



中華證券交易服務有限公司
CHINA EXCHANGES SERVICES
COMPANY LIMITED

 中证指数有限公司
CHINA SECURITIES INDEX CO., LTD

CESC and CSI Joint Press Conference

27.11.2012

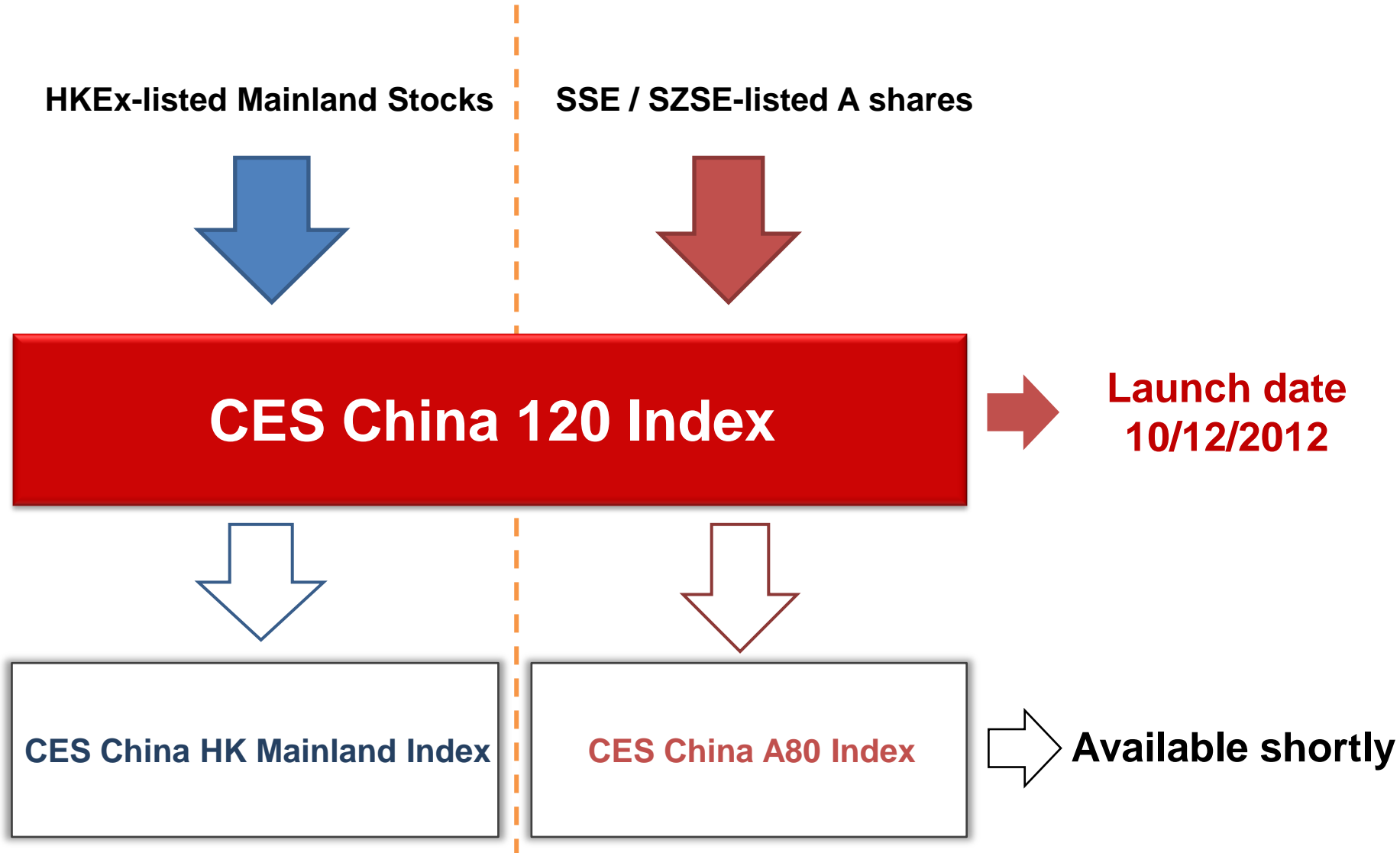
Index Initiative

Mission Drivers

- An index that comprises listings from HKEx, Shanghai Stock Exchange and Shenzhen Stock Exchange is a natural starting point for CESC.
- Anticipating closer correlation in performance of Mainland stocks listed on China exchanges – HKEx, SSE and SZSE - CESC expects the cross-border equity index to serve as an indicator of equity market development in upcoming years.
- CESC will develop other indices that measure the performance of Mainland stocks listed on the three exchanges.

