



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES
COMPANY LIMITED

CES HK Biotechnology Index Methodology

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Contents

Preface.....	- 2 -
1. Index Name and Code	- 3 -
2. Base Date and Base Index	- 3 -
3. Index Eligibility	- 3 -
4. Index Calculation.....	- 4 -
5. Periodic Review of Constituents.....	- 4 -
6. Amendments and Supplements to Index Methodology	- 5 -
7. Information Disclosure	- 5 -
Contact Us.....	- 7 -

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 HK Biotechnology Index (CES HK Biotech) is a price return index provides a measure of market performance for biotechnology companies listed on the Stock Exchange of Hong Kong Limited (SEHK).

Index Name	Launch Date	Constituents
CES HK Biotech	14-11-2018	Consists of biotechnology companies listed on the SEHK.

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES HK Biotechnology Index	CES HK Biotech	HKD	CESHKB
CES HK Biotechnology Index	CES HK Biotech	CNY	CES010
CES HK Biotechnology Total Return Index	CES HK Biotech TR	HKD	CES210
CES HK Biotechnology Total Return Index	CES HK Biotech TR	CNY	CES110

2. Base Date and Base Index

The base date is Dec 12, 2014. The base point is 2000.

3. Index Eligibility

3.1 Index Universe

The index universe for CES HK Biotech is comprised of common stocks with primary or secondary listing on the Main Board of SEHK.

3.2 Selection Criteria

The constituents are selected as follows:

- **Biotech Sector Screen.** Eligible stocks must be classified as either “Biotechnology Company” according to the Industry Classification, or “Biotechnology Company” listing under Chapter 18A of the Stock Exchange of Hong Kong Main Board Listing Rules;
- **Size Screen.** Eligible stocks must attain a daily average total market capitalisation of at least HK\$1.5 billion. Daily average total market capitalisation is defined as follows:

- ◆ The daily average total market capitalisation during the most recent year or,
- ◆ For newly listed stocks, the daily average total market capitalisation is derived from the data between the fourth trading day and the Review Cutoff Date.

4. Index Calculation

The CES HK Biotech 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. However, if the number of constituents is less than 20, a 15% cap will be applied to the index. If the number of constituents is less than 8, a 25% cap will be applied to the index. If the number of constituents is less than 5, the Index will be equally weighted.

5. Periodic Review of Constituents

5.1 Periodic Review

The CES HK Biotech 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. 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 the next rebalancing.

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 CES HK Biotech. When deletion happens, deleted stocks will not be replaced until next regular review of index constituents.

When the number of constituents is less than 20, the fast entry rule will be applied to newly listed stock which meets the selection criteria. The ad hoc addition will be implemented after the close of the tenth trading day of the newly listed stock.

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

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