



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

CES SCA Industry Top Index Methodology

Aug 2023



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Preface

The index is compiled by China Exchanges Services Company Ltd. (CESC) and jointly maintained by CESC and Shenzhen Securities Information Co., Ltd. (SSIC).

The CES SCA Industry Top Index (CES SCA Industry Top) is a price return index, aims to track the performance of high yield and low volatility stocks, using forecast dividend yield as an indicator.

Index Name	Launch Date	Constituents
CES SCA Industry Top	28-12-2018 ¹	Selecting the 50 most profitable, largest, and most liquid stocks from the most representative industry leaders in the A-share market and eligible for Northbound Trading under Stock Connect

¹ The CES SCA Industry Top is calculated on real-time basis starting from 22 Aug 2023.

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES SCA Industry Top Index	CES SCA Industry Top	CNY	CESAIT
CES SCA Industry Top Total Return Index	CES SCA Industry Top TR	CNY	AITCNYG

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 SCA Industry Top is composed of stocks listed on SSE and SZSE which are eligible for Northbound Trading under Stock Connect.

3.2 Selection Criteria

The constituents are selected as follows:

- **EPS Screen:** Exclude securities with negative EPS for two consecutive financial years.
- **Sector Screen:** Classify the remaining SSE and SZSE eligible stocks based on the fourth-level industry classification. Sum the daily average total market cap[^] in the past 1 year of all securities in each industry (total industry market cap) and rank the total industry market cap in descending order.
- **Liquidity Screen:** Exclude securities which daily average trading value in the past 1 year is less than 20 million CNY. If all companies in a particular industry could not meet the liquidity requirements, the industry rank will be replaced by the one with lower total industry market cap.

- **Industry Leader Screen:** From each of the top 50 industries with the highest industry ranks, select one security with the largest daily average market cap in the past 1 year as constituent.

[^] *The total market cap of individual company includes the market cap of mainland listed A-shares and Hong Kong listed shares.*

4. Index Calculation

The indices are calculated according to the Paasche weighted method, real-time calculation is carried out daily according to the following formula:

real time index = last trading day closing index

$$\times \frac{\sum (\text{constituent's real time stock price} \times \text{No. of shares} \times \text{adjustment factor})}{\sum (\text{constituent's last trading day closing price} \times \text{No. of shares} \times \text{adjustment factor})}$$

For adjustment method of No. of shares, please refer to *Index Calculation and Maintenance Methodology*. For adjustment factor, please refer to “6. Adjustment for Constituents’ Weights”.

5. Periodic Review of Constituents

5.1 Periodic Review

The indices are reviewed semi-annually. Periodic reviews are implemented on the next trading day after market closing of the second Friday in June and December each year. Announcements of periodic reviews are published two weeks before implementation. The number of new constituents in each periodic review shall not exceed 10% of the total number of index constituents, existing industries ranked between 45 to 55 are remained in the index with priority.

After new constituents are determined, remaining stocks will be ranked by factor weight in descending order and 5% of the total number of index constituents will be selected as reserved stocks.

5.2 Ongoing Adjustment

If a constituent is subject to delisting or no longer eligible for Trading under Stock Connect, it will be removal from the index, and the top-ranking stock in the reserve list shall be added into the index accordingly.

6. Adjustment for Constituents' Weights

The index is Free float-adjusted market cap weighted.

In index calculation, the adjustment factor is designed to set the weight of individual constituent no more than 10% in each period review.

The adjustment factor is recalculated twice a year and implemented in periodic reviews. The adjustment factor generally remains constant before next periodic review.

7. Amendments and Supplements to Index Methodology

In response to market development and clients' feedback, CESC and SSIC will amend or supplement the Index Methodology from time to time as appropriate. Proposed changes will be announced to the market prior to implementation.

8. 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 SSIC 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 SSIC.

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