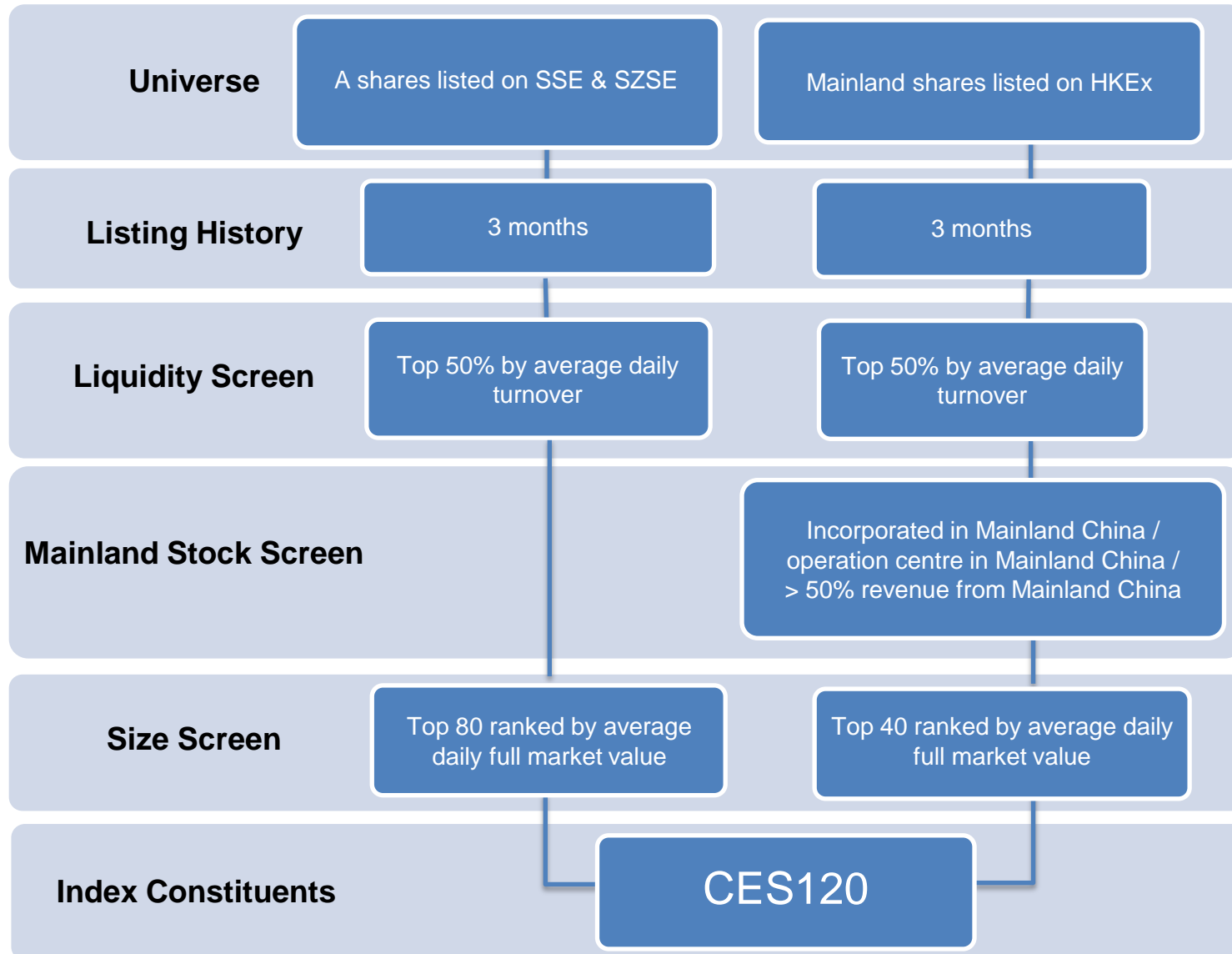


Index Construction



Index Technical Analysis

Fair Indicator of Cross-border Mainland China Companies Performance – CES China 120 Index (CES120)



Key Features of Index Methodology

Best Industry Practices

- **Periodic Review of Constituents:** We review the index on a semi-annual basis to reflect movement in the market while minimising unnecessary churn.
- **Free Floats:** The index is weighted by the free float adjusted market capitalisation, this methodology reflects the real tradable share performance.
- **Fast Entry for IPOs** – Index relevance in a dynamic market

Relevant Measures for Investors

- Indices reported in different currencies and with total return means that a relevant benchmark is available for different investors.

