

Equity Index Calculation and Maintenance Methodology for the SNSI V3.0

January 2025

Revision Time	Version	Revision Notes
2021.12	V1.0	Rulemaking.
2022.02	V1.1	<p>1. Update to the effective dates of the periodic review of free float: Change from the next trading date after the second Friday in February, May, August, and November to the next trading date after the first Friday in February, May, August, and November, in the situation where the first Friday is not a trading date in the aforementioned months, the effective date shall be the fifth trading date of the specific month;</p> <p>2. Update to the Calculation Explanation.</p>
2024.02	V2.0	<p>1. Update to the effective dates of the periodic review of free float: Change from the next trading date after the first Friday in February, May, August, and November to the next trading date after the 15th day of February, May, August, and November. The purpose is to reduce users engage in trading activities for replicating index.</p>
2025.01	V3.0	<p>1. Update to the regular adjustment date of index sample stocks: Change the quarterly adjustment time to "generally reviewing the index samples at the beginning of March, June, September, and December each year, and the implementation time for sample adjustments is generally the 10th trading day of these months". Change the semi-annual adjustment time to "generally reviewing the index samples at the beginning of June and December each year, and the implementation time for sample adjustments is generally the 10th trading day of these months";</p> <p>2. Update to the index reserve list;</p> <p>3. Improve the rules for sample daily maintenance and index correction, adding "share repurchase and retirement " company events;</p> <p>4. Change the effective time of free float adjustment to "the 10th trading day of June and December".</p>

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1. Periodic Index Review

According to the principle of stability and dynamic tracking, typically, the equity indices shall be reviewed monthly, quarterly, or semi-annually, but can be conditions specified in the relevant methodology. The constitutions of the indices shall be adjusted in line with their review results.

1.1 Review Dates

1.1.1 Monthly Review

Unless otherwise specified in the relevant methodology, the equity indices shall be generally reviewed before the 2nd trading date each month, while the constituent adjustment shall be implemented on the 10th trading date each month in principle.

1.1.2 Quarterly Review

Unless otherwise specified in the relevant methodology, the equity indices shall be generally reviewed at the beginning of March, June, September and December, while the constituent adjustment shall be implemented on the 10th trading date of March, June, September and December in principle.

1.1.3 Semi-annually Review

Unless otherwise specified in the relevant methodology, the equity indices shall be generally reviewed at the beginning of June and December, while the constituent adjustment shall be implemented on the 10th trading date of June and December in principle.

1.2 Review Reference Basis

As the equity indices are reviewed, the constituent observation period is the time interval consisting of the review date mentioned in 1.1 and its correspondingly previous review date, while the reference basis is generally the transactional data and financial data in this constituent observation period.

The data and constituent selection rules adopted shall correspond to the

specific conditions in the relevant methodology.

The aforementioned data comes from the exchanges or data suppliers occasionally designated by SNSI. All the data are fair data that can be objectively available or obtained through payment consideration.

Unless otherwise specified in the index methodology, industry Classification Standard used in the index review shall be SNSI Industry Classification Standard. For further details, please refer to the *Industry Classification Standard*.

1.3 Adjustment Quantity and Buffer Zone

To reduce the index turnover effectively, the number of adjusted constituents and a buffer zone shall be set in periodic reviews of some equity indices. The quantity of adjusted constituents generally does not exceed the specified ratio. The buffer zones shall be used in the index review, and their relative specific adjustment ratio limit can be referred to in the index methodology.

1.4 Reserve list

To improve the predictability and transparency of the temporary adjustment of index constituents, reserve lists shall be used in certain SNSI indices for temporary adjustments that occur between regular sample adjustments. The rules for the reserve list can be found in respective index methodologies.

1.5 Treatment of Prolonged Suspension Stocks

Generally, when it comes to the indices' original constituents, at the time of periodic reviewing:

- For constituents that have been suspended for more than 25 trading days and have not resumed trading as of the deadline of data used for constituents' eligibility review, they shall be added to an exclusion candidate list. Once listed on this exclusion list, the constituents will be classified as priority deletion stock in principle.

- For the stocks that have been suspended from trading for significant negative events, the constituents will be deleted from the indices at the price of 0.00001 Yuan. If such stocks under long suspension resume trading at least one trading day before the effective date, SNSI will amend the excluded price to market price and release announcements. Under other conditions, the suspended original constituents will be deleted from the indices at their closing market price before the suspension.

