



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

4th January 2018



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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 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 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 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:

- **Connected Parties Screen.** Exclude the People’s Insurance Co. (Group) Of China Ltd. and its listing connected parties stated in the latest published annual report.
- **Listing History Screen.** Exclude securities with a listing history less

than two years as of review cutoff date;

- **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 free float market capitalization (FFMC) are chosen for inclusion in the index. For further details, please refer to CES Index Calculation and Maintenance Methodology.

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

4. Index Calculation

CES SCHK50 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. Foreign exchange rate from information vendor appointed by CSIC is used to calculate the index.

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. A buffer zone rule is employed during the reconstitution of CES SCHK50. 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.

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.

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 one week 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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