

# FTSE Hong Kong Equity Index Series

v2.7

# Contents

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## Section 1

# Introduction

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## 1. Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE Hong Kong Equity Index Series. These Ground Rules should be read in conjunction with the FTSE Global Equity Index Ground Rules which can be accessed using the following link:

[FTSE Global Equity Index Series.pdf](#)

### 1.2 FTSE Hong Kong Equity Index Series

1.2.1 The FTSE Hong Kong Equity Index Series is designed to represent the performance of the Hong Kong and mainland China stocks traded on the Hong Kong Stock Exchange.

1.2.2 The FTSE Hong Kong Equity Index Series does not take account of ESG factors in its index design.

1.2.3 The base currency of the FTSE Hong Kong Equity Index Series is Hong Kong dollars.

1.2.4 The FTSE Hong Kong Equity Index Series are calculated and published in Hong Kong dollars and US dollars on an end of day basis.

1.2.5 Total return and net of tax indices are published at the end of each working day. The indices include income based on ex dividend adjustments. All dividends are applied as declared in the FTSE Total Return Index.

### 1.3 Indices included in the FTSE Hong Kong Equity Index Series

The following indices are included in the FTSE Hong Kong Equity Index Series:

#### 1.3.1 FTSE Hong Kong 100 Index

The FTSE Hong Kong 100 Index is designed to represent the performance of the largest 100 Large and Mid cap stocks that are traded on the Hong Kong Stock Exchange from Hong Kong and mainland China.

The FTSE Hong Kong 100 Index is calculated in real-time and published on an intra-second streaming basis in Hong Kong dollars.

#### 1.3.2 FTSE Hong Kong Listed Index

The FTSE Hong Kong Listed Index is designed to represent the performance of all large and mid cap stocks from Hong Kong and mainland China that are traded on the Hong Kong Stock Exchange.

#### 1.3.3 FTSE Hong Kong Listed All Cap Index

1.3.4 The FTSE Hong Kong Listed All Cap Index is designed to represent the performance of all large, mid and small cap stocks from Hong Kong and mainland China that are traded on the Hong Kong Stock Exchange.

#### **1.4 FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiary FTSE Global Debt Capital Markets Inc.), FTSE Fixed Income LLC, FTSE (Beijing) Consulting Limited.

#### **1.5 IOSCO**

1.5.1 FTSE Russell considers that FTSE Hong Kong Equity Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

Full details can be accessed at [www.iosco.org](http://www.iosco.org).

Details of FTSE Russell's Statement of Compliance with respect to the IOSCO Principles can be accessed using the following link:

[IOSCO Statement of Compliance](#).

1.6 FTSE Russell hereby notifies users of the index that it is possible that circumstances, including external events beyond the control of FTSE Russell, may necessitate changes to, or the cessation, of the index and therefore, any financial contracts or other financial instruments that reference the index or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index.

1.7 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any inaccuracies in the compilation of the index or any constituent data.

## Section 2

# Management responsibilities

## 2. Management responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the benchmark administrator of the index.<sup>1</sup>

2.1.2 FTSE is responsible for the daily calculation, production and operation of the FTSE Hong Kong Equity Index Series and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the index series and apply the changes resulting from the reviews as required by the Ground Rules;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indices.

### 2.2 Status of these Ground Rules

These Ground Rules set out the methodology and provide information about the publication of the FTSE Hong Kong Equity Index Series.

### 2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to best reflect the aims of the index. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Index Governance Board before approval is granted.

2.3.2 As provided for in the Statement of Principles for FTSE Russell Equity Indices, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

<sup>1</sup> The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation) and [The Benchmarks \(Amendment and Transitional Provision\) \(EU Exit\) Regulations 2019](#) (the UK Benchmark Regulation).