CES120: Unbiased Rule-based Index Methodology

Formula

$$\text{Current index} = \frac{\text{Current adjusted market cap of constituents}}{\text{Divisor}} \times 2000$$

$$\text{Adjusted market value} = \sum(\text{Price} \times \text{Adjusted Number of shares} \times \text{Foreign Exchange Rate})$$

Overview

| | CES120 |
|------------------------------------|--|
| Launch Date | 10/12/2012 |
| Base Date | 31/12/2004 |
| Base Value | 2,000 |
| Currency | CNY |
| Number of Constituents (at launch) | 120 |
| Dissemination | Real time at 15-second intervals |
| Calculation Methodology | Free float-adjusted market capitalisation weighted |
| Review Frequency | Half-yearly |

CES120: Top 20 Constituents by Weight

| Rank | Stock Code | Constituent Name | Sector | Exchange | Type of Shares* | Free Float MV (CNY Bn) | Weight (%) |
|------|------------|----------------------------------|------------------|----------|-----------------|--|-------------|
| 1 | 939 | CCB | Financial | HKEx | H Shares | 452 | 7.3 |
| 2 | 941 | China Mobile | Telecom | HKEx | Others | 417 | 6.8 |
| 3 | 1398 | ICBC | Financial | HKEx | H Shares | 287 | 4.7 |
| 4 | 700 | Tencent | IT | HKEx | Others | 245 | 4.0 |
| 5 | 883 | CNOOC | Energy | HKEx | Others | 231 | 3.8 |
| 6 | 3988 | Bank of China | Financial | HKEx | H Shares | 215 | 3.5 |
| 7 | 857 | PetroChina | Energy | HKEx | H Shares | 180 | 2.9 |
| 8 | 2628 | China Life | Financial | HKEx | H Shares | 137 | 2.2 |
| 9 | 600016 | Minsheng Bank | Financial | SSE | A Shares | 136 | 2.2 |
| 10 | 601318 | Ping An Insurance | Financial | SSE | A Shares | 130 | 2.1 |
| 11 | 600036 | China Merchants Bank | Financial | SSE | A Shares | 125 | 2.0 |
| 12 | 386 | Sinopec Corp | Energy | HKEx | H Shares | 111 | 1.8 |
| 13 | 600519 | Kweichow Moutai | Consumer Staples | SSE | A Shares | 103 | 1.7 |
| 14 | 601328 | Bank of Communications | Financial | SSE | A Shares | 99 | 1.6 |
| 15 | 601166 | Industrial Bank | Financial | SSE | A Shares | 94 | 1.5 |
| 16 | 2318 | Ping An Insurance | Financial | HKEx | H Shares | 93 | 1.5 |
| 17 | 1088 | China Shenhua | Energy | HKEx | H Shares | 90 | 1.5 |
| 18 | 600000 | Shanghai Pudong Development Bank | Financial | SSE | A Shares | 84 | 1.4 |
| 19 | 000002 | China Vanke 'A' | Financial | SZSE | A Shares | 81 | 1.3 |
| 20 | 601088 | China Shenhua | Energy | SSE | A Shares | 76 | 1.2 |
| | | | | | | Total Weight for Top 20 Constituents: | 55.0 |

*Type of shares classified as Others are shares listed on HKEx excluding H shares.

Source: CSI Data as at 31 October 2012

CES120: Constituents Summary

| Item | Value |
|---|-------|
| Number of Constituents | 120 |
| Index Free Float Market Capitalisation (CNY Bn) | 6,166 |
| Largest Market Capitalisation (CNY Bn) | 452 |
| Smallest Market Capitalisation (CNY Bn) | 3.5 |
| Average Market Capitalisation (CNY Bn) | 51.4 |
| Weight of Largest Constituent (%) | 7.3 |