For the stocks which have not been included in the index, at the time of periodic reviewing:

- For the stocks that have been suspended from trading for more than 25 trading days during the constituent observation period, they can be included in the index only if they have resumed trading for 3 months. Exceptions may occur under special circumstances approved by the Index Advisory Committee.
- If the newly selected stocks experience long-term suspension between the announcement date and the effective date of the periodic review, SNSI will make the final decision on the treatment.

1.6 Treatment on Stocks with Risk Warning

In principle, when the periodic review is conducted, stocks of which special treatment (ST/*ST) have been removed for less than 3 months are not eligible for the index universe.

2. Interim Adjustment of Constituents

In case the following special events that may influence representativeness and invisibility occur, SNSI will apply necessary interim adjustments to the index constituents.

2.1 IPO

SNSI applies quick insertion rules to some indices once the market cap of newly issued stocks meets certain conditions. The newly issued stocks satisfying the above market cap conditions shall not apply the quick insertion rules if there are less than 20 trading dates between the date of IPO and the effective date of the next periodic review and the inclusion will be implemented in the next periodic review.

Indices with quick insertion rules shall be specified in the index methodologies

2.2 Merger and Acquisition

Two constituent companies merge, or one constituent company merges with one non-constituent company: The stock of the resulting new company shall retain constituent eligibility and remain in the index if it meets the criteria for index constituent selection. Otherwise, the stock shall be excluded from the index as soon as practicable, and the treatment of the resulting vacancy (whether to be filled or not) according to the index methodology.

One non-constituent company merges with one constituent company: When one non-constituent company purchases or takes over one constituent company, once the merged new stock meets the criteria for index constituent selection and ranks higher than the top-ranking stock in the reserve list, the new stock shall be included in the index. Otherwise, the stock shall be excluded from the index as soon as practicable, and the treatment of the resulting vacancy (whether to be filled or not) according to the index

methodology.

Merger, spin-off, acquisition and restructuring among non-constituents: Merger, spin-off, acquisition, and restructuring among non-constituents: these corporate events shall be considered together in the index regular adjustment.

2.3 Spin-off

If one constituent company is spun off to form two or more companies, then whether the resulting companies are eligible for inclusion shall be considered together in the index regular adjustment.

2.4 Suspension

If a constituent is suspended from trading, SNSI shall determine whether to remove it from the index based on its suspension reasons.

2.5 Delisting

If a constituent is delisted, it shall be removed from the index, and whether to fill up the constituent vacancy should depend on specific index methodology.

2.6 Bankruptcy

If a constituent company files for bankruptcy or is sentenced to bankruptcy, it will be removed from the index, and whether to fill up the constituent vacancy should depend on specific index methodology.

2.7 Implementation of Risk Warning

If a constituent is issued to be prefixed by ST or *ST, it will be removed from the constituents on the next trading day after the 2nd Friday of the next month following the implementation of risk warning, and the top-ranking stock in the reserve list shall be added into the index.

If the constituent enters risk warning status less than one month from the effective date or between the announcement date and the effective date of the periodic review, the exclusion of the constituents shall be implemented together with the

regular adjustment.

2.8 Weight Inheritance

For indices with weight restrictions, if any constituent of the index is changed beyond periodical reviews, the inserted constituent will inherit the weight of the deleted constituent as of the close of one trading day before the effective date of the inclusion. The weight factor of the new stock will be calculated.

2.9 Other Circumstances

In the future, when it comes to more complex circumstances, the treatment of the index shall follow the *Measures for the Implementation of Change of Index Methodologies*. On the rare occasions where a specific event yet has not been considered in rules or methodologies and the time for stakeholder consultation is not enough, SNSI will determine the appropriate treatment in line with the guiding principles documented in the SNSI Statement of Principles. For further information, please refer to Appendix A.

3. Index Maintenance

3.1 Maintenance of Constituents

To ensure that the index can reflect the trading information of relevant stocks in a timely manner, SNSI maintains the constituents of the equity index in accordance with the following rules.

SNSI maintains constituent companies based on the corresponding event types announced by the listed companies. According to different types of corporate events, timely adjustments or periodic adjustments shall be implemented on stock shares, specifically:

■ Timely adjustment

For the constituents' price changes due to dividend distribution, adjustment shall be implemented on the ex-dividend day.

For corporate events resulting in a simultaneous change in constituents' prices and shares, including bonus issues, rights issues, stock split, consolidation, etc., adjustments shall be implemented on the ex-right day.