## Section 3

# FTSE Russell index policies

### 3. FTSE Russell index policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

#### 3.1 **Statement of Principles for FTSE Russell Equity Indices (the Statement of Principles)**

Indices need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Ground Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Index Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement\\_of\\_Principles.pdf](#)

#### 3.2 **Queries and Complaints and Appeals**

A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indices from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark\\_Determination\\_Complaints\\_Handling\\_Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals\\_Against\\_Decisions.pdf](#)

#### 3.3 **Index Policy for Trading Halts and Market Closures**

3.3.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index\\_Policy\\_for\\_Trading\\_Halts\\_and\\_Market\\_Closures.pdf](#)

#### 3.4 **Index Policy in the Event Clients are Unable to Trade a Market or a Security**

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index\\_Policy\\_in\\_the\\_Event\\_Clients\\_are\\_Unable\\_to\\_Trade\\_a\\_Market\\_or\\_a\\_Security.pdf](#)

### **3.5 Recalculation Policy and Guidelines**

- 3.5.1 Where an inaccuracy is identified, FTSE Russell will follow the steps set out in the FTSE Russell Index Recalculation Guidelines when determining whether an index or index series should be recalculated and/or associated data products reissued. Users of the FTSE Hong Kong Equity Index Series will be notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting [info@ftserussell.com](mailto:info@ftserussell.com).

[Recalculation Policy and Guidelines Equity Indices.pdf](#)

### **3.6 Policy for Benchmark Methodology Changes**

- 3.6.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

### **3.7 FTSE Russell Governance Framework**

- 3.7.1 To oversee its indices, FTSE Russell employs a governance framework that encompasses product, service and technology governance. The framework incorporates the London Stock Exchange Group's three lines of defence risk management framework and is designed to meet the requirements of the IOSCO Principles for Financial Benchmarks<sup>2</sup>, the European benchmark regulation<sup>3</sup> and the UK benchmark regulation<sup>4</sup>. The FTSE Russell Governance Framework can be accessed using the following link:

[FTSE Russell Governance Framework.pdf](#)

### **3.8 Real Time Status Definitions**

- 3.8.1 For indices that are calculated in real time, please refer to the following guide for details of real time status definitions:

[Real Time Status Definitions.pdf](#)

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<sup>2</sup> IOSCO Principles for Financial Benchmarks Final Report, FR07/13 July 2013.

<sup>3</sup> Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds.

<sup>4</sup> The Benchmarks (Amendment and Transitional Provision) (EU Exit) Regulations 2019.

## Section 4

# Eligible securities

## 4. Eligible securities

4.1 Securities listed on the Hong Kong Stock Exchange that are constituents of the FTSE Global All Cap Index will be eligible for index inclusion.

4.2 The following share classes will be eligible for the index:

- Hong Kong Companies
- Red Chips
- P Chips\*
- H shares

\* A non-constituent P Chip whose associated N Share is already a constituent of the FTSE Global All Cap Index will be eligible for inclusion into the FTSE Hong Kong Equity Index Series at the next quarterly review after a minimum 3-month trading period, subject to satisfying all other FTSE Global All Cap Index eligibility criteria. Please note the P Chip will be subject to the FTSE Global All Cap minimum liquidity requirement and will be tested in line with FTSE Global All Cap Semi-Annual Review

4.3 Exceptionally, HSBC will be considered eligible for inclusion into the FTSE Hong Kong Equity Index Series notwithstanding it is classified as a constituent of UK nationality in the FTSE Global All Cap Index. The Hong Kong listing of HSBC will be used in the index calculation and periodic reviews.

### 4.4 Investability weightings screen

Constituents of the FTSE Hong Kong Equity Index Series are adjusted for free float.

Except where the investable market capitalisation of the security exceeds 10 times the regional inclusion percentage level of FTSE Global Equity Index Series (see FTSE GEIS Ground Rules), securities with a free float of 5% or below are excluded from the index,

Details on free float restrictions can be accessed using the following link:

[Free Float Restrictions.pdf](#)

4.5 Convertible preference shares and loan stocks are excluded until converted.

4.6 Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) which are assumed by the Industry Classification Benchmark as Subsector equity investment instruments and Non-equity investment instruments which are assumed by the Industry Classification Benchmark as Subsector non-equity investment instruments will not be eligible for inclusion. For further details on the Industry Classification Benchmark (ICB), please visit the FTSE Russell website.

