

Methodology of CSI Dividend Low Volatility Index

CSI Dividend Low Volatility Index select 50 securities with good liquidity, moderate dividend payout ratio, continuous dividend-paying record, positive dividend per share growth rate and low volatility as the constituents, weighted by dividend yield. The index is to measure the overall performance of securities with high dividends and low volatility.

1. Index Name and Index Code

- Index Name: CSI Dividend Low Volatility Index
- Shortened Name: CSI Dividend Low Volatility
- Index Code: H30269

2. Base Date and Base Value

The base date is December 30, 2005. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

The universe of CSI All Share Index that meet the following requirements:

- (1) Continuously paid dividend over the past three years, and the cash dividend yield (after tax) each year is higher than 0;
- (2) Average daily total market capitalization over the past year is ranked top 80% of all SSE and SZSE listed securities;
- (3) Average daily trading value over the past year is ranked top 80% of all SSE and SZSE listed securities.

3.2 Constituents Selection

(1) Calculate the dividend payout ratio of securities over the past year and dividend growth rate of per share over the past three years, delete the securities with an extremely high or negative dividend payout ratio (extremely high is defined to be the top 5%) and the securities with a non-negative dividend growth rate of per share.

(2) Calculate the average cash dividend yield (after tax) over the past three

years and the volatility over the past year, rank the securities by average cash dividend yield (after tax) in descending order and select the top 75 securities.

(3) Rank the rest securities by volatility in ascending order and select the top 50 securities as the 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 weighted by dividend yield and capped at 15%.

5. Constituents and Index Weights Adjustment

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced annually and the adjustment will be effective as of the next trading day after the 2nd Friday in December. Current constituents that don't meet the following requirements in the review will be removed:

(1) Last year's cash dividend yield (after tax) is higher than 0.5%

(2) Average daily total market cap over the past year is ranked top 90% of SSE and SZSE listed securities

(3) Average daily trading value over the past year is ranked top 90% of SSE and SZSE listed securities

Original constituents that meet the above requirements are still qualified for the new index universe. Normally constituents adjusted each time will not exceed 20% unless more than 20% of the current constituents are removed because of lower than 0.5% cash dividend yield (after tax) over the past year.

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.