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Understanding the importance of Hang Seng Index

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What is index?

- A point of reference from which measurements of any sort may be made.

«Webster»

- A number that represents the change in price or value of an aggregate of goods, services, wages, or other measurable quantity in comparison with a reference number for a previous period of time.

«TheFreeDictionary»

- A statistical measure of change in an economy or a securities market.

«Investopedia»

Hang Seng Index (HSI)

- Launched in November 1969 and is currently compiled and maintained by Hang Seng Indexes Company Limited.
- Measures the performance of largest and most liquid companies listed in Hong
- To better reflect the price movements of the major sectors of the market, 4 sub-indexes were introduced in 1985
 - Finance
 - Utilities
 - Properties
 - Commerce and Industry



HSI - Universe

- **Only companies with a primary listing on the Main Board of the Stock Exchange of Hong Kong ("SEHK") are eligible potential constituents. Mainland China enterprises that have H-share listing in Hong Kong will be eligible for inclusion in the HSI if they meet any one of the following conditions:**
 - the H-share company has 100% of its ordinary share capital in the form of H shares which are listed on the SEHK;
 - the H-share company has completed the process of Share Reform, with the result that there is no unlisted share capital in the company; or
 - for new H-share IPOs, the company has no unlisted share capital

HSI – Selection Criteria

- **To be eligible for selection, a company in the Universe:**
 - must be among those companies that constitute the top 90% of the total market capitalisation of all eligible shares listed on the SEHK (market capitalisation is expressed as an average of the past 12 months);
 - must be among those companies that constitute the top 90% of the total turnover of all primary listed shares on the SEHK (turnover is aggregated and individually assessed for eight quarterly sub-periods over the past 24 months); and
 - should normally have a listing history of 24 months on the SEHK or meet the requirements of the following Guidelines:

Average market cap ranking at time of review	Minimum listing history
Top 5	3 months
6-15	6 months
16-20	12 months
21-25	18 months
Below 25	24 months

HSI – Selection Criteria

- **For the many eligible candidates, final selections are based on the following:**
 - The market capitalisation and turnover ranking of the company;
 - The representation of the sub-sectors within the HSI directly reflecting that of the market;
 - The financial performance of the company
 - The HSI is reviewed quarterly

HSI - Methodology

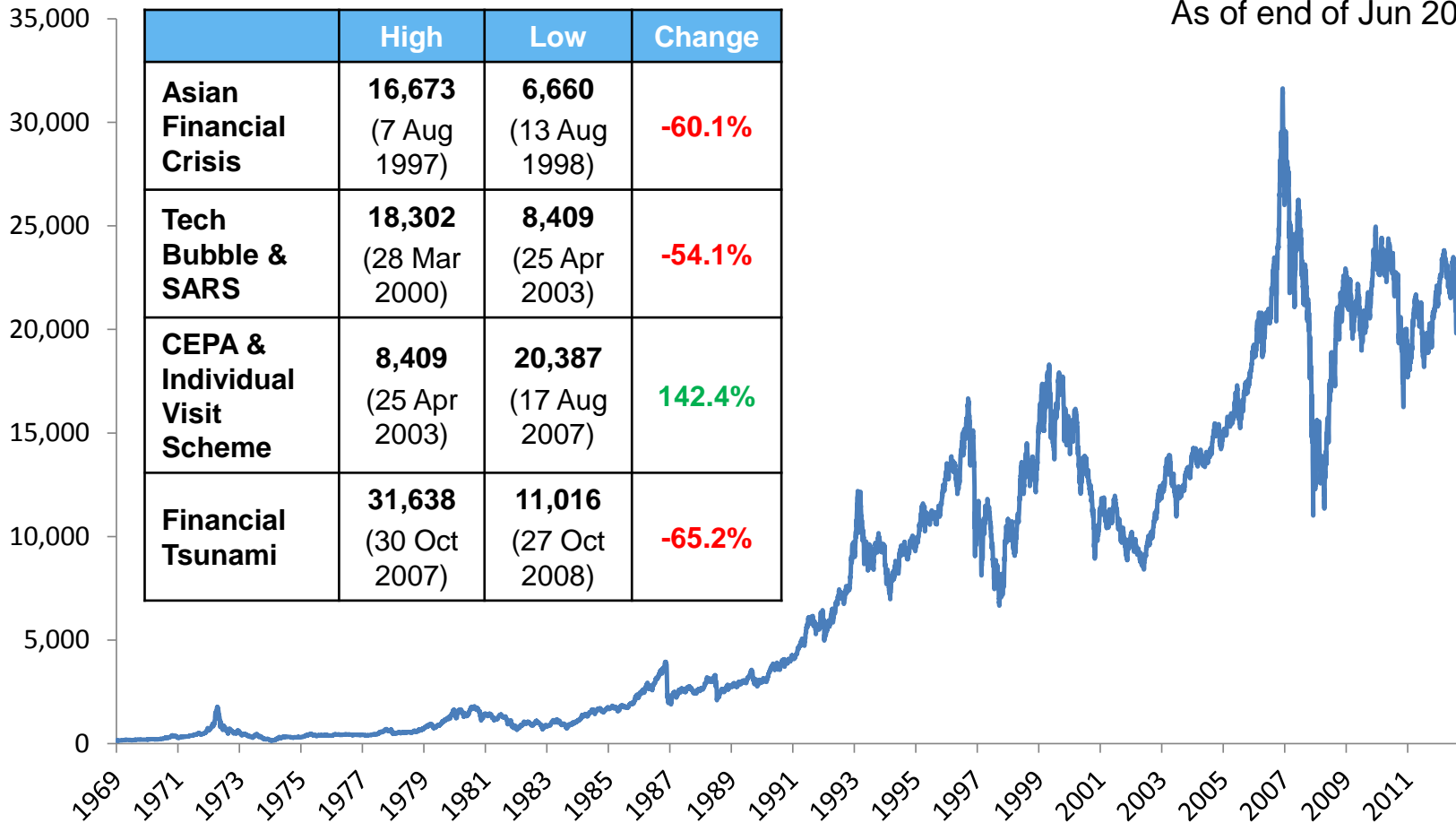
- The Hang Seng Index adopts freefloat-adjusted market capitalisation weighted methodology with a 15% cap on each constituent weighting.
- In case of H-share constituents, only the H-share portion is taken into calculation.
- List of constituents: <http://www.hsi.com.hk/HSI-Net/HSI-Net> (A total of 50 constituents)
- For more information about HSI, please visit www.hsi.com.hk

Source: Hang Seng Indexes Company Limited



Historical performance of HSI

As of end of Jun 2013



Importance of index

- **A general reflection of the performance of stock market**
- **A measure of the overall health of a sector**
- **A benchmark to compare a specific stock**
- **A basis for investment returns**

Thank you