4.7 Securities must be sufficiently liquid to be traded. The following criteria which are part of the FTSE Global All Cap Index eligibility criteria are used to ensure that illiquid securities are excluded:

- A. Liquidity - Each security will be tested for liquidity on a semi-annual basis in March and September by calculation of its monthly median of daily trading volume as part of the FTSE Global All Cap Index

review. When calculating the median of daily trading volume of any security for a particular month, a minimum of 5 trading days in that month must exist, otherwise the month will be excluded from the test.

For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut off date. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days.

Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month.

Any period of suspension will not be included in the test.

- B. The liquidity test will be applied on a pro-rata basis where the testing period is less than 12 months.

A non-constituent which does not turnover at least 0.05% of their shares in issue (after the application of any free float weightings) based on their median daily trading volume per month in ten of the twelve months prior to a full market review, will not be eligible for inclusion in the Index.

An existing constituent which does not turnover at least 0.04% of its shares in issue (after the application of any free float weightings) based on its median daily trading volume per month for at least eight of the twelve months prior to a full market review will be removed from the Index.

New issues which do not have a twelve month trading record must have a minimum three month trading record when reviewed. They must turnover at least 0.05% of their free float adjusted shares based on their median daily trading volume each month, on a pro-rata basis since listing\*. This rule will not apply to new issues added under the Fast Entry Rule.

\*When testing liquidity the free float weight as at the last date in the testing period will be used for the calculation for the whole of that period.

- C. At the sole discretion of FTSE Russell, the above percentage figures may be adjusted by up to 0.01% at the March and September reviews so that, in FTSE Russell's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole market and may not be applied to individual securities.
- D. At the March and September reviews of the FTSE Global All Cap Index, newly listed companies will have their liquidity assessed on a pro-rata basis.
- E. New issues, which do not qualify as early entrants will become eligible for inclusion at the March and September reviews of the FTSE Global All Cap Index providing they have, since the commencement of Official non-conditional trading, a minimum trading record of at least 3 trading months prior to the date of the review and turnover as defined under Rule 4.8.0 C).

The inclusion of early entries will not require a minimum trading record

## **4.8 Trading screen**

4.8.1 Existing and non-constituent securities which have not traded on 60 or more trading days during the past year (up to and including the review cut-off date), will not be eligible for index inclusion. Regular/ad-hoc market holidays, and unscheduled market closures will not count towards the total; otherwise, the reason(s) for a security's non-trading will not be considered. If a security does not have a full year of trading, the 60 day period will be pro-rated according to the number of available trading days passed since its listing. Please note:

- All standard trading days will be incorporated within the calculation (Friday and Sundays as appropriate)
- Ad-hoc non-standard trading days will not be incorporated within the calculation (e.g. ad-hoc Saturday trading will not be considered)
- Where a pro-rata calculation is necessary, the number of available trading days on the underlying market during the previous year up to and including the review cut-off date will be used as the basis of the calculation. E.g. Market ABC has 253 available trading days for the annual period to the review cut-off date; therefore the security would not be eligible if for 23.7% (60/253) or more of its available trading days since listing, it did not trade.
- A security which has been removed from an index as a result of this screen will only be re-considered for inclusion after a period of 12 months from its deletion. For the purposes of index eligibility it will be treated as a new issue

## Section 5

# Periodic review of constituents

## 5. Periodic review of constituents

### 5.1 Review dates

All indices under the FTSE Hong Kong Equity Series are reviewed quarterly in March, June, September and December. The constituents will be reviewed using data from the close of business on the Monday 4 weeks prior to the review effective date. Where there is a Hong Kong market holiday on the Monday 4 weeks prior to the review effective date, the close of business on the last trading day prior to the Monday 4 weeks prior to the review effective date will be used. Any constituent changes will be implemented after the close of business on the third Friday (i.e. effective Monday) of the review month.

- 5.1.1 Quarterly changes are published for the FTSE Hong Kong 100 Index after the close of business on the Wednesday before the first Friday of March, June, September and December to give users of the index sufficient notification of the changes before their implementation.

