



Index Methodology

For Managing the
Hang Seng HKEX Stock Connect
China Enterprises Index



Amendment History

	Date	Description
1.0	Nov 2024	First Issue



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1 Overview

- 1.1 The Hang Seng HKEX Stock Connect China Enterprises Index (“SCCEA”) is a co-branded index through the collaboration between Hang Seng Indexes Co Ltd (“HSIL”) and Hong Kong Exchanges and Clearing Limited (“HKEX”). The SCCEA measures the overall performance of Chinese companies listed in Hong Kong and Mainland China that are eligible for Northbound or Southbound trading under the Stock Connect Scheme.
- 1.2 The SCCEA is freefloat-adjusted market-capitalisation weighted with an 8% cap on individual constituents.
- 1.3 The SCCEA is calculated and disseminated real-time at 2-second intervals during the trading hours when the Hong Kong and/or Mainland China stock markets are open.
- 1.4 This methodology document should be read in conjunction with the Index Methodology General Guide on HSIL’s website.
- 1.5 Readers are reminded that there might be exceptions in the index handling to the below general approach in some special situations and HSIL reserves the right to determine the most appropriate handling.



2 Management Responsibility

- 2.1 The SCCEA is calculated and managed by HSIL in accordance with the Index Methodology.

SCCEA Index Committee

- 2.2 The Committee comprises an equal number of representatives from each of HSIL and HKEX.
- 2.3 The Committee is responsible for discussing matters relating to SCCEA including the index methodology; results of index review and rebalancing; issues, incidents, system changes which affect distribution of SCCEA; any policies and procedures relating to the calculations, and maintenance of SCCEA.



3 Constituent Eligibility

Universe

- 3.1 The universe for the SCCEA (“Universe”) includes securities listed on the Main Board of the HKEX, and A-shares listed on the Shanghai Stock Exchange (“SSE”) and the Shenzhen Stock Exchange (“SZSE”).

Eligible Stocks

- 3.2 A security is eligible if it has fulfilled the following eligibility criteria.

Hong Kong-listed shares

- 3.3 Eligible Hong Kong-listed shares should meet the following criteria:
- Eligible for Southbound Trading under the Stock Connect Scheme; and
 - Constituents of the Hang Seng China Enterprises Index (“HSCEI”).

Mainland China-listed shares

- 3.4 Eligible Mainland China-listed A-shares should meet the following criteria:
- Eligible for Northbound Trading under the Stock Connect Scheme;
 - Listing history of at least one month;
 - Pass the Velocity Test for Tradable Indexes;
 - Foreign investor shareholding not greater than 26% (existing constituents) or 24% (new constituents); and
 - Do not have HK-listings that are constituents of HSCEI.

Constituent Selection

- 3.5 All eligible HK-listed shares will be selected into the index.
- 3.6 Eligible A-shares with the highest MV Rank are selected until the total number of constituents reaches 80.

Number of Constituents

- 3.7 The number of constituents is fixed at 80.



4 Index Review and Constituent Changes

Regular Quarterly Review

- 4.1 HSIL undertakes regular quarterly reviews of constituents of the SCCEA with data cut-off dates of the end of March, June, September and December each year.
- 4.2 Quarterly reviews are normally completed within eight weeks after the data cut-off dates.
- 4.3 Eligible candidates will be selected as constituents of the SCCEA in accordance with the procedure set out in Section 3 of this methodology.

Buffer Zone

- 4.4 Existing A-share constituents with MV Rank lower than $1.2 \times n$ (rounded up to integer) will be removed, while A-share non-constituents with MV Rank $0.8 \times n$ (rounded down to integer) or above will be included, where n refers to 80 minus the number of HK-listed constituents.
- 4.5 A-shares will be added or removed according to their MV Rank to maintain the total number of constituents at 80.
- 4.6 The buffer zone is not applicable to HK-listed constituents.

ST/*ST Treatment

- 4.7 If an A-share constituent has been classified as ST/*ST stock, the constituent will be removed from the index and the replacement will be the next highest ranked A-shares candidate from the last index review. The effective date will be the regular monthly rebalancing date of the following month.

Trading Suspension

- 4.8 Please refer to the HSIL Index Operation Guide for details.

Ad Hoc Changes

- 4.9 Any ad hoc changes in the HK constituents will follow changes made to the HSCEI, after considering the Southbound Stock Connect eligibility.
- 4.10 In case the index falls short of 80 constituents due to ad hoc index adjustment, the replacement will be the next highest ranked A-shares candidate from the last index review.



5 Index Calculation

5.1 The SCCEA is freefloat-adjusted MV weighted with an 8% cap on individual constituent.

5.2 The formula is set out below:

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

P_t = Current Price at time t

FX_t = Foreign Exchange Rate of a traded currency vs. CNY at time t

IS = Issued Shares

FAF = Freefloat-adjusted factor, which is between 0 and 1

CF = Capping Factor, which is between 0 and 1

5.3 The SCCEA is a price index without adjustment for cash dividends or warrant bonuses.



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 The 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 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, 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.



7 Dissemination

- 7.1 The SCCEA is calculated and disseminated in real-time every 2 seconds during trading hours on each trading day of the Hong Kong or the Mainland China stock markets.
- 7.2 The SCCEA is calculated and published in Renminbi.
- 7.3 Please refer to the index dissemination time provided on HSIL's website for further details:
<https://www.hsi.com.hk/static/uploads/contents/en/products/timetable.xlsx>
- 7.4 Vendor codes for the SCCEA:

Vendor	Code for Price Index	Code for Total Return Index	Code for Net Total Return Index
Bloomberg	SCCEA	-	-
Refinitiv	.SCCEA	.SCCEAT	.SCCEAN



8 Contact Information

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