■ Regular adjustments

The timely or regular adjustment shall be applied in the occurrence of other corporate events such as secondary offerings, debt-to-equity swaps, share repurchasing and retirement, the exercise of warrants, etc. The timely adjustment shall be made to constituents' shares when the accumulated change of the total shares exceeds or reaches 5%. The changes of shares shall be implemented in the regular adjustment. Usually, the effective date of timely adjustment shall be five trading days later than the new shares listing day disclosed in the announcement made by the listed company when the accumulated change of the total shares exceeds or reaches 5%. (If the announcement day is later than the new shares listing day, the next trading day after the announcement day shall be regarded as the new shares listing day.)

Please refer to Appendix B for detailed explanations and rules of treatment of all kinds of corporate events.

3.2 Other Circumstances

In the future, when it comes to more complex circumstances, the treatment of the index shall follow the *Measures for the Implementation of Change of Index Methodologies*. On the rare occasions where a specific event yet has not been considered in rules or methodologies and the time for stakeholder consultation is not enough, SNSI will determine the appropriate treatment in line with the guiding principles documented in the SNSI Statement of Principles. For further information, please refer to Appendix A.

4. Index Calculation

SNSI calculates the closing price for equity indices and the real-time price for some equity indices. Index calculation is based on the trading data and fundamental information. All the data are fair data that can be objectively available or obtained through payment consideration. There shall be no exercising of 'Expert Judgment' concerning the use of data or disregard of input data that conformed to the requirements of the index methodology.

4.1 Index Calculation Formula

The index is calculated according to the Paasche weighted composite price index formula. Generally, the calculation formula is as follows:

$$\text{Current Index} = \frac{\text{Current Total Adjusted Market} - \text{Cap}}{\text{Divisor}} \times 1000,$$

Where Current Total Adjusted Market – Cap = $\sum(\text{stock price} \times \text{quantity of adjusted free float shares} \times \text{weight factor} \times \text{foreign exchange rate(if any)})$.

Number of Free Float Adjusted Shares is obtained by adjusting shares of constituents using category-weighted method. Hence, the calculation of the number of the adjusted shares of constituents depends on two factors, namely free float, and category-weighted method. Detailed contents of free float and category-weighted method could be found in Rule 4.3 and 4.4, respectively. The adjusted free float market cap is calculated by multiplying the security price and the number of free float adjusted shares.

The weight factor is a value from 0 through 1, which is calculated from the ratio of the weight to the adjusted free float market value. Unless otherwise specified, the weight factor equals to 1. The index methodology with other explanations for the calculation formula shall prevail.

In the situation where the index is weighted by the free float adjusted market cap and the upper limit of the individual constituent is capped at X, the weight of the constituent whose initial weight exceeds X will be adjusted to X. The

remaining constituents allocate the remaining weight according to the free float adjusted market cap ratio. If the weight of the remaining constituents exceeds X, then repeat the above steps.

In the situation where the index is weighted by the free float adjusted market cap and the upper limit of the weight of individual constituent's and total weight of the top 5 constituents are X and Y, respectively.

In the situation where the index is weighted by the free float adjusted market cap and the upper limits of the weight of individual constituents and total weight of the top 5 constituents are X and Y, respectively. If the total weight of the top 5 constituents does not exceed Y, the weight restriction is X for each constituent. Otherwise, the total weight of the top 5 constituents shall be set to Y and they allocate Y according to the adjusted free-float market cap ratio, If the weight exceeds X after the allocation, it will be adjusted to X, and the remaining constituents distribute the remaining weight based on the free-float adjusted market cap. If there is still constituent weight that exceeds X after re-allocation, repeat the above steps. The total weight of constituents other than the top 5 is $100\%-Y$, and the weights are allocated according to the free-float adjusted market cap ratio, and the weight of the constituent is capped at the weight of the fifth largest constituent.

In the case that non-trading factors trigger changes in the constituent list or the share structure, or constituents' market value, the original divisor shall be used in line with the Divisor Adjustment Methodology to ensure the continuity of the index according to the index constituents' maintenance methodology. For further details, please see Chapter 5 of Index Adjustment.

4.2 Index Real-time Calculation

For the real-time calculation of A-share equity indices, the real-time trading prices of constituents come from the trading system of domestic Stock Exchanges.

Steps of practical operation are as follows: The index opening-price is calculated by using the stock opening-price obtained through the daily call auction (If there is no deal, the index opening-price shall be calculated by using the reference opening-price provided by the quotation system). Price of each constituent (P) is determined as follows:

- If there is no transaction in the whole trading day, P equals to the reference opening-price.
- If there is no transaction in the whole trading day, P equals to the reference opening-price.

SNSI will decide whether to continue the index calculation in case of abnormal quotations from domestic Stock Exchanges.

For the real-time calculation of other equity indices, the real-time trading prices of constituents come from market quotations by data providers authorized by SNSI from time to time.

