

TIP Free Float Coefficient Calculation Guide

I. Purpose

The main purpose of the traditional market capitalization index is to serve as a market benchmark, but its calculation guide is difficult to meet the needs of index commercialization and investability. Considering the fact that the number of shares issued by the public company contains shares that cannot be transferred arbitrarily (for example, holdings that must be declared for trading, or that are restricted by regulations from transfer), as well as the practical needs of applying the index for investment or commercialization, the return on index investment should reflect the market value calculated based on the actual number of tradable shares issued by the public company; therefore, the free float coefficient is incorporated in the index calculation formula¹ for adjustment. The free float coefficient represents the percentage of issued shares that can be freely circulated in the market.

II. Calculation of Free Float Coefficient

1. Formula

$$\text{Free Float coefficient} = \frac{\text{number of issued shares} - \text{non-free float shareholdings}}{\text{number of issued shares}}$$

2. Definition

- A. The number of issued shares is the actual number of shares issued by the public company.
- B. The number of shares not freely circulated include:
 - Shares held by the public company's directors, supervisors and managers, and their spouses or minor children, or in the name of others (including affiliated enterprises).
 - Shares held by major shareholders with shareholdings of more than 10% and their spouses or minor children, or in the name of other parties (including affiliated enterprises).
 - Shares issued but restricted from trading (such as the number of private-placement shares that are restricted from trading).
 - Shares repurchased by the public company but not yet been cancelled.
- C. The minimum calculation unit of the free float coefficient of TIP is 1%, and the rounding method is adopted.

¹ Please refer to the "TIP Corporate Actions and Events Methodology".

Reference only, the Chinese version shall prevail.

III. Review of Free Float Coefficient

TIP sets June 27 and December 27 as the semi-annual review dates of the free float coefficient. If the date is not a trading day, the review date will be postponed to the next trading day. The data cut-off date is the last trading day of the previous month of the review date (i.e. the data of the last trading day in May is used for the review on June 27, and the data of the last trading day in November is used for the adjustment on December 27).

IV. Effective Date of Free Float Coefficient

The free float coefficient takes effect from the following effective date of the index review of each adopted index after the review date of the free float coefficient.

V. Data Sources of Free Float Coefficient Data

The data sources of free float coefficient are public information from Market Observation Post System, prospectuses, financial statements, etc.