### 5.2 Review process

- 5.2.1 The rules for inserting and deleting companies at the quarterly review are designed to provide stability in the selection of constituents of the FTSE Hong Kong Equity Index Series while ensuring that the index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly.
- 5.2.2 Each security will be tested for liquidity semi-annually in March and September by calculation of its median daily trading volume per month as part of the FTSE Global Equity Index Series review process.
- 5.2.3 In determining the full market capitalisation of a company, all share classes are included, while only the eligible share classes are included in the index weighting. Please see [Guide to Chinese Share Classes.pdf](#) for the Chinese share class description.

### 5.3 FTSE Hong Kong Listed Index

- 5.3.1 At review, all constituents of the FTSE Hong Kong Listed Index must be existing or pending constituents to the FTSE Global All World Index, i.e. the review will take into consideration any constituent changes to the FTSE Global All World Index.

### 5.4 FTSE Hong Kong Listed All Cap Index

- 5.4.1 At review, all constituents of the FTSE Hong Kong Listed All Cap Index must be existing or pending constituents to the FTSE Global All Cap Index, i.e. the review will take into consideration any constituent changes to the FTSE Global All Cap Index.

### 5.5 FTSE Hong Kong 100 Index

- 5.5.1 At review, all constituents of the FTSE Hong Kong 100 Index must be existing or pending constituents to the FTSE All World Index, i.e. the review will take into consideration any constituent changes to the FTSE All World Index.

- 5.5.2 A company will be inserted into the FTSE Hong Kong 100 Index at the periodic review if it rises to 80th position or above when the eligible companies are ranked by full market capitalisation (before the application of any investability weightings).
- 5.5.3 A company in the FTSE Hong Kong 100 Index will be deleted at the periodic review if it falls to 121st position or below when the eligible companies are ranked by full market capitalisation (before the application of any investability weightings).
- 5.5.4 A constant number of constituents will be maintained in the FTSE Hong Kong 100 Index. Where a greater number of companies qualify to be inserted in the index than those qualifying to be deleted (see Rule 6.4), the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted (see Rule 6.4), the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

## **5.6 Reserve lists**

- 5.6.1 FTSE Russell is responsible for publishing the five highest ranking non-constituents of the FTSE Hong Kong 100 Index following each quarterly review. This Reserve List will be used in the event that one or more constituents is deleted from the FTSE Hong Kong 100 Index during the period up to the next quarterly review of the index. Companies on the Reserve List will be constituents of the FTSE All World Index.
- 5.6.2 In the event that all the original Reserve List stocks have been used, the highest ranking non constituent of the FTSE All World Index, which is not a current constituent of the FTSE Hong Kong 100 Index, is selected as the replacement company based on prices two days prior to the deletion of a constituent
- 5.6.3 Where a current constituent is deleted after the periodic changes to the index have been announced but before the periodic changes have been implemented, the highest ranking non constituent from the new Reserve List, excluding current index constituents, will replace the deleted company.

## **5.7 Constituent capping**

- 5.7.1 At the quarterly review, the constituents of the FTSE Hong Kong 100 Index are capped at 10%.
- 5.7.2 The calculation of the constituent capping factors (c) will be based on prices at close on the second Friday of the review month using shares in issue and investability weights as designated to take effect after close on the third Friday of the review month (i.e. taking effect on the review effective date).
- 5.7.3 The calculation will take into account any corporate actions/events that take effect after close on the second Friday of the review month up to and including the review effective date if they have been announced and confirmed by the second Friday of the review month.
- 5.7.4 Corporate actions/events announced after the second Friday of the review month that become effective up and including the review effective date will not result in any further adjustment.
- 5.7.5 Following capping, the weight of each constituent in the index moves freely in line with price movements.