4.3 Free Float

Free float refers to the actual floating shares that can be traded in the market, which exclude the restricted shares and non-free float shares due to strategic holdings, etc., is also known as free float shares.

Non-free float shares shall be the restricted shares announced by listed companies clearly and the following four types of shares, where the holding of the shareholders or shareholders acting in concert is 5% or higher:

- Long-term holdings by founders, families, and senior executives of the company, etc.
- State-owned shares
- Strategic holdings
- Employee stock ownership plan

4.4 Category-Weighted Method

Unless otherwise state, The calculation of equity indices applies the category-

weighted method in which SNSI will grant certain inclusion factors to the total shares of the relative share classes according to the percentage of free float shares in the total shares of the constituents to ensure index stability.

$$\text{Free Float Ratio} = \frac{\text{Free Float}}{\text{Total Shares of Constituent}}$$

Where Adjusted Shares = Total Shares of Constituent × Inclusion Factor.

Inclusion factor of the constituents of equity index shall be determined according to the chart below:

● Category-Weighted Table

Free Float Ratio (%)	≤15	(15,20]	(20,30]	(30,40]	(40,50]	(50,60]	(60,70]	(70,80]	>80
Inclusion Factor (%)	round up to the nearest integer	20	30	40	50	60	70	80	100

● Example of Category-Weight Method

Stock	Stock A	Stock B	Stock C
Total A Shares	100,000	8,000	6,000
Non-Free Float	95,100	4,300	1,000
Non-Free Float = Total A Shares - Non-Free Float	4,900	3,700	5,000
Free Float Ratio = Free Float / Total A Shares	4.9%	46.3%	83.3%
Inclusion Factor	5%	50%	100%
Inclusion Shares	5,000	4,000	6,000

4.5 Total Return Index

SNSI calculates total return indices for some SNSI indices to satisfy investors' needs.

The total return index is the derivative index of price index. The calculation of total return index takes the reinvestment income of constituent dividends into consideration. The calculation formula of total return index is:

Total return index (TRI):

$$\begin{aligned}
 & \text{TRI}_t \\
 &= \text{TRIClosingData}_{t-1} \\
 & \times \frac{\sum((\text{Sample Closing Price}_t \times \text{Adjusted Shares} \times \text{Weight Factor} \times \text{Exchange Rate (if any)}))}{\sum(\text{Sample Opening Reference Price}_t \times \text{Adjusted Shares} \times \text{Weight Factor} \times \text{Exchange Rate (if any)})}
 \end{aligned}$$

Where t represents any trading day, $t-1$ represents the previous trading day of t , *opening reference price* refers to the opening reference price adjusted on the same day in accordance with corporate events (such as cash dividends).

4.6 Exchange Rates for Index calculation

Unless otherwise specified, *exchange rate* refers to the exchange rate sourced from the data providers as designated by SNSI from time to time. The real-time index is calculated by using the exchange rate of the previous two trading days, while the closing index uses the exchange rate of the previous two trading days.

5. Index Adjustment.

In the event of a change in the constituent list, a share structure change in the index constituents, or constituents' market value fluctuates due to non-trading factors, the divisor shall be adjusted to prevent discontinuities in the index. Accordingly, the equity indices adopt the *Divisor Adjustment Methodology* to adjust the old divisor.

5.1 Formula of Divisor Adjustment Methodology

$$\frac{\text{Adjusted Market Cap before Adjustment}}{\text{Original Divisor}} = \frac{\text{Adjusted Market Cap after Adjustment}}{\text{New Divisor}},$$

***Where Adjusted Market Cap after Adjustment =
Adjusted Market Cap before Adjustment +
increase (or decrease) of Adjusted Market Cap.***

The new divisor derived from this formula shall be used in future index calculations. Examples are illustrated in Appendix E.

5.2 Circumstances for Index Adjustment

5.2.1 Corporate events that may trigger the price changes of constituents

■ Ex-Dividend:

The index shall not be adjusted in the event of an ex-dividend (dividend payment), and let it falls naturally. The total return index shall be adjusted based on the reference ex-dividend price before the ex-dividend date of the constituent.

■ Ex-Right:

Under the circumstances of bonus issues, rights issues, stock split, or consolidation occurs, the index shall be adjusted before the ex-right day. Calculation of adjusted market cap is based on adjusted shares and prices.

Adjusted Market Cap after Adjustment

= ex_right price × Adjusted number of Shares

+ Adjusted Market Cap before Adjustment (excluding ex_right adjusted stocks).

