

Methodology of CSI MarketGrader China New Economy Index

CSI MarketGrader China New Economy Index selects 120 stocks which are characterized by sound fundamentals and potential growth from Consumer Discretionary, Consumer Staples, Health Care and Information Technology sector as constituents. The index is equally weighted at each of its semi-annual rebalances. It aims to reflect the performance of companies belonging to New Economy theme with sound fundamentals and potential growth in Shanghai and Shenzhen market.

1. Index Name and Index Code

- Index Name: CSI MarketGrader China New Economy Index
- Shortened Name: CSI MG New Economy
- Index Code: 930984

2. Base Date and Base Index

The base date is Dec 28, 2007. The base level is 1000.

3. Index Eligibility

3.1 Index Universe

Constituents of CSI All Share Index

3.2 Constituents Selection

Firstly, based on the CSI's 1st level sector classification, select stocks belonging to Consumer Discretionary, Consumer Staples, Health Care and Information Technology sector; Additionally, calculate the total market capitalization of stocks in the index universe on the day of the selection and sum them in descending order, designating the stock group whose accumulated total market capitalization covers 85% of the total market capitalization of all the stocks in the universe as A group;

Secondly, for stocks in the index universe, MarketGrader calculates four fundamental factors: Growth, Value, Profitability and Cash Flow and then grade all the stocks based on the four factors to finally determine each company's overall MarketGrader fundamental grade between 0 and 100;

Thirdly, select 30 highest MarketGrader fundamental grades from Consumer Discretionary, Consumer Staples, Health Care and Information Technology sector respectively and aggregate them all into the index. Any stock selected that does not meet at least one of the following criteria is skipped and the next highest grade in its sector is selected instead:

a) All the index constituents must have a minimum total market capitalization of RMB 1.4 billion on the day of the selection;

b) All the index constituents must have a minimum three-month average daily traded value of RMB 14 million as of the day of the selection;

c) All the index constituents must have a minimum trailing 12-month aggregate trading volume of RMB 350 million as of the selection date;

d) At least 20% of all selections (6 stocks) from respective sector must come from the A Group;

e) All the index constituents must have filed quarterly or annual financial statements with the local regulator within the 12 months preceding the selection date;

f) Not the stocks whose foreign investors' shareholdings (26% or more) information is disclosed by the official websites of Shanghai Stock Exchange or Shenzhen Stock Exchange.

4. Index Calculations

The index is weighted as the following calculation formula: Current Index = Current Total Adjusted Market-Cap / Divisor × Base Level

Where Current Total Adjusted Market-Cap = \sum (Stock Price × Number of Free Float Adjusted Shares × 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, and is calculated at each rebalancing date so as to make each constituent's weight equal.

5. Constituents and Index Weights Adjustment

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced twice a year 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. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing day.

5.2 Ongoing Review

In case that the representativeness and investability is affected due to significant changes beyond periodical reviews, CSI may review the constituent stocks immediately. Delisted stocks will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details. When foreign investors' shareholdings of a constituent reaches or exceeds 28% that makes HKEX suspend accepting Shanghai Stock Connect or Shenzhen Stock Connect buy orders, the constituent will be deleted from the index.