



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES  
COMPANY LIMITED

# **CES Stock Connect Hong Kong Premier 50 Index Methodology**

**September 2022**

## Contents

Preface.....	- 2 -
1. Index Name and Code .....	- 3 -
2. Base Date and Base Index .....	- 3 -
3. Index Eligibility .....	- 3 -
4. Index Calculation.....	- 5 -
5. Periodic Review of Constituents.....	- 5 -
6. Amendments and Supplements to Index Methodology .....	- 6 -
7. Information Disclosure .....	- 6 -
Contact Us.....	- 8 -

## 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 Stock Connect Hong Kong Premier 50 Index (CES SCHK50) is a price return index provides a measure of market performance for 50 of the largest securities eligible for “Southbound Trading under Stock Connect” listed on the Stock Exchange of Hong Kong Limited (SEHK).

Index Name	Launch Date	Constituents
CES SCHK50	04-01-2018	Consists of the 50 largest eligible securities for the “Southbound Trading under Stock Connect” listed on SEHK.

## 1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES Stock Connect Hong Kong Premier 50 Index	CES SCHK50	HKD	CESP50
CES Stock Connect Hong Kong Premier 50 Index	CES SCHK50	CNY	CES009
CES Stock Connect Hong Kong Premier 50 Total Return Index	CES SCHK50 TR	HKD	CES209
CES Stock Connect Hong Kong Premier 50 Total Return Index	CES SCHK50 TR	CNY	CES109

## 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 SCHK50 is comprised of the eligible securities for “Southbound Trading under Stock Connect” listed on SEHK.

The lists of eligible securities for the “Southbound Trading under Stock Connect” will be updated from time to time with advance notices published by Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE).

### 3.2 Selection Criteria

The constituents are selected as follows:

- **Profitability Screen.** Exclude securities with negative EPS in the most recent annual report.
- **Volatility Screen.** Following above screens, exclude securities ranked in the top 3 percent of their 1-year annualized standard deviation of daily

returns in descending order.

- **Liquidity Screen.** The remaining securities are ranked by average daily trading value during the most recent year in descending order. The cumulative average daily trading value is then calculated for each security and the securities of which the cumulative average daily trading value beyond 90% are excluded.
- **Size Screen.** Following above screens, the top 50 securities ranked by average daily total market capitalization<sup>^</sup> are chosen for inclusion in the index.

<sup>^</sup>Average daily total market capitalization is defined as follows:

The average daily total market capitalization of the securities during the most recent year or,

For newly listed securities, the average daily total market capitalization covers the period from the fourth trading day to the Review Cutoff Date.

*Note: Appropriate adjustments might be made to the principles to improve overall representativeness of the index.*

## 4. Index Calculation

The index is calculated according to the following formula:

$$\text{Current Index} = \text{Current Total Adjusted Market-Cap} / \text{Divisor} \times \text{Base Value}$$

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 number of free float adjusted shares, please refer to CSI Index Calculation and Maintenance Methodology for further details. The value of Weight Factor is between 0 and 1, which is calculated at each rebalancing date, so that the weight of each constituent is capped at 10%.

## 5. Periodic Review of Constituents

### 5.1 Periodic Review

CES SCHK50 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. The index adopts buffer zone rules. New candidates ranked top 40 will be given priority to add into the index and the old constituents ranked top 60 will be given priority to remain 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.

No reserve list is created for CES SCHK50.

### 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 SCHK50. When deletion happens, deleted securities will not be replaced until next regular review of index constituents.

If the average daily market capitalization of a new eligible security for Southbound Trading under Stock Connect ranks among the top 10 of all other HK securities of the year ended on the announcement, then fast entry rule will apply. The new eligible security will be added to CES SCHK50 on the next trading day of the second Friday of the next month. Simultaneously, the constituent with the lowest ranking by average daily market capitalization during the relevant period will be removed from the index. If a new eligible security meets the criteria of fast entry but the time gap between its announcement date and the next Review Effective Date is less than 20 trading days, then the fast entry rule will not apply. The new eligible security will be added to the index on the next Review Effective Date.

## **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.



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- In general, result of the regular index review and non-regular adjustment in constituents will be published as soon as practicable.



Contact Us

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