

HKEX

Artificial Intelligence Index Methodology

Version History

Version	Version Date	Description
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Introduction

- 1 This document outlines the methodology of the **HKEX Artificial Intelligence Index** (“**HKEX AI**”).
- 2 **HKEX AI** is designed to measure the performance of stocks listed on the Main Board of the Stock Exchange of Hong Kong with high exposure to artificial intelligence (“AI”) value chain covering AI Chips, AI Infrastructure, AI Models and AI Applications.
- 3 **HKEX AI** is developed and owned by Hong Kong Exchanges and Clearing Limited (“HKEX”) and is calculated and maintained by Solactive AG (the “Index Calculation Agent”) in accordance with this methodology.
- 4 Index base date is 31 December 2020 and the base value is 10,000. The launch date of **HKEX AI** is 21 October 2026.

Index Construction

Universe

- 1 The universe for **HKEX AI** includes securities listed on the Main Board of the Stock Exchange of Hong Kong. Investment Companies listed under Chapter 21 of HKEX’s Listing Rules are excluded.

Constituent Eligibility Requirements

- 1 HKEX determines that a security is eligible for selection if it fulfills all the criteria below:

- **AI Theme**

A security fulfills the AI Theme criteria if it has high business exposure to any one of the following themes.

AI Themes	Definition
AI Chips	Companies involved in semiconductors that enable AI computing, including chip design, manufacturing, packaging and testing, and related equipment and materials
AI Infrastructure	Companies involved in AI infrastructure supporting AI computing and information storage, including data centres, cloud computing, servers, networking, and related equipment and components

AI Models	Companies involved in the development of AI models and platforms, including large language models, multimodal models, vision models, speech and audio models, video models, and world models
AI Applications	Companies involved in the application of AI technologies, including AI for Science (e.g. drug discovery and biotechnology), Physical Applications (e.g. robotics, autonomous driving and smart devices), and Digital Applications (e.g. AI-powered software and digital services)

A security is considered to have high business exposure to an AI Theme if it satisfies both (i) and (ii) below:

(i) Industry or Sector Classification

Classified into any one of the following Industries (Level 4), as defined in **The Reference data Business Classification (“TRBC”)**:

TRBC Industry Code	TRBC Industry
52102010	Industrial Machinery & Equipment
53101010	Auto & Truck Manufacturers
53101020	Auto, Truck & Motorcycle Parts
53302010	Advertising & Marketing
56101010	Advanced Medical Equipment & Technology
56202010	Biotechnology & Medical Research
57101010	Semiconductors
57101020	Semiconductor Equipment & Testing
57102010	Communications & Networking
57104010	Electronic Equipment & Parts
57106010	Computer Hardware
57106020	Phones & Handheld Devices
57107010	Integrated Hardware & Software
57201010	IT Services & Consulting
57201020	Software
57201030	Online Services
57301010	Financial Technology (Fintech)

(ii) AI Business Relevance Assessment

The company profile disclosed on the HKEX website of the security contains descriptions of business activities relating to one or more AI Themes as defined above.

At least 30% of the company’s total revenue is attributable to one or more AI Themes. Constituents are assigned to the AI Theme representing the largest

proportion of their AI-related revenue.

- 2 The following Constituent Eligibility Requirements are applied by the Index Calculation Agent in accordance with this methodology.

▪ **Listing History Requirement**

Non-constituent securities must have been listed for at least three months. If a company is listed in both the China A-share market and the Hong Kong market, the earlier listing date of the two will be used.

The listing history requirement will be assessed as of the implementation date.

▪ **Liquidity Requirement**

Securities must

- rank within the top 80% shares by average daily turnover over the past twelve months within the universe; and
- have an average daily turnover of at least HKD 20 million over the past six months, with no more than two of those months recording a monthly average daily turnover below HKD 20 million.

For securities with a trading history shorter than the above observation period, the assessment is based on the available trading history only.

▪ **Fundamental Requirement**

Securities with Research and Development expenses-to-sales ratio ("R&D-to-sales") below 3%, capital expenditure-to-sales ratio ("Capex-to-sales") below 3% and year-on-year sales growth ("sales growth") below 5% for the two most recent fiscal years will be excluded.

