

Methodology of CSI National Defense Industry Index

CSI National Defense Industry Index is composed of listed securities which are held by the 10 large military group corporations or whose revenues are from the national defense industry. The index is to measure the price performance of the theme, as well as to provide underlying for the investor.

1. Index Name and Index Code

- Index Name: CSI National Defense Industry Index
- Shortened Name: CSI National Defense
- Index Code: 399967

2. Base Date and Base Value

The base date is December 31, 2004. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

Same as the Universe of CSI All Share Index

3.2 Constituents Selection

(1) Rank the securities in the universe by the average daily trading value over the past year in descending order and delete the bottom 20% securities.

(2) Select securities which are held by the 10 large military group corporations or whose revenues are from the national defense industry as the candidates.

(3) Rank the candidate securities by average daily total market capitalization over the past year in descending order and select no more than 80 securities as index constituents.

4. Index Calculations

The index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor $\times$ Base Value

Where Current Total Adjusted Market-Cap = $\sum$ (Security Price $\times$ Number of Free Float Adjusted Shares $\times$ Weight Factor)

For the calculation of number of free float adjusted shares, please refer to CSI Index Calculation and Maintenance Methodology for further details. The value of Weight Factor is between 0 and 1, which is calculated at each rebalancing date, so that the weight of each constituent is capped at 10%.

5. Constituents and Index Weights

5.1 Constituent's Periodical Review Adjustment

The index is adjusted and rebalanced twice a year and the adjustment will be effective as of the next trading day after the 2nd Friday in June and December. Number of constituents adjusted at each periodical review will not exceed 10%.

Weight Factor is assigned to each constituent at each rebalancing date. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing date.

5.2 Ongoing Review

When special events occur, CSI will review the index accordingly. Delisted securities will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details.