## Section 6

# Additions outside of a review

## 6. Additions outside of a review

6.1 Where an eligible non constituent of the FTSE Hong Kong Equity Index Series undertakes an Initial Public Offering of a new equity security, that security will be eligible for fast entry inclusion to the FTSE Hong Kong Equity Index Series providing it meets the following conditions:

- a) It qualifies for Fast Entry into the FTSE Global All Cap Index
- b) For entry into the FTSE Hong Kong 100 Index, its full market capitalisation (shares in issue \* price) when ranked in descending order is in 20th position or higher.

*Note: Only this criterion does not apply to the FTSE Hong Kong Listed Index*

The full market capitalization will be based on the closing price on the first day of trading and the security's inclusion will be implemented after the close of business on the fifth day of trading. Please note: Only those shares being offered for sale in the IPO will be included within the index weighting at the time of fast entry inclusion (subject to not being categorised as restricted shares as defined within the Free Float Restrictions document).

6.2 Variable and best effort IPOs\* will not be considered for fast entry inclusion since FTSE Russell would be:

- unable to confirm if the minimum free float requirement has been met; and
- unable to assign an accurate free float for the purposes of the index calculation.

Direct listing IPOs will be eligible for consideration for fast entry inclusion if there is confirmation, before the close of trading on the first day of listing, of the number of shares that have been made available (e.g. specific holders have publicly disclosed a commitment to sell a number of shares). If there is no disclosure before the close of trading on the first day of listing, the company will not be considered as a potential fast entry addition.

6.3 Variable and best effort IPOs and those direct listing IPOs (which do not qualify as a fast entrant) will be considered for index inclusion at the next quarterly review if, by the review cut-off date, a public disclosure\* is available confirming either the actual number of shares sold during the offering or the post IPO shareholder structure. Index inclusion remains subject to meeting all other eligibility criteria. If the number of shares sold during the IPO, or the post IPO shareholder structure, remains unknown on the review cut-off date, the evaluation of the company will be deferred to a subsequent quarterly review.

\*A public disclosure is typically by way of a company filing, stock exchange notice or shareholding regulatory announcement.

### 6.4 FTSE Hong Kong 100 Index

6.4.1 Where a fast entrant is added to the FTSE Hong Kong 100 Index the lowest ranking constituent by full market capitalisation of the FTSE Hong Kong 100 Index will be selected for removal using the closing prices on the first day of trading and implemented after the close of business on the fifth day of trading.

In the event of the fifth day of trading being in close proximity to an index review, FTSE Russell may use its discretion to include a fast entrant at the index review date following advance notice.

- 6.4.2 Newly issued securities which do not qualify for early entry (but meet the criteria for eligible securities set out in Section 4) will be re-considered for inclusion into the FTSE Hong Kong Equity Index Series at the next review. The security may also qualify for inclusion to the FTSE Hong Kong 100 Index Reserve List (see Rule 5.6).
- 6.4.3 Following the announcement of a Fast Entry constituent, the FTSE Hong Kong 100 Index is capped (if required) at 10% using prices adjusted for corporate events as at the close of business on the third day of official trading based on the constituents, shares in issue and free float on the next trading day following the fifth day of official trading. Capping takes place at a company level as opposed to a security level.

## Section 7

# Corporate actions and events

## 7. Corporate actions and events

7.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[Corporate Actions and Events Guide.pdf](#)

A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division)/Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE Russell will provide notice advising of the timing of the change.

### 7.2 Shares in issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

### 7.3 Investability weightings

Changes to free float for constituent securities are covered in the Corporate Actions and Events Guide.

### 7.4 Suspended companies

7.4.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.

7.4.2 A suspended security deleted from the FTSE Hong Kong 100 Index will be replaced with the highest ranking company on the Reserve List using data at the close of the index calculation two days prior to the deletion.

### 7.5 Mergers, restructuring and complex takeovers

7.5.1 If the effect of a merger or takeover is that one constituent is absorbed by another constituent in FTSE Hong Kong 100 Index, the resulting company will remain a constituent of the index and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security by full market capitalisation from the Reserve List (see Rule 5.6) as at the close of the index calculation two days prior to the deletion.

