportionally to the rest of the constituents outside the top [m] group.
- 13) Iterate until no weighting of any constituents exceeds the weighting of the  $m^{\text{th}}$  constituent derived in step 9.

If there is no solution for the above so as to meet all the constraints, [x]% will be reset as  $[y]\% \div m$ , and the capping will be restarted from Step 1.



## 8 Index Calculation Formula

### 8.1 Price Indexes

The formula of Price Index is set out below:

#### (1) Single-market Indexes:

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

$P_t$	:	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
$CF$	:	Capping Factor, which is between 0 and 1
$AF$	:	Adjustment Factor

#### (2) Cross-market Indexes or Indexes involved Currency Conversion:

$$\begin{aligned} \text{Current Index} &= \frac{\sum_{i=1}^n \sum_{j=1}^m (P_{i,t}^j \times FX_t^j \times IS_i^j \times FAF_i^j \times CF_i^j \times AF_i^j)}{\sum_{i=1}^n \sum_{j=1}^m (P_{i,t-1}^j \times FX_{t-1}^j \times IS_i^j \times FAF_i^j \times CF_i^j \times AF_i^j)} \\ &\times \text{Yesterday's Closing Index} \end{aligned}$$

$P_{i,t}^j$	:	Price of j-class shares of Company i at time t (j-class: A-shares, HK-listed shares and other relevant share classes covered in the index)
$FX_t^j$	:	Foreign Exchange Rate of the traded currency of j-class shares vs. index currency at time t
$IS_i^j$	:	Total issued j-class shares of Company i
$FAF_i^j$	:	Freefloat-adjusted Factor of j-class shares of Company i
$CF_i^j$	:	Capping Factor of j-class shares of Company i
$AF_i^j$	:	Adjustment Factor of j-class shares of Company i



## 8 Index Calculation Formula

### 8.2 Gross and Net Total Return Indexes

The formula of Gross and Net Total Return Indexes (TRIs) is set out below:

$$\begin{aligned} \text{Today's TRI} &= \frac{\text{Today's Price Index Market Capitalisation}}{\text{Yesterday's Price Index Market Capitalisation} - \text{Aggregate Value of Cash Dividend (Ex - date Today)}} \\ &\times \text{Yesterday's TRI} \end{aligned}$$

The Cash Dividend refers to declared gross dividends and after-tax net dividends for the calculation of the Gross and Net TRIs respectively.

The above formula is based on the assumption that cash dividends are available on the ex-dividend day and are re-invested back into the index portfolio at the start of the day.



## 9 Data Source

Data used for the management of Hang Seng Family of Indexes is taken from publicly available sources.

These data include market data and fundamental data from financial reports, company announcements or filings available from stock exchanges, and other research databases.



## 10 Third Party Disclosure

HSIL will disclose third party's role in the index determination process upon receiving inquiry from external parties, subject to the justification of the request, type of stakeholders (e.g. regulators, product clients, etc.), etc. on an as-needed basis. The level of details to be disclosed shall be determined on a case-by-case basis.



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