



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES
COMPANY LIMITED

CES Innovative Pharmaceuticals Index Methodology

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Preface

The index is compiled by China Exchanges Services Company Ltd. (CESC) and jointly maintained by CESC and Shenzhen Securities Information Co., Ltd. (SSIC).

The CES Innovative Pharmaceuticals Index (CES Innovative Pharma) is a price return index, aims to capture the performance of leading pharmaceutical and biotechnology companies that contribute innovative solutions for health care problems, and pursue research in frontier areas of biotechnology.

Index Name	Launch Date	Constituents
CES Innovative Pharma	03-04-2018 ¹	Selecting the 30 largest and most liquid stocks in the pharmaceutical and biotechnology industries from company listed in Shanghai and Shenzhen that adopt innovative solutions.

¹ The CES Innovative Pharma is calculated on real-time basis starting from 22 Aug 2023.

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES Innovative Pharmaceuticals Index	CES Innovative Pharma	RMB	CESIBT
CES Innovative Pharmaceuticals Total Return Index	CES Innovative Pharma TR	RMB	IBTCNYG

2. Base Date and Base Value

The base date is December 30, 2011. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

The index universe for CES Innovative Pharma is composed of Stocks listed in Shanghai or Shenzhen whose main business scope belongs to innovative medicine-related fields.

3.2 Selection Criteria

The constituents are selected as follows:

- Exclude securities in the universe whose daily average trading value in the past half year ranked in the bottom 10%.
- Exclude securities in the universe whose R&D expenditures as a percentage of operating revenue in the last three years ranked in the bottom 10%.
- Rank securities by daily average market cap in the past half year and top 30 are selected as the constituents of Index.

4. Index Calculation

The indices are calculated according to the Paasche weighted method, real-time calculation is carried out daily according to the following formula:

real time index = last trading day closing index

$$\times \frac{\sum (\text{constituent's real time stock price} \times \text{No. of shares} \times \text{adjustment factor})}{\sum (\text{constituent's last trading day closing price} \times \text{No. of shares} \times \text{adjustment factor})}$$

For adjustment method of No. of shares, please refer to *Index Calculation and Maintenance Methodology*. For adjustment factor, please refer to “6. Adjustment for Constituents’ Weights”.

5. Periodic Review of Constituents

5.1 Periodic Review

The indices are reviewed semi-annually. Periodic reviews are implemented on the next trading day after market closing of the second Friday in June and December each year. Announcements of periodic reviews are published two weeks before implementation. The number of new constituents in each periodic review shall not exceed 20% of the total number of index constituents. New candidate stocks ranking top 80% of the total number of index constituents are selected in order, existing constituents ranking top 120% are remained in the index with priority.

After new constituents are determined, remaining stocks will be ranked by factor weight in descending order and 5% of the total number of index constituents will be selected as reserved stocks.

5.2 Ongoing Adjustment

If a constituent is subject to delisting, it will be removal from the index, and the top-ranking stock in the reserve list shall be added into the index accordingly.

A constituent subject to risk alert (ST or *ST) by the exchange will be removed on the next trading day of the second Friday of the month following the implementation of risk alert, and the top-ranking stock in the reserve list shall be added into the index accordingly.

6. Adjustment for Constituents' Weights

In index calculation, the adjustment factor is designed to set the weight of individual constituent no more than 15%, and the combined weights of the top 5 constituents no more than 60%.

The adjustment factor is recalculated twice a year and implemented in periodic reviews. The adjustment factor generally remains constant before next periodic review.

7. Amendments and Supplements to Index Methodology

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

8. Information Disclosure

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

- Any personnel of CESC and SSIC 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 SSIC.

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