

Methodology of CSI Military Top Index

CSI Military Top Index selects 30 securities of listed companies from AShare securities involving military product and service as the constituents. The index is to measure the performance of military top companies.

1. Index Name and Index Code

- Index Name: CSI Military Top Index
- Shortened Name: Military Top
- Index Code: 931066

2. Base Date and Base Value

The base date is December 31, 2012. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

Same as the Universe of CSI All Share Index

3.2 Eligible Securities

Liquidity Criteria: securities ranked in the top 90% in the index universe in terms of average daily trading value over the past year in descending order are eligible for inclusion.

3.3 Constituents Selection

(1) For the eligible securities, select the securities in the military industry as the candidates.

(2) In above candidates, securities that meet any of the following conditions are to be excluded:

- The pledge ratio is more than 20%;
- The average of net profit after deducting non-recurring gains and losses in the past three years is less than 0 and the net profit after deducting non-recurring gains and losses in the past year is less than

0.

(3) For the remaining securities, conduct a comprehensive evaluation according to the military business income and military business type, and select the 30 securities with the highest comprehensive score as the constituents.

4. Index Calculations

The index is weighted as the following calculation formula:

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

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

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 15% and the total weight of top 5 constituents is capped at 60%.

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.

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.