



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES  
COMPANY LIMITED

# **CES China Private Elite Index Methodology**

**December 2020**



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## Preface

China Exchanges Services Company Ltd. (CESC) has appointed China Securities Index Co., Ltd. (CSIC) for index calculation, maintenance and dissemination. The index methodology is developed by mutual agreement between CESC and CSIC.

CES China Private Elite Index (CES P Elite) is a price return index provides a measure of market performance for China's private-owned securities listed on the Stock Exchange of Hong Kong Limited (HKEX), the New York Stock Exchange (NYSE), the NYSE MKT and the NASDAQ.

| Index Name  | Launch Date | Constituents   |
|-------------|-------------|--|
| CES P Elite | 23-1-2017   | Consists of the 30 largest China's private-owned securities listed on HKEX, NYSE, NYSE MKT and NASDAQ. |

## 1. Index Name and Code

| Index Name                    | Abbreviation | Index Currency | Index Code |
|-------------------------------|--------------|----------------|------------|
| CES China Private Elite Index | CES P Elite  | USD            | CESCPE     |

## 2. Base Date and Base Value

The base date is December 31, 2008. The base value is 1000.

## 3. Index Eligibility

### 3.1 Index Universe

The index universe of CES P Elite is all China's private-owned common securities with primary listing on HKEx, NYSE, NYSE MKT and NASDAQ, satisfying the following conditions:

- The company meets any of the following three criteria:
  - ◆ The listed entity is incorporated in Mainland China.
  - ◆ The operation centre of the listed entity is in Mainland China.
  - ◆ At least 50% of the listed entity's revenue is originated from Mainland China.
- The company is a private-owned enterprise if finally controlled by natural person, with government ownership of less than 20% of outstanding shares.
- The company has a listing history for more than three months.

### 3.2 Selection Criteria

The constituents of CES P Elite are selected as follows:

- **Liquidity Screen.** Eligible securities must attain a average daily trading value of at least 0.5 million USD. Average daily trading value is defined as follows:

- ◆ The security's average daily trading value during the most recent year
  - ◆ For newly listed securities, the average daily trading from the fourth trading day to the Review Cut-off Date
- **Size Screen.** Eligible securities must attain a daily average market capitalisation of at least 500 million USD (including the market capitalisation of SSE and SZSE listed securities). Average daily market capitalization is defined as follows:
- ◆ The security's daily average market capitalisation during the most recent year
  - ◆ For newly listed securities, the average daily market capitalisation from the fourth trading day to the Review Cut-off Date
- Following the screens above, the top 30 securities by average daily total market capitalisation (including the market capitalisation of A-share counterpart) are chosen for inclusion in the index.

## 4. Index Calculation

The index is calculated according to the following formula:

$$\text{Current Index} = \text{Current Total Adjusted Market-Cap} / \text{Divisor} \times \text{Base Value}$$

Where Current Total Adjusted Market-Cap =  $\sum(\text{Security Price} \times \text{Number of Free Float Adjusted Shares} \times \text{Weight Factor})$

For the calculation of the adjusted no. of shares, please refer to CES P Elite Index Calculation and Maintenance Methodology for further details. The Weight Factor is set between 0 and 1, so that the weight of each constituent is capped at 15%.

## 5. Periodic Review of Constituents

### 5.1 Periodic Review

CES P Elite is adjusted and rebalanced semi-annually. The index reconstitution and float share adjustments are implemented on the next trading day after the 2nd Friday of each June and December. A buffer zone rule is employed during the reconstitution of CES P Elite. Candidate securities rank within the top 24 will have the priority to be added into the index and the existing constituents ranking within the top 36 will also have the priority to be retained in the index.

Weight Factor is assigned to each constituent at each semiannually rebalancing date. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing date.

The reserve list is created for each regular review of index constituents. Five securities are included in the reserve list of CES P Elite.

## 5.2 Ongoing Adjustment

When special events occur affecting the representativeness and investability of the indices, requisite non-regular adjustments will be made to the index constituents of CES P Elite. When this happens, securities with the highest ranking in the reserve list will replace the deleted securities. For further details, please refer to CES P Elite Index Calculation and Maintenance Methodology.

## 6. Amendments and Supplements to Index Methodology

In response to market development and clients' feedback, CESC and CSIC will amend or supplement the Index Methodology from time to time as appropriate. Proposed changes will be announced to the market prior to implementation.

## 7. Information Disclosure

To maintain the objectiveness, independence and authority of the indices, CESC has adopted a stringent information disclosure policy to ensure transparency, openness

and fairness.

- Any personnel of CESC and CSIC are forbidden to divulge any information to any third party, including private media interviews before such information is disclosed to the public.
- Media used for information disclosure includes but not limited to website of CESC and CSIC.
- In general, result of the regular index review is published two weeks before the effective date. Non-regular adjustment in constituents will be published as soon as practicable. Changes in index methodology and index maintenance rules are usually published two weeks before the effective date.

## Contact Us

**For further details on CES China Private Elite Index, please contact:**

### **Customer Service**

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