5.2.2 Corporate events that may trigger the shareholding changes in constituents

For the aggregated changes in the total shares of constituents due to other corporate actions (e.g., secondary offering, debt-to-equity swap, and exercise of warrants) reach or exceed 5%, the index is subject to temporary adjustment and shall be adjusted before the capital change in the index constituents:

adjusted market cap after adjustment

= closing price × adjusted number of shares after adjustment.

For the aggregated change in the total shares of constituents due to other corporate actions being less than 5%, the index is subject to regular adjustment and shall be adjusted before the *effective date* of the regular adjustment.

5.2.3 Constituents adjustment

Indices shall be adjusted before the *effective date* of regular adjustment or temporary adjustment.

6. Index Dissemination

6.1 Dissemination Channels

The equity indices of SNSI shall be disseminated through the following channels:

- Quotes shall be daily disseminated via data transmission channels such as Wind, Choice, HiThink Royal Flush Information Network Co., Ltd., Shenzhen Fortune Trend Technology Co., Ltd, etc.
- Quotes shall be daily disseminated to the public via SNSI's website (www.chindices.com)

6.2 Publication Frequencies

- real-time equity indices are calculated and published real time, and update frequency of the indices is subject to the SNSI dissemination system.
- The closing-quotation equity indices are calculated and published daily on each trading day of the index.

7. Index Rules Review

7.1 Non-scheduled Review

SNSI may take non-scheduled reviews on index rule documents, such as the *Equity Index Calculation and Maintenance Methodology* and *Index Methodologies*, and may make changes to index rules as appropriate specifically based on, but not limited to market environment changes, market participants' feedback and problems identified in the process of index management.

Such changes shall be implemented with reference to the *Measures for the Implementation of Change of Index Methodologies*.

7.2 Regular Review

SNSI annually reviews the *Equity Index Calculation and Maintenance Methodology*, *Index Methodologies* and other index rule documents to ensure that the index calculation and maintenance are in line with the objective of indices. After the regular review is completed, an annual review report shall be produced and presented to the Index Oversight Committee.

During the process of review, if any circumstances necessitating the changes to index methodologies are identified, such changes shall be implemented with reference to the *Measures for the Implementation of Change of Index Methodologies*.

Appendix A SNSI Statement of Principles

For certain events not covered in the *Equity Index Calculation and Maintenance Methodology* and *Index Methodologies* etc., SNSI shall determine the appropriate treatment corresponding to the statement of principles below. These principles shall apply to any equity index families managed by SNSI. Whenever there is an actual or potential conflict between the Index Methodology and this statement of principles concerning any decision on the index families' management, precedence shall be given to this statement of principles.

- Generally, during index adjustment, it is imperative to ensure the constituents can be investable and in line with the index description to avoid unnecessary changes. In principle, constituents should have normal performance without market manipulations or major violations, etc.
- The treatment of corporation events shall reflect the impact on the investment portfolios and shall be in line with the requirements in the index methodology. The treatment should normally be designed to minimize the trading activity required by the index users who want to track the index performance. When it comes to assessing the optimized practice, SNSI may conduct market consultations as it deems appropriate to ensure that the index continues to meet current and future market requirements.
- The index calculation methods shall be easy for the index users to understand and follow. The index calculation shall use public data whenever possible. The data of corporates used for index calculation shall come from an authoritative source, which shall be published by constituent companies and provided by reliable local market vendors in principle. Market prices used for index calculation shall originate from reliable sources to reflect the trading in the

market.

- The index methodology documents shall include a description of the future composition of an index, the data used for the eligibility determination, and weights of index constituents for the purpose that no index user can procure any advantage from predicting.
- The interests of all users and stakeholders should be considered in the index management. Unless a single or specific group of markets is involved, when it comes to determining the index rules, SNSI shall apply consistency of the treatment at the best effort and make decisions considering the views of all users and stakeholders. The stakeholders include relevant product managers and clients of customized indices who track indices as the investment target or benchmark.

Appendix B Limitation on the Use of Index

The company compiles, develops, calculates, and publishes indexes mainly to reflect specific market conditions or specific strategies effectively. The index information can be used for various purposes, including (but without limitation) analysis, or the issuance of related products derived from the SNSI index for financial institutions. Index users could be various types of market participants, who could make their own judgments on choosing a suitable index for specific purposes. The construction and maintenance of the index can be affected by many factors, most of which are not under the control of the SNSI, including (but without limitation) structural changes in the underlying market, missing or wrong data sources, lack of market liquidity, drastic changes in the market system and geopolitical changes, etc. The above factors could result in changes in the index, under extreme cases, suppliers might terminate the index. The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information and shall reflect them in the terms of their financial products.