▪ **Shareholding Concentration**

Companies with high shareholding concentration¹ are ineligible for inclusion.

Constituent Selection

- 1 For each eligible security, a fundamental score is calculated using three fundamental metrics derived from the company's annual reports for the two most recent fiscal years: R&D-to-sales, Capex-to-sales, and sales growth. The calculation comprises the following steps.

(i) **Calculate weighted-average fundamental metrics**

¹ According to the announcement published by the Hong Kong Securities and Futures Commission (SFC) from time to time on the website: <https://www.sfc.hk/en/News-and-announcements/High-shareholding-concentration-announcements> (as of the date of the guideline).

For each eligible security i and fundamental metric m , the weighted-average metric is calculated as:

$$WA_{i,m} = 0.6M_{i,m,1} + 0.4M_{i,m,2}$$

where m denotes one of the three fundamental metrics: R&D-to-sales, Capex-to-sales, and sales growth. $M_{i,m,1}$ and $M_{i,m,2}$ denote the values of metric m for security i in the most recent and second most recent fiscal years, respectively.

For each metric, the weighted-average values are winsorised at the 97.5th percentile across all eligible securities. Any value above the relevant 97.5th percentile is replaced with that percentile value.

(ii) Standardise the weighted-average metrics

For each eligible security i , the winsorized weighted-average metric is standardised into a cross-sectional Z-score:

$$Z_{i,m} = \frac{WA_{i,m}^* - \mu_m}{\sigma_m}$$

where $WA_{i,m}^*$ is the winsorised weighted-average value, and μ_m and σ_m are, respectively, the cross-sectional mean and standard deviation of that metric across all eligible securities. Each Z-score is capped at 3 and floored at -3.

(iii) Calculate the composite fundamental Z-score

The fundamental Z-score for each eligible security i is calculated as:

$$Z_{F,i} = \frac{(Z_{i,RD} + Z_{i,CX} + 2Z_{i,SG})}{\sqrt{6}}$$

where $Z_{i,RD}$, $Z_{i,CX}$, and $Z_{i,SG}$ denote the Z-scores of R&D-to-sales, Capex-to-sales, and sales growth, respectively.

(iv) Transform the fundamental Z-score into a fundamental score

The fundamental score for each eligible security i is calculated by applying the cumulative distribution function of the standard normal distribution to the fundamental Z-score:

$$F_i = \Phi(Z_{F,i}) = \frac{1}{\sqrt{2\pi}} \int_{-\infty}^{Z_{F,i}} e^{-x^2/2} dx$$

(v) Calculate fundamental-tilted market capitalization

The fundamental-tilted market capitalization of each eligible security i is calculated as:

$$\text{FMCap}_i = F_i \times \overline{\text{MCap}}_i$$

where $\overline{\text{MCap}}_i$ denotes the average daily market capitalization over the preceding 12 months of security i . For securities listed for less than 12 months, the average daily market capitalization is calculated since the listing date.

- 2 Eligible securities are ranked in descending order by their fundamental-tilted market capitalization. The top 40 securities with the highest fundamental-tilted market capitalization will be selected as index constituents. If fewer than 40 eligible securities are available, all eligible securities will be included.

Regular Review and Constituent Changes

Quarterly Index Review

- 1 **HKEX AI** is reviewed quarterly, with all changes generally implemented after market close on the second Friday of March, June, September and December and becoming effective on the following trading day. The data cut-off dates for index review are the last trading day of January, April, July and October, respectively. The results of the index review are generally announced two weeks prior to the effective date.

2 Buffer Zone Arrangement

Existing constituents ranked below 48th will be removed from the index, while non-constituents ranked 32nd or above will be added. Securities will be added to or removed from the index to maintain the number of constituents at 40.

Ad Hoc Changes

- 1 In the event of other corporate actions, the index will be adjusted in accordance with the corresponding guideline².

