



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES
COMPANY LIMITED

CES China Semiconductor Chips Index Methodology

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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.

The CES China Semiconductor Chips Index (CES China Semiconductor Chips) is a price return index provides a measure of market performance for semiconductor Chips stocks listed on China A Shares market with business scope ranging from semiconductor Chips materials, equipment, design, manufacture, assembly, packaging and testing.

Index Name	Launch Date ¹	Constituents
CES China Semiconductor Chips	26-09-2018	Consists of the 50 largest semiconductor Chips stocks listed on China A Shares market

¹ The launch date of real-time index is 18-03-2019

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES China Semiconductor Chips Index	CES China Semiconductor Chips	CNY	990001
CES China Semiconductor Chips Index	CES China Semiconductor Chips	HKD	990002
CES China Semiconductor Chips Total Return Index	CES China Semiconductor Chips TR	CNY	980001
CES China Semiconductor Chips Total Return Index	CES China Semiconductor Chips TR	HKD	980002

2. Base Date and Base Index

The base date is Dec 30, 2011. The base point is 2000.

3. Index Eligibility

3.1 Index Universe

The index universe for CES China Semiconductor Chips is comprised of the A Shares listed on Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) which satisfy the following conditions:

- As at the Review Cutoff Date, the stock must have a listing history for more than three months; and
- Non-ST or *ST Stocks; non-Listing Suspension stocks; and
- No severe financial problems or regulatory violations in the most recent year.

3.2 Selection Criteria

The constituents are selected as follows:

- **Liquidity Screen.** Eligible stocks must be in the highest 80% of all stocks when ranked by daily average trading value[^].
- **Semiconductor Chips Industry Screen.** The main revenue of eligible stocks must come from semiconductor Chips materials, equipment, design, manufacture, assembly, packaging and testing.
- **Size Screen.** Following above screens, the top 50 stocks ranked by average daily market capitalisation[^] are chosen for inclusion in the index.

[^] Daily average trading value (or daily average market capitalisation) is defined as follows:

- ◆ The daily average trading value (or daily average market capitalisation) during the most recent year or,
- ◆ For newly listed stocks, the daily average trading value (or daily average market capitalisation) from the fourth trading day to the Review Cutoff Date;

4. Index Calculation

The CES China Semiconductor Chips is calculated according to the formula below:

$$\text{Current index} = \frac{\text{Current adjusted market capitalisation of constituents}}{\text{Divisor}} \times 2000$$

Adjusted market capitalisation = $\sum(\text{Price} \times \text{Adjusted No. of shares} \times \text{Foreign Exchange Rate} \times \text{Weight Factor})$.

For the calculation of the adjusted no. of shares, please refer to CES Index Calculation and Maintenance Methodology for further details. The Weight Factor is set between 0 and 1, so that no constituent accounts for more than

10% of the index.

5. Periodic Review of Constituents

5.1 Periodic Review

The CES China Semiconductor Chips is adjusted and rebalanced semi-annually. The index reconstitution and float share adjustments are implemented on the next trading day after the second Friday of each June and December. A buffer zone rule is employed during the reconstitution of the CES China Semiconductor Chips. Candidate stocks rank within the top 40 will have the priority to be added into the index and the existing constituents ranking within the top 60 will also have the priority to be retained in the index.

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

The reserve list is created for each regular review of index constituents. Five stocks are included in the reserve list.

5.2 Ongoing Adjustment

When special events occur affecting the representativeness and investability of the index, requisite non-regular adjustments will be made to the index constituents of the CES China Semiconductor Chips. When this happens, securities with the highest ranking in the reserve list will replace the deleted securities.

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 index, 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, please contact:

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