



**中華證券交易服務有限公司**  
**CHINA EXCHANGES SERVICES**  
**COMPANY LIMITED**

# **CES Innovative Pharmaceuticals Index Methodology**

**Aug 2023**

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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 <sup>1</sup>	Selecting the 30 largest and most liquid stocks in the pharmaceutical and biotechnology industries that adopt innovative solutions.

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<sup>1</sup> 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 2000.

## 3. Index Eligibility

### 3.1 Index Universe

The index universe for CES Innovative Pharma is composed of Stocks eligible for both “Northbound Trading” and “Southbound Trading” under Stock Connect, and the Stocks classified into biotechnology or chemical medicine, and actively engaged in anti-tumor drugs, antibiotics, biotechnology research services, cardiovascular drugs, genetic engineering, biological diagnostic or therapeutic products, innovative drugs, or human vaccine.

### 3.2 Selection Criteria

The constituents are selected as follows:

- Exclude securities in the universe whose daily average trading value in the past 1 year is less than 8 million CNY.
- Rank securities by daily average market cap in the past 1 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:

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

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.

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 or no longer eligible for Trading under Stock Connect, it will be removal from the index, 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 10% in each period review.

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.

## **Contact Us**

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