- 7.5.2 If a constituent company is taken over by a non-constituent company, the original constituent will be removed and replaced by the highest ranking non-constituent by full market capitalisation on the Reserve List. Any eligible company resulting from the takeover will be eligible to become the replacement company if it is ranked higher than any company on the Reserve List as at the close of the index calculation two days prior to completion of the acquisition, based on the combined full market value of the company after the merger.
- 7.5.3 If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the FTSE Hong Kong 100 Index based on their respective full market capitalisation(s) i.e. before the application of any investability weighting and if they qualify in all other respects. Where one or more of the new companies are eligible to remain in the FTSE Hong Kong 100 Index, the smallest FTSE Hong Kong 100 Index constituent(s) will be deleted.
- 7.5.4 The full market capitalisations at close on the first day of trading of the spun-off company will be used to determine continued inclusion. Any changes will then be applied at market close giving two days' notice. Consequently, the FTSE Hong Kong 100 may have more than 100 companies for three days (or more if the spun-off company does not trade on effective date).

## **7.6 Removal and replacement**

- 7.6.1 If a constituent is delisted, or ceases to have a firm quotation, or is subject to a takeover offer which has been declared wholly unconditional or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and replaced by the highest ranking company by full market capitalisation eligible on the Reserve List (see Rule 5.4) as at the close of the index calculation two days prior to the deletion
- 7.6.2 The removal and replacement are effected simultaneously with the provision of a minimum two days' notice period.

## Section 8

# Industry Classification Benchmark System

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## 8. Industry Classification Benchmark System

### 8.1 Industry Classification Structure

8.1.1 Constituents in the FTSE Hong Kong Equity Index Series are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).

8.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website ([www.lseg.com/en/ftse-russell/](http://www.lseg.com/en/ftse-russell/)) and can be accessed using the following link:

[ICB](#)

## Section 9

# Algorithm and calculation method

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## 9. Algorithm and calculation method

### 9.1 Prices

9.1.1 The FTSE Hong Kong Equity Index Series uses the official closing prices for securities with local market quotations. Further details can be accessed using the following link:

[Closing Prices Used For Index Calculation.pdf](#)

9.1.2 Refinitiv real time exchange rates are used in the index calculations which are disseminated in real-time. Exchange rates are Refinitiv Closing Spot Rates

### 9.2 Algorithm

9.2.1 For details on the Algorithm and calculation methods used for the FTSE Hong Kong Equity Index Series see the FTSE Global Equity Index Series Guide to Calculation Methods.

9.2.2 The performance of the FTSE Hong Kong Equity Index Series on a given day is determined by calculating the percentage difference between:

- the index's market capitalisation as at the close of that day and
- the market capitalisation at the start of that day

'Start of the day' is defined as the previous day's close adjusted for capital changes, investability weight changes, additions and deletions.

9.2.3 Adjustments are applied whenever capital changes take place, so that the performance of the FTSE Hong Kong Equity Index Series reflects the experience of investors (for further details see the Corporate Actions and Events Guide).

## Appendix A

# FTSE China share description

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### 1.0 **Share descriptions**

1.1 For a description of Chinese share classes please see the “Guide to Chinese Share Classes” document which can be accessed using the following link:

[Guide to Chinese Share Classes.pdf](#)

1.2 The definitions these share classes are reviewed annually in September effective on the same day as the Global Equity Index Series.

## Appendix B

# Calculation schedule

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Index	Open	Close
FTSE Hong Kong 100 Index	09:30	16:15
<b>Stock Market Trading Times:</b>		
Hong Kong	09:30	12:00
	13:00	16:00

All times are local Hong Kong Time

The index will not be calculated on Hong Kong Public Holidays.

## Appendix C

# Status of index

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The FTSE Hong Kong 100 Index is calculated in real time.

For further details of real time definitions please refer to the following guide:

[Real Time Status Definitions.pdf](#)

Official Market Hours are defined as the period when the Hong Kong Stock Exchange is open. The official opening and closing hours of the FTSE Hong Kong 100 Index are set out in Appendix B. Variations to the official hours of the index are published by FTSE Russell.

## Appendix D

# Further information

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A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:

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