

CNI Biomedicine Index Methodology

CNI Biomedicine Index is designed to reflect performance of companies in the biomedicine industry and listed on Shenzhen Stock Exchange, Shanghai Stock Exchange and Beijing Stock Exchange, providing an index investment instrument.

1. Code and Name

Index Name: CNI Biomedicine Index

Short Name: CNI Biomedicine

Index Code: 399441

2. Base Date and Base Point

Base Date: December 31, 2009

Base Point: 1000

3. Index Universe

All A shares and depositary receipts issued by red chip enterprises satisfying the following criteria:

- 3.1 Not labelled as ‘special treatment’ (ST, *ST);
- 3.2 Listed on SSE STAR Market and BSE for more than 1 year, and others listed for more than 6 months;
- 3.3 No major violations in laws and regulations, and no major problems in financial reports in the latest year;
- 3.4 No abnormal operation or substantial losses in the latest year;
- 3.5 No abnormal fluctuation in security price during the review period;
- 3.6 Company business scope belongs to biomedicine industry.

4. Selection Criteria

- 4.1 Calculate the daily average total market cap and daily average trading value within the latest 6 months for securities in the index universe;
- 4.2 Rank the securities by daily average trading value in descending order and remove bottom 10% securities;
- 4.3 Rank remaining securities by daily average total market cap in descending order and select top 500 securities as index constituents. Insufficient quantity will be selected according to the actual quantity.

5. Index Calculation

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

$$\begin{aligned} \text{real time index} &= \text{last trading day closing index} \\ &\times \frac{\sum (\text{constituents' real time price} \times \text{No. of shares} \times \text{adjustment factor})}{\sum (\text{constituents' last trading day closing price} \times \text{No. of shares} \times \text{adjustment factor})} \end{aligned}$$

For adjustment of number of shares, please refer to ‘Index Calculation and Maintenance Methodology’. For adjustment factor, please refer to ‘7. Adjustment for Constituents’Weights’.

6. Index Review

6.1 Periodic Review

The index is 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 20% of the total number of index constituents. New candidate securities ranking top 70% of the total number of index constituents are selected in order, existing constituents ranking top 130% are remained in the index with priority.

After new constituents are determined, remaining securities will be ranked by daily average total market cap in descending order and 5% of the total number of index constituents will be selected as reserved securities.

6.2 Non-periodic Review

If a constituent is subject to delisting, it will be replaced by the highest ranked reserved security.

For constituents subject to risk alert, M&A and split, please refer to CNI 1000 Index Methodology.

7. Adjustment for Constituents' Weights

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

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

In case of non-periodic review, the new constituent inherits the weight of the replaced security on its last trading day before the review. The adjustment factor for the new constituent is calculated

accordingly.