



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES
COMPANY LIMITED

CES China Private Elite 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.....	- 5 -
6. Amendments and Supplements to Index Methodology	- 6 -
7. Information Disclosure	- 6 -
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 China Private Elite Index (CES P Elite) is a price return index provides a measure of market performance for China's private-owned stocks listed on the Stock Exchange of Hong Kong Limited (SEHK), the New York Stock Exchange (NYSE), the NYSE MKT and the NASDAQ.

Index Name	Launch Date	Constituents
CES P Elite	23-1-2017	Consists of the 30 largest China's private-owned stocks listed on SEHK, NYSE, NYSE MKT and NASDAQ.

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES China Private Elite Index	CES P Elite	USD	CESCPE

2. Base Date and Base Index

The base date is Dec 31, 2008. The base point is 1000.

3. Index Eligibility

3.1 Index Universe

The index universe of CES P Elite is all China's private-owned common stocks with primary listing on SEHK, NYSE, NYSE MKT and NASDAQ, satisfying the following conditions:

- The company meets any of the following three criteria:
 - ◆ The listed entity is incorporated in Mainland China; or
 - ◆ The operation centre of the listed entity is in Mainland China; or
 - ◆ At least 50% of the listed entity's revenue is originated from Mainland China.
- The company is a private-owned enterprise if finally controlled by natural person, with government ownership of less than 20% of outstanding shares.
- The company has a listing history for more than three months.

3.2 Selection Criteria

The constituents of CES P Elite are selected as follows:

- **Liquidity Screen.** Eligible stocks must attain a daily average trading value of at least 0.5 million USD. Daily average trading value is

defined as follows:

- ◆ The stock's daily average trading value during the most recent year or,
 - ◆ For newly listed stocks, the daily average trading from the fourth trading day to the Review Cutoff Date;
- **Size Screen.** Eligible stocks must attain a daily average market capitalisation of at least 500 million USD (including the market capitalisation of A-share counterpart). Daily average market capitalization is defined as follows:
- ◆ The stock's daily average market capitalisation during the most recent year or,
 - ◆ For newly listed stocks, the daily average market capitalisation from the fourth trading day to the Review Cutoff Date;
- Following the screens above, the top 30 stocks by daily average total market capitalisation (including the market capitalisation of A-share counterpart) are chosen for inclusion in the index.

4. Index Calculation

CES P Elite is calculated according to the formula below:

$$\text{Current index} = \frac{\text{Current adjusted market capitalisation of constituents}}{\text{Divisor}} \times 1000$$

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

For the calculation of the adjusted no. of shares, please refer to CES P Elite 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 15% of the index.

5. Periodic Review of Constituents

5.1 Periodic Review

CES P Elite 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 CES P Elite. Candidate stocks rank within the top 24 will have the priority to be added into the index and the existing constituents ranking within the top 36 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 of CES P Elite.

5.2 Ongoing Adjustment

When special events occur affecting the representativeness and investability of the indices, requisite non-regular adjustments will be made to the index constituents of CES P Elite. When this happens, securities with the highest ranking in the reserve list will replace the deleted securities. For further details, please refer to CES P Elite Index Calculation and Maintenance Methodology.

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 indices, 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 on CES China Private Elite Index, please contact:

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