Appendix C Treatment on Corporate Events

Event Type	Treatment
Cash Dividend	<p>Dividends that are paid to shareholders in cash. The index shall not be adjusted in the event of an ex-dividend (dividend payment), and let it falls naturally. The Total Return Index takes the constituents' before-tax dividend reinvestment in the index on the ex-dividend day into account, and the index is adjusted according to the ex-dividend reference price before the ex-dividend day.</p> $\text{ex-dividend price} = \text{closing price before ex_dividend day} - \text{dividend per share}$
Stock Dividend (Bonus shares Issue or Capital or surplus reserve Issue)	<p>The distribution of additional shares to shareholders by a listed company by two main forms: 1. Shares of the company shall be paid to shareholders in the form of dividend distribution; 2. Shares of the company shall be paid to shareholders by distribution from capital reserve or surplus reserve. There are differences regarding the sources and the tax payment w.r.t the above two types. In practice, however, the treatment is the same.</p> $\text{ex_right price} = \frac{\text{closing price before ex_right day}}{1 + \text{rights issue ratio}}$
Cash Dividend & Stock Dividend	See the treatments above.
Stock Split or Stock Consolidation	<p>If the shares are distributed to the existing shareholders on a pro-rata basis, or if the shares held by the existing shareholders are consolidated on a pro-rata basis, the price and shares of the security shall be adjusted accordingly on the ex-right day.</p> $\text{ex_right price} = \text{closing price before ex_right day} \times \frac{\text{total issued shares before ex_right day}}{\text{total issued shares on ex_right day}}$
Rights Issue	<p>A rights issue is a financing process in which a certain number of additional shares are offered to the existing shareholders at a specific price (usually at a discounted price) in proportion to their existing holdings. After the announcement of rights issue, CSI will simulate the rights issue and presume that all shareholders would not waive their rights to purchase and would accept the rights issue in proportion, to reflect the approximate changes of shares of the security in the future and thus provide early notification for index users.</p> $\text{ex_right price} = \frac{\text{closing price before ex_right day} + \text{rights issue price} \times \text{rights issue ratio}}{1 + \text{rights issue ratio}}$

<p>Expiry of Lock-in Period for Restricted Shares</p>	<p>Restricted shares may be freely traded on the secondary market when the lock-in period expires.</p> <p>The restricted shares shall be seen as non-free float within the lock-in period; The treatment of restricted shares after the lock-in period is the same as that of non-restricted shares, whose effect on the free float will be considered in regular adjustment. It is noted that the shares used for calculation on the day of ban-lifting shall remain unchanged.</p>
<p>Secondary Offering, Share Cancellation, Debt-to-Equity Swap, Exercise of Warrants, etc.</p>	<p>Such events only affect the corresponding total shares or the number of free-floating shares of the listed company. The opening reference price of the corresponding stock remains the same. If the accumulated changes of total shares caused by the events reach or exceed 5%, the shares used for calculation shall be temporarily adjusted; otherwise, they shall be subject to regular adjustment.</p>

Appendix D Free Float

Outstanding shares issued by listed companies are partly hard to trade in a certain period due to sales restrictions or shareholders' strategic holding, etc. The inclusion of such shares in the index calculation will result in a misleading of the real-life investment opportunities of the index constituents. Therefore, SNSI applies free float for index calculation.

1. Scope of Free Float

SNSI defines free float of the constituent as tradable shares outstanding in the security market. The free float is then the total shares of the constituent minus the restricted shares minus the four types of non-free float shares, including:

- **Long-term holdings by founders, families, and senior executives of the company, etc.:** Shares that are held by founders of the company or by their families, and by senior executives or by directors.
- **State-owned shares:** Shares that are held by the government or its subsidiaries.
- **Strategic holdings:** Shares that are held by strategic investors for long-term strategic interests.
- **Employee stock ownership plan:** Shares that are held by employee stock owner plans.

2. Identification of Free Float

- All restricted shares subject to a lock-in period shall be seen as non-free float.
- For non-restricted shares that belong to the above four types of shares and the holdings by shareholders or shareholders acting in concert are 5% or greater, they shall be seen as non-free float, otherwise, they shall be seen as free float.

- Restricted shares after the lock-in period are treated in the same way as non-restricted shares.

3. Data Source

The identification and calculation of free float by SNSI are based on objective information, including (but without limitation):

- Prospectus and listing notice: Information of the actual controlling persons, founders, strategic investors, holdings of senior executives and employees, etc.
- Periodic reports: Information of the actual controlling persons, founders, strategic investors, holdings of senior executives and employees, etc.
- Temporary reports: Shares change notice, acquisition notice, equity impawning notice, etc.

