

CNI Semiconductor Chips Index Methodology

CNI Semiconductor Chips Index is designed to reflect overall performance of companies in chip industry listed on Shenzhen Stock Exchange, Shanghai Stock Exchange and Beijing Stock Exchange, providing an index investment instrument for investors.

1. Code and Name

Index Name: CNI Semiconductor Chips Index

Short Name: CNI Chips

Index Code: 980017

2. Base Date and Base Point

Base Date: December 31, 2002

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. Securities ranked top 3 in the index universe by daily average total market cap since listing and listed for more than 3 months at the same time shall also satisfy the criteria;
- 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 classified as chip industry, including materials, equipment, design, manufacturing, packaging, testing, etc.

4. Selection Criteria

- 4.1 Calculate the daily average trading value within the past year and daily average total market cap within the latest 6 months for securities in the index universe;
- 4.2 Rank the securities in the index universe by daily average trading value within the past year in descending order and

remove the bottom 20% securities in the corresponding exchanges;

- 4.3 Rank remaining securities in the index universe by daily average total market cap within the latest 6 months in descending order and select top 30 securities as index constituents.

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:

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

For adjustment method of No. 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 ranked top 70% of the total number of index constituents are selected in order, existing constituents ranked top 130% are remained in the index with priority.

After new constituents are determined, rank the remaining securities by daily average total market cap within the latest 6 months 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 the 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% and the total weight of the top 5 constituents does not exceed 60% in each periodic review.

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.