

Methodology of CSI Shanghai SOEs Index

CSI Shanghai SOEs Index takes candidate securities from SSE listed companies which are controlled by Shanghai SASAC, or have Shanghai SASAC-affiliated institutions as important stakeholders, and selects the final index constituents based on profitability, growth and dividend factors. The index is constructed to reflect the overall performance of listed companies with relatively better fundamentals.

1. Index Name and Index Code

- Index Name: CSI Shanghai SOEs Index
- Shortened Name: Shanghai SOEs Index
- Index Code: 950096/000865

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 SSE 180 Index

3.2 Constituents Selection

(1) Select all listed companies which Shanghai SASAC controls, exerts significant influence, or has affiliated institutions as important stakeholders, from the index universe as the candidate securities.

(2) Eliminate the companies with negative net profit attributable to the parent company in the two recent fiscal year, and the top 10 largest Shanghai state-owned enterprises are exempted from elimination.

(3) Calculate the ROE and revenue growth rank of each candidate security within its corresponding industry, and eliminate those securities ranking at the bottom 25%, with the top 10 largest Shanghai state-owned enterprises exempted. All the remaining securities are selected as the index constituents.

4. Index Calculations

The index is calculated according to the following formula:

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

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, so that the constituents are weighted by the composite score¹. The weight of each constituent which are controlled by Shanghai SASAC and has sound fundamentals² is capped at 8%, the remaining constituents³ are capped at 3%. The total weight of each industry group is capped at 10%, and the constituents with the Shanghai SASAC-affiliated institutions as important stakeholders are capped at 3%.

5. Constituents and Index Weights

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.

¹ The composite score is calculated as follows: The composite score = free-float market capitalization * the profitability score * the growth capability score * the dividend yield score. Herein, the profitability score, the growth capability score, and the dividend yield score are determined by the ascending percentage rank of the ROE, revenue growth rate, and dividend yield indicators respectively within the entire final index sample.

² Constituents that have sound fundamentals refers to the companies which are not eliminated in the step(2) or step(3) because of sound fundamentals, excluding those which are retained by the market capitalization exemption.

³ The remaining constituents contain the following types of companies: (1) Companies with Shanghai SASAC-affiliated institutions as important stakeholders; (2) Companies that are retained through the market capitalization exemption; (3) Companies with Non-operating income(TTM) experiencing a year-on-year decline for at least 8 out of the most recent 12 quarters;(4) Companies with gross profit margin declining consecutively over the past three fiscal years.