4. Adjustment of Free Float

SNSI timely tracks the changes of free float shares and conducts the relative adjustment on free float changes resulting from the shareholder's behaviors semi-annually. The effective date shall be on the 10th day of March, June, September and December.

Appendix E Calculation Explanation

Assuming that three stocks are selected as constituents to calculate the index, the adjusted market value of stocks on the base day is taken as the base value, and the base point index is set as 1000 points.

Base Day

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5	25,000
B	8,000	3,700	46%	50%	4,000	10	40,000
C	6,000	5,000	83%	100%	6,000	17	102,000
Total Adjusted Market Cap							167,000

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index (3)*(1)/(2)
167,000	167,000	1,000	1000

Day 1

- No index adjustment is required, and the index shall be calculated normally.

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.1	25,500
B	8,000	3,700	46%	50%	4,000	10.06	40,240
C	6,000	5,000	83%	100%	6,000	15	90,000
Total Adjusted Market Cap							155,740

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index (3)*(1)/(2)
155,740	167,000	1,000	932.57

Day 2

- Treatments of Cash Dividend

Assume stock A distributes cash dividend: ¥0.06/ share. The next day is ex-dividend day. No adjustment is required.

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.05	25,250
B	8,000	3,700	46%	50%	4,000	9.7	38,800
C	6,000	5,000	83%	100%	6,000	15.8	94,800
Total Adjusted Market Cap							158,850

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index (3)*(1)/(2)
158,850	167,000	1,000	951.20

● Treatments of Stock Dividend

For every 10 shares of stock B, 5 bonus shares along with 5 reserve shares will be added. The next day is ex-dividend day. Index adjustment is required. The number of shares of stock B after adjustment is $8000 \times (1 + 0.5 + 0.5) = 16000$ and the ex-right reference price of stock B is $9.7 / (1 + 0.5 + 0.5) = 4.85$.

Stock C implements a rights issue: all shareholders are allotted 3 shares for every 10 shares at the price of 12 yuan and it is to be suspended from trading the next day.

Index Adjustment:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.05	25,000
B	16,000	7,400	46%	50%	8,000	4.85	38,800
C	6,000	5,000	83%	100%	6,000	15.8	94,800
Total Adjusted Market Cap							158,850

Total Adjusted Market Cap before Adjustment (Yuan) (1)	Total Adjusted Market Cap after Adjustment (Yuan) (2)	Original Divisor (3)	New Divisor (3) * (2) / (1)
158,850	158,850	167,000	167,000

Day 3

- Treatment of changes in shares (temporary treatment is not needed)

Today, stock A issue 1000 shares. The accumulated shares change of stock A account for only 1%, it is unnecessary to adjust the index immediately.

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.2	26,000
B	16,000	7,400	46%	50%	8,000	4.5	36,000
C	6,000	5,000	83%	100%	6,000	15.8	94,800
Total Adjusted Market Cap							156,800

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index (3)*(1)/(2)
156,800	167,000	1,000	938.92

- Treatment of changes in shares (temporary treatment is needed)

The rights offering of Stock B succeeds at 1000 shares. The rights offering of Stock B succeeds at 1000 shares. The accumulated shares change of stock B is 6.25%, so it is necessary to adjust the index immediately.

Index Adjustment:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.2	26,000
B	17,000	8,400	49%	50%	8,500	4.5	38,250
C	6,000	5,000	83%	100%	6,000	15.8	94,800
Total Adjusted Market Cap							159,050

Total Adjusted Market Cap before Adjustment (Yuan) (1)	Total Adjusted Market Cap after Adjustment (Yuan) (2)	Original Divisor (3)	New Divisor (3) * (2) / (1)
156,800	159,050	167,000	169,396

Day 4

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.4	27,000
B	17,000	8,400	49%	50%	8,500	4.3	36,550
C	6,000	5,000	83%	100%	6,000	15.8	94,800
Total Adjusted Market Cap							158,350

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index (3)*(1)/(2)
158,350	169,396	1,000	934.79

● Treatment of changes in shares

Stock C implements a rights issue: all shareholders are allotted 3 shares for every 10 shares at the price of 12 yuan and it succeeds on the next day. Adjustment is needed.

The number of shares of stock C after adjustment is $6000 \times (1 + 0.3) = 7800$ and the ex-right reference price of stock C is $9.7 / (15.8 + 12 \times 0.3) / (1 + 0.3) = 14.923$.

