



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES  
COMPANY LIMITED

# **CES HK Biotechnology 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 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 Value

The base date is December 12, 2014. The base value is 2000.

## 3. Index Eligibility

### 3.1 Index Universe

The index universe for CES HK Biotech is comprised of common securities 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 securities 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;
- **Listing History Screen.** Exclude securities with a listing history of less than three months;
- **Liquidity Screen.** Exclude securities with a average daily turnover

velocity<sup>^</sup> (i.e. daily shares traded divided by total listed shares) of less than 0.05%, and meanwhile with a average daily trading value<sup>^</sup> of less than 5 million HKD in the most recent year;

- **Size Screen.** Exclude securities with average daily total market capitalisation of less than 1.5 billion HKD.
- Following above screens, the top 30 securities ranked by average daily total market capitalisation<sup>^</sup> in the most recent year are chosen for inclusion in the index. If the number of remaining eligible securities is less than 30, all eligible securities will be included.

<sup>^</sup>For newly listed securities, the average daily turnover velocity, average daily trading value or average daily total market capitalisation is derived from the data between the fourth trading day and the Review Cutoff Date.

## 4. Index Calculation

The index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Value

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

For the calculation of the adjusted number of shares, please refer to CES Index Calculation and Maintenance Methodology for further details. If any constituent security is multi-listed, the calculation of its weight factor will base on the investable shares, which are currently listed and traded on the SEHK.

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 index is adjusted and rebalanced semi-annually and the adjustment will be effective as of the next trading day after the 2nd Friday in June and December.

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

### **5.2 Ongoing Adjustment**

When special events occur, CSI will review the index accordingly. Delisted securities will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details.

## **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:**

### **Index licensing Enquiries**

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