Index Weighting and Rebalancing

- 1 For each index constituent, fundamental-tilted free-float adjusted market capitalization is calculated as the product of its fundamental score and free-float adjusted market capitalisation.
- 2 Constituents are weighted by fundamental-tilted free-float adjusted market capitalisation. The weight of constituent classified under the AI Chips, AI Infrastructure or AI Models themes is capped at 10%, while the weight of constituent classified under the AI Applications theme is capped at 3%.
- 3 Index recapping and rebalancing is conducted quarterly in March, June, September and December, with all changes generally implemented after market close on the second Friday of the month and becoming effective on the following trading day. The cut-off date for prices used

² The index calculation and adjustment are performed by the Index Calculation Agent in accordance with the Equity Index Methodology: <https://www.solactive.com/documents/equity-index-methodology/>

for the recapping and rebalancing is generally the Monday preceding the implementation date.

Index Calculation

1 Index Calculation Formula²

$$Index_t = \frac{\sum_{i=1}^n S_{i,t} \times P_{i,t} \times f_{i,t} \times WCF_{i,t} \times FFF_{i,t} \times FS_{i,t}}{D_t}$$

S	=	Total Number of Issued Shares
P	=	Closing Price
f	=	Foreign Exchange Rate (if applicable)
WCF	=	Weighting Cap Factor
FFF	=	Free Float Factor
FS	=	Fundamental Score
D	=	Divisor

- 2 The Divisor is a mathematical factor defined at the inception of the Index. The Divisor is adjusted subject to corporate actions and index rebalancing².
- 3 Total Return Index and Net Total Return Index are also calculated. The Total Return Index seeks to replicate the overall return of a portfolio that tracks the underlying price index, assuming that all cash dividends are reinvested back into the index. The Net Total Return Index considers reinvestments of all cash dividends after deducting the withholding tax. All cash dividends are applied across the overall index by changing the Divisor.

Index Policies

- 1 **HKEX AI** is overseen by the Index Oversight Committee (the “Committee”), which includes members of HKEX and the Index Calculation Agent. The Committee is responsible for overseeing index maintenance and ensuring that the index is operated in strict adherence to the index methodology. In addition, the Committee is responsible for reviewing the index design and methodology, as well as endorsing any changes made to the index methodology.
- 2 HKEX reviews the methodology at least on an annual basis to ensure **HKEX AI** continues to best reflect the stated aims. All changes to the methodology are subject to the approval of the Committee. The methodology may also be amended or supplemented from time to time as appropriate in response to market development. HKEX will announce the proposed changes as soon as practicable to the market prior to implementation.
- 3 The Committee reserves the right, under exceptional circumstances, to recommend, review and endorse actions that deviate from the methodology if deemed necessary.
- 4 The Index Calculation Agent calculates and maintains the index in accordance with its general index policies³ on error correction, market disruption events, index terminations and methodology changes with the adaption that references to the “Index Committee” contained in these policies shall be understood as references to the Committee referred to in paragraph 1 of this section “Index Policies”.

³ The Correction Policy, Disruption Policy, Termination Policy and Methodology Policy of the Index Calculation Agent are available on the Index Calculation Agent's website: <https://www.solactive.com/documents/>

Dissemination

- 1 **HKEX AI** is calculated in real time and disseminated approximately every 15 seconds during each trading day of the Stock Exchange of Hong Kong.
- 2 Vendor Codes:

Type	Index Name	Index Code
Price Index	HKEX Artificial Intelligence Index	HKEXAI
	HKEX Artificial Intelligence Index (CNY)	HKEXAIR
	HKEX Artificial Intelligence Index (USD)	HKEXAIU
Total Return Index	HKEX Artificial Intelligence Total Return Index	HKEXAIT
	HKEX Artificial Intelligence Total Return Index (CNY)	HKEXAITR
	HKEX Artificial Intelligence Total Return Index (USD)	HKEXAITU
Net Total Return Index	HKEX Artificial Intelligence Net Total Return Index	HKEXAIN
	HKEX Artificial Intelligence Net Total Return Index (CNY)	HKEXAINR
	HKEX Artificial Intelligence Net Total Return Index (USD)	HKEXAINU

The index value is published on the HKEX website and is also available through Bloomberg, Refinitiv and other major data vendors.

Any publication in relation to the index (e.g., notices, amendments to the index methodology) will be available on the HKEX website.

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