



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES
COMPANY LIMITED

CES Greater Bay Area Industries Select Index Methodology

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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 Greater Bay Area Industries Select Index (CES Greater Bay Area Select) is a price return index, aims to track the performance of HK and China listed companies which may benefit from the Greater Bay Area development.

Index Name	Launch Date	Constituents
CES Greater Bay Area Select	28-12-2018 ¹	Selecting the 100 largest and most liquid stocks from HK and China listed companies which benefit from the Greater Bay Area development

¹ The CES Greater Bay Area Select is calculated on real-time basis starting from 22 Aug 2023.

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES Greater Bay Area Industries Select Index	CES Greater Bay Area Select	CNY	CESGBA
CES Greater Bay Area Industries Select Total Return Index	CES Greater Bay Area Select TR	CNY	GBACNYG

2. Base Date and Base Value

The base date is June 30, 2015. The base value is 2000.

3. Index Eligibility

3.1 Index Universe

The index universe for CES Greater Bay Area Select is composed of stocks eligible for Stock Connect, which includes both “Northbound Trading” and “Southbound Trading”, and satisfying the following criteria:

- Stocks classified as Greater Bay Area’s relevant sectors¹
- Stocks’ headquarters or operating center² in 2 Special Administrative Regions and 9 cities³ within the Greater Bay Area

¹ 86 sub-sectors are selected as relevant sectors described in a document “Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” published on 18 February 2019.

² Parent and/or subsidiary companies will also be taken into account in determining the location of headquarter/operating center of listed companies, whenever it is necessary.

³ Including 2 Special Administrative Regions: Hong Kong and Macao; 9 cities: Guangzhou, Shenzhen, Zhuhai, Foshan, Dongguan, Zhongshan, Jiangmen, Huizhou and Zhaoqing.

3.2 Selection Criteria

The constituents are selected as follows:

- **Listing History Screen:** Exclude the stocks with a listing history of less than 3 months.
- **Price Screen:** Exclude HK listed stocks with daily average closing price in the most recent year of less than 1.0 HKD.
- **Liquidity Screen:** Exclude stocks with daily average turnover velocity (i.e. daily shares traded divided by daily total listed shares) in the most recent year of less than 0.01%.
- **Selection:** Rank the remaining companies based on its daily average total market cap⁴ in the most recent year and assign MC rankings. Rank the remaining companies based on its daily average total market cap⁵ in the most recent year within its own fourth-level industry classification and assign Sector MC rankings. The top Sector MC ranked companies* will then be selected as index constituents. If the number of index constituents is less than 100, the second Sector MC ranked companies will then be selected and so on. For those companies with the same Sector MC ranking, select those with the highest MC ranking.

⁴ *The total market cap of company includes the market cap of mainland listed A shares, B shares, Hong Kong listed shares and unlisted shares.*

⁵ *For those companies with A and H dual listing, the share class with the largest listed market capitalization will be selected as constituent.*

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

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

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.

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 5% 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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