Source: CSI Data as at 31 October 2012

CES120: Historical Performance

Historical Performance

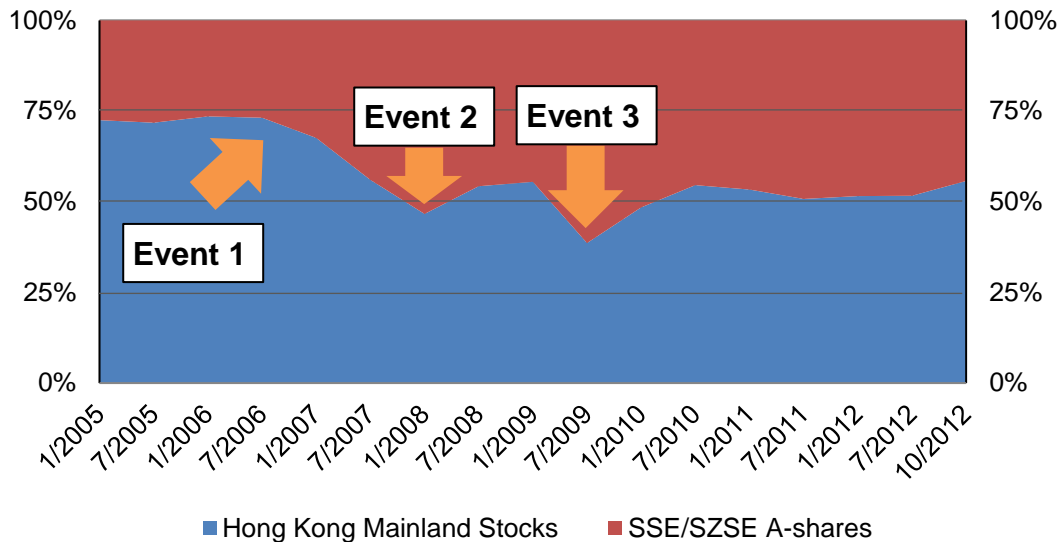


| | Time Period | | | | | | Annualized | | |
|---------------------|-------------|-------|-------|-------|--------|-----------------|------------|-------|-----------------|
| | 1mth | 3mth | Ytd | 1yr | 3yr | Since Base Date | 1yr | 3yr | Since Base Date |
| CES120 (CNY) | +1.5% | +0.7% | +4.9% | -3.8% | -21.3% | +94.3% | -3.8% | -7.7% | +14.2% |

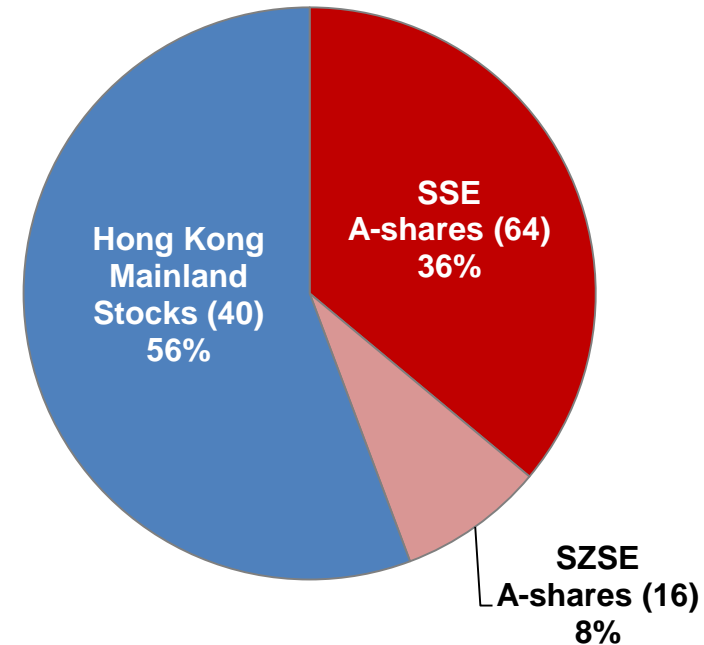
Source: CSI Data as at 31 October 2012

CES120: Even Share Class Distribution

Distribution (Historical Development)



