

Methodology of CSI Technology Top Index

CSI Technology Top Index measures the performance of the champion companies within electronic equipment, computer, telecommunication services, biotechnology and other technological fields. The index selects companies based on size, revenue, growth and R&D intensity, with the goal of covering the most established companies in specified markets.

1. Index Name and Index Code

- Index Name: CSI Technology Top Index
- Shortened Name: CSI Technology Top
- Index Code: 931087

2. Base Date and Base Value

The base date is June 29, 2012. 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) Securities in the universe which are classified as electronic equipment, computer, telecommunication services, biotechnology and other technological fields are defined as technology theme securities.

(2) Apply the filter process to technology theme securities:

- Securities with negative PE or PE that ranks above the top 10% will be excluded;
- Securities with negative 3-year CAGR of R&D expenses will be excluded

However, securities that rank above the top 10% in terms of revenue(TTM) within its sub-sector will stay in the technology theme universe.

(3) Rank all the technology theme securities that pass the filter process by average daily total market value in the past 12 months and revenue(TTM)

respectively in descending order and sum up the two ranks to get the overall rank. Then the number of securities in each sub-sector is decided as the rule below and totally 100 securities will be included.

Num of securities in each sub-sector = $N1 \times \text{num of securities within its sub-sector that pass the filter process}$, where $N1 = 100 / \text{num of securities that pass the filter process}$.

(4) Rank securities included in step (3) by the average rank of growth and research, where the rank of growth is defined as the average rank of revenue growth rate and net profit growth rate in the latest fiscal report, and the rank of research is defined as the rank of the R&D expenses to revenue ratio in the latest annual report. Then the number of securities in each sub-sector is decided as the rule below and totally 50 securities will be included.

Num of securities in each sub-sector = $N2 \times \text{num of securities within its sub-sector after step (3)}$, where $N2 = 50 / \text{num of securities included in step (3)}$.

If the num of securities included in a sub-sector during step (3) or (4) is not integer, it will be rounded up to an integer. When more than 50 securities are included, all of them should be ranked by the average daily total market value in the past 12 months in descending order and then the top 50 securities will be selected as the final constituents.

4. Index Calculation

The index is weighted as the following calculation formula: Current Index = Current Total Adjusted Market-Cap / Divisor $\times$ 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 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 and subject to the above weight allocation requirement, so that the weight of each constituent is capped at 10%.

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 of 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.