

Methodology of CSI Rare Earth Industry Index

CSI Rare Earth Industry Index selects 50 securities which have business including: rare earth mining, rare earth extraction, rare earth trading and rare earth application as constituents. The index is to measure the price performance of rare earth industry, as well as to provide underlying for investors.

1. Index Name and Index Code

- Index Name: CSI Rare Earth Industry Index
- Shortened Name: CSI Rare Earth Industry
- Index Code: 930598

2. Base Date and Base Value

The base date is December 31, 2011. 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

First, rank the securities in the universe by the average daily trading value over the past year in descending order and delete the bottom 10% securities.

Second, select the securities in the universe whose business is covering part of rare earth mining, rare earth extraction, rare earth trading and rare earth application, and classify them as rare-earth theme securities.

Third, rank the candidate securities by the average daily capitalization over the past year in descending order. Select top 50 securities, or all securities when eligible securities are fewer than 50, as the index constituents.

4. Index Calculations

The index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Value

Where Current Total Adjusted Market-Cap = $\sum (\text{Security Price} \times$
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 heavy-weighted constituent is capped at 15%, the weight of each other constituent is capped at 5%.

The heavy-weighted constituent is defined as those constituents whose revenue generated from rare earth mining, rare earth extraction, rare earth trading and rare earth application business accounts for more than 30% of its total revenue over the past year.

5. Constituents and Index Weights Adjustment

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced semi-annually 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 20%.

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.