Weight

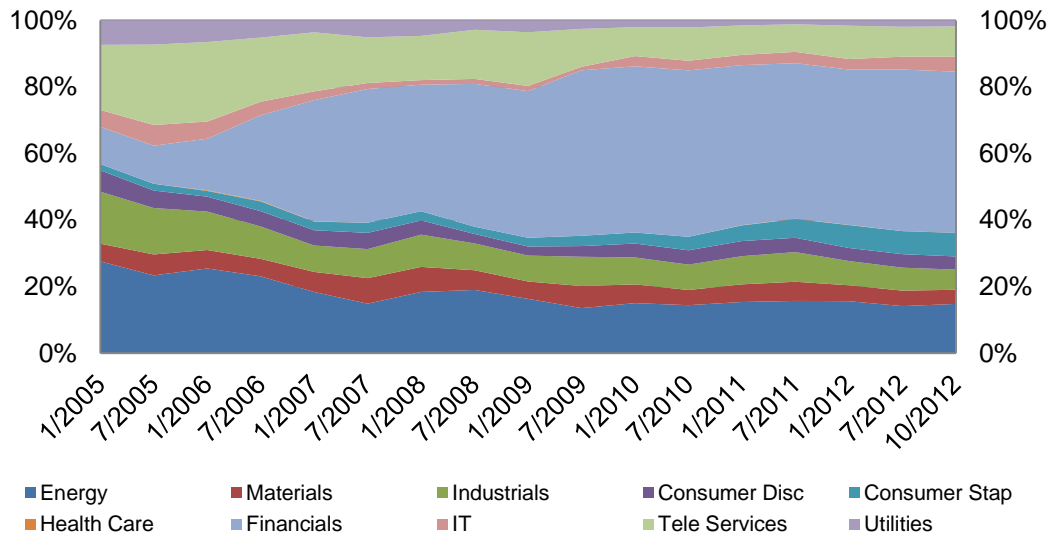


- **Event 1: Big IPO listed in Mainland**
- **Event 2: Big IPO listed in HK**
- **Event 3: Mainland market entered into bear market**

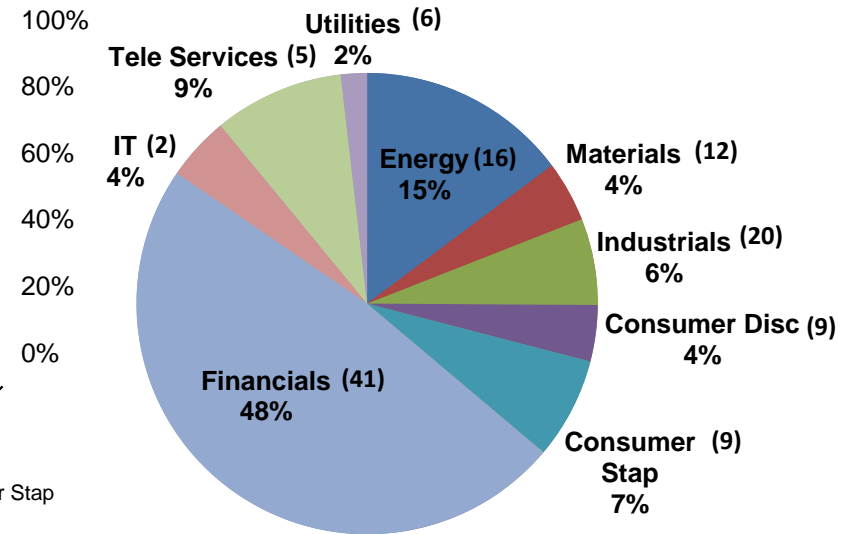
Source: CSI Data as at 31 October 2012

CES120: A Mirror of Real Sector Distribution

Sector Distribution (Historical Development)



Sector Distribution



- Index composed to reflect changes of Mainland market

Source: CSI Data as at 31 October 2012

CES120 : Low Turnover Rate for Efficient Portfolio Management

Index Turnover

| Year | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | Average |
|-----------------------|------|-------|-------|-------|------|------|-------|---------|
| Annual Index Turnover | 4.3% | 22.3% | 21.7% | 16.0% | 8.3% | 8.7% | 12.4% | 13.4% |

Source: CSI Data as at 31 October 2012

- The Index turnover was around 10% per year in the past.
- Big IPOs are the main reason for turnover when selecting the constituents by market cap.
- The turnover was reduced with the decline in big IPOs in recent years.

CES120 : Broad Public Dissemination by Exchanges and Major Vendors

Dissemination Channels (Upon Launch)

Exchange*: HKEx

- Number of information vendor (Direct and indirect local, overseas and Mainland vendors): 139

* SSE and SZSE will disseminate the index to public later

Direct Distribution: CSI

- Number of information vendors: 14

Free real-time data is available at

- CESC website: <http://www.cesc.com/>
- CSI website: <http://www.csindex.com.cn/>
- HKEx website: <http://www.hkex.com.hk/>

Thank you.

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