



中華證券交易服務有限公司

CHINA EXCHANGES SERVICES
COMPANY LIMITED

CES Forecast High Dividend Yield Index Methodology

24th June 2019



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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.

The CES Forecast High Dividend Yield Index (CES High Yield) is a price return index, aims to measure the performance of 40 securities with the highest forecast dividend yield and eligible for “Southbound Trading under Stock Connect”.

Index Name	Launch Date	Constituents
CES High Yield	03-04-2018 ¹	Consists of the 40 securities with the highest forecast dividend yield and eligible for the “Southbound Trading under Stock Connect”.

¹ The CES High Yield is calculated on real-time basis starting from 24 June 2019. The CES High Yield calculated in CNY is also available from the same date.

1. Index Name and Code

Index Name	Abbreviation	Index Currency	Index Code
CES Forecast High Dividend Yield Index	CES High Yield	HKD	CESFHY
CES Forecast High Dividend Yield Index	CES High Yield	CNY	CES013
CES Forecast High Dividend Yield Total Return Index	CES High Yield TR	HKD	CES213
CES Forecast High Dividend Yield Total Return Index	CES High Yield TR	CNY	CES113

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 High Yield 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:

- **Listing History Screen.** Exclude securities with a listing history of less than three months;
- **Price Screen.** Exclude securities with daily average closing price in the most recent year of less than 1.0 HKD;

- **Liquidity Screen.** Exclude securities with daily average trading value[^] of less than 10 million HKD;
- **DPS Screen.** Exclude securities with zero dividends per share (DPS) in any of the past three fiscal years;
- **EPS Screen.** Exclude securities with negative earnings per share (EPS) in the latest fiscal year;
- **Analyst Screen.** Exclude securities without three or more analysts' DPS forecasts for the current or next fiscal year;
- **Dividend Yield Screen.** Following the screens above, the top 40 securities ranked by 12-month forecast dividend yield are chosen for inclusion in the index.

[^] Daily average trading value is defined as follows:

- ◆ The daily average trading value during the most recent year or,
- ◆ For newly listed securities, the daily average trading value from the fourth trading day to the Review Cutoff Date.

4. Index Calculation

The CES High Yield is weighted by 12-month forecast dividend yield, and 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, and constituents are weighted by 12-month forecast dividend yield, so that no constituent accounts for more than 10% of the index.

5. Periodic Review of Constituents

5.1 Periodic Review

The CES High Yield is adjusted and rebalanced semi-annually. The index reconstitution is 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 High Yield. Candidate securities rank within the top 32 will have the priority to be added into the index and the existing constituents ranking within top 48 will also have the priority to be retained in the index.

Weight Factor is assigned to each constituent at each semiannually rebalancing and float share of each constituent is adjusted. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing day.

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 the CES High Yield. When deletion happens, deleted securities will not be replaced until next regular review.

If the constituent is no longer eligible for Southbound Trading under Stock Connect, adjustment will be made accordingly.

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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