Index Adjustment:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.4	27,000
B	17,000	8,400	49%	50%	8,500	4.3	36,550
C	7,800	6,500	83%	100%	7,800	14.923	116,399
Total Adjusted Market Cap							179,949

Total Adjusted Market Cap before Adjustment (Yuan) (1)	Total Adjusted Market Cap after Adjustment (Yuan) (2)	Original Divisor (3)	New Divisor $(3) \times (2) / (1)$
158,350	179,949	169,396	192,503

Day 5

- No index adjustment is required, and the index shall be calculated normally.

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.2	26,000
B	17,000	8,400	49%	50%	8,500	4.4	37,400
C	7,800	6,500	83%	100%	7,800	15.3	119,340
Total Adjusted Market Cap							182,740

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index $(3) \times (1) / (2)$
182,740	192,503	1,000	949.29

Day 6

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.2	26,000
B	17,000	8,400	49%	50%	8,500	4.3	36,550
C	7,800	6,500	83%	100%	7,800	15.2	118,560
Total Adjusted Market Cap							181,110

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index $(3) \times (1) / (2)$
181,110	192,503	1,000	940.82

- Treatment of constituent delisting

Stock C merges stock B, and Stock B is delisted today, while stock D is the

top-ranking one on the reverse list.

Index Adjustment:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.2	26,000
C	7,800	6,500	83%	100%	7,800	15.2	118,560
D	9,000	6,000	67%	70%	6,300	3.2	20,160
Total Adjusted Market Cap							164,720

Total Adjusted Market Cap before Adjustment (Yuan) (1)	Total Adjusted Market Cap after Adjustment (Yuan) (2)	Original Divisor (3)	New Divisor (3)*(2)/(1)
181,110	164,720	192,503	175,082

Day 7

- No index adjustment is required, and the index shall be calculated normally.

Stock Quotes:

Stock	Total Shares	Free Float Shares	Free Float Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	4,900	5%	5%	5,000	5.8	29,000
C	7,800	6,500	83%	100%	7,800	15.6	121,680
D	9,000	6,000	67%	70%	6,300	3.2	20,160
Total Adjusted Market Cap							170,840

Index Calculation:

Total Adjusted Market Cap (Yuan) (1)	Divisor (2)	Base Index (3)	Closing Index (3)*(1)/(2)
170,840	175,082	1,000	975.77

Appendix VI Index Glossary

1. Constituents

Stocks included in the index calculation.

2. Divisor

The component of the index calculation formula that aims at maintaining the continuity of an index level.

3. Free Float

The percentage of each company's shares that are freely available for trading in the market, also known as free float shares.

4. Free Float Market Value

The stock price multiplied by the free float.

5. Reserve List

A reserve list shall be established when the periodic review is conducted. The number of stocks in the reserve list is generally 5% of the number of constituents in the index.

6. Periodic Review

The eligibility and weights of Index constituents shall be re-assessed on a specific frequency, usually monthly, quarterly, semi-annual, or annual. The adjustment process shall ensure that the index continues to characterize the overall performance of the market or market segments at the time of construction.

7. Capped Weight

The weight of the constituents shall not exceed the upper limit.

8. Weight Factor

Used to adjust the initial weight of the constituents to meet the upper limitation requirement.

9. Corporate Event

Refers to the corporate events such as dividends, bonus issues and rights issues, etc., which can lead to the changes of price or shares.

10. Shareholders Behavior

Mainly refers to shareholders' equity changes such as increasing, decreasing or transferring shareholdings.

11. Buffer Zone

Buffer Zones are applied in periodic reviews of certain equity indices to minimize index turnover. The buffer zone ratio is specified in each index methodology.

12. Base Date

The date on which the index has its initial value (Base Value).

13. Base Value

The initial value of an index.

14. SNSI Industry Classification Standard

Sino-Securities Index Information Service (Shanghai) Co., Ltd classifies listed companies into specific industries according to their main business activities.

15. Industry Index

A kind of index reflects the performance of companies in particular industry based on different industry classification standards (such as the SNSI Industry Classification Standard, the Securities Regulatory Commission's Industry Classification Guidelines for Listed Companies).

16. Thematic Index

To identify the long-term trend of the economy and its driving factors, the thematic index chooses related industries and listed companies under the investment target. The thematic index presents multiple traditional sectors and geographical boundaries and provides diversified targets for the top-down thematic investment.

17. Style Index

Style Index measures the specific style or investment pattern of the market.

18. Announcement Date

The date that the periodic review result is announced.

19. Reference Open Price for the Next Trading Day

The Reference Open Price for the next trading day adjusted by corporate events, that is, also known as the ex-right and ex-dividend price.

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