

CSI300 Index Methodology



December, 2016

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1. Preface

CSI300 consists of 300 stocks with the largest market capitalization and liquidity from the entire universe of listed A share companies in China. Launched on April 8, 2005, the index aims to measure the performance of all the A shares traded on the Shanghai and Shenzhen stock exchanges.

2. Index Universe

The index universe of CSI300 includes all the A shares listed at the two exchanges satisfying the following conditions:

- Non-ChiNext stocks: The listing time of a stock is more than three months unless the daily average total market value of a stock since its initial listing is ranked top 30 in all the A shares (Non-ChiNext stocks);
- ChiNext stocks: The listing time of a stock is more than 3 years
- Non-ST or *ST stocks; non-suspension stocks from listing.

3. Selection Criteria

The CSI 300 index constituents are selected as follows and the candidate constituents should have good performance without serious financial problems or laws and regulations breaking events and with no large price volatility that shows strong evidence of manipulated,

- Calculate the A share daily average trading value and A share daily average total market value during the most recent year for stocks in the index universe, or in case of a new issue, during the 4th trading day that it was a public company;
- Rank the stocks in the universe by A share daily average trading

value of the most recent year in descending order and delete the bottom ranked 50%stocks;

Rank the rest stocks by A share daily average market value of the most recent year in descending order, those who rank top 300 are selected as index constituents.

4. Index Calculation

4.1 Base Day and Base Period

The base day for CSI300 is Dec 31, 2004. The base point is 1000.

4.2 Index Calculation Formula

CSI300 is calculated using a Paasche weighted composite price index formula.

The formula is:

$$\text{Current index} = \frac{\text{Current adjusted market cap of constituents}}{\text{Base Period}} \times 1000$$

Adjusted market value = $\sum(\text{Price} \times \text{Adjusted No. of shares})$.

CSI300 uses category-weighted method (see Rule 4.5) to adjust constituents' shares. Hence, the calculation of constituents adjusted shares depends on two factors, namely free float (see Rule 4.4) and category-weighted method.

When changes occur to constituent list or the share structure, or constituents' market value changes due to non-trading factors, the divisor is adjusted to keep the index comparable overtime according to index constituents Corporate Events Methodology. The "Divisor Adjustment Methodology" is used to adjust CSI300 index. See Rule 5 "Index Maintenance".

4.3 Index Real-time Calculation

The real time calculation of CSI300 is based on the price data issued by the

trading systems of the two exchanges.

(1) The opening index is calculated by the opening price obtained through the daily aggregate auction. In case there is no deal, the opening index is then calculated by the reference opening price provided by the quotation system.

(2) The index is calculated each second till the close of trading.

Price of each constituent(X) is defined on the following principle:

If there is no deal the whole trading day, X equals the reference opening price, otherwise, X equals the latest traded price.

CSI will decide whether or not to calculate the indices in case of abnormal quotations from the two exchanges.

4.4 Free Float

To reflect the price fluctuation of the real negotiable shares in the market, CSI300 adopts free float shares (free float) to calculate index exclusive of non-negotiated shares such as strategic holdings, government holdings, etc.

- (1) Long term holdings by founders, families, & senior executives, etc
- (2) Government holdings
- (3) Strategic holdings
- (4) Employee share plans

If the holdings of shareholders of the four categories and their persons acting in concert is larger than 5%, the holdings will be defined as non-free float. Together with the restricted-shares announced by listed companies, they are all deemed as non-free float shares.

$$\text{Free Float} = \text{Total A shares} - \text{non-free float shares}$$

CSI estimates free float via various available published information (See Appendix A).

4.5 Category-Weighted Method

CSI300 uses category-weighted method to adjust constituents' sharers. Namely, CSI will grant certain inclusion factor to the total A shares according to the percentage of free float shares in total A shares to insure index stability.

$$\text{Negotiable Market Cap Ratio} = \text{Free Float} / \text{Total A Shares}$$

$$\text{Adjusted Shares} = \text{Total A Shares} \times \text{Inclusion Factor}$$

Inclusion factor of CSI300 index is indicated by the following chart:

[Category-Weighted Chart of CSI300]

Negotiable Market Cap Ratio (%)	≤15	(15, 20]	(20, 30]	(30, 40]	(40, 50]	(50, 60]	(60, 70]	(70, 80]	>80
Inclusion Factor (%)	nearest higher percentage point	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	5,000
Non Free Float	91,000	4,500	900
Free Float			
= Total A Shares - Non Free Float	9,000	3,500	4,100
Negotiable Market Cap Ratio			
= Free Float / Total A Shares	9.0%	43.8%	82.0%
Inclusion Factor	9.0%	50%	100%
Inclusion Shares	9000	4000	5000

4.6 Total Return Index and Net Total Return Index

CSI calculates daily closing data of CSI300 total return index and CSI300 net total return index to satisfy investors needs. The calculation of total return index and net total return index takes the reinvestment income of constituents cash dividends into consideration, which enables investors to measure index

performance from a different angle.

CSI300 total return index and CSI300 net total return index is calculated using Chain algorithm. The formula is:

CSI300 total return index (CSI300 TRI):

$$TRI_t = TRI \text{ closing data}_{t-1} \times \frac{\text{Adjusted Market Cap}_t}{\text{Closing Adjusted Market Cap}_{t-1} - \text{Adjusted Cash Dividend before Tax}_t}$$

T day represents any trading day, t-1 represents the last trading day of t day, Adjusted Market Cap= $\sum(\text{Price} \times \text{Adjusted No. of Shares})$, Adjusted Cash Dividend before Tax = $\sum(\text{Cash Dividend per Share before Tax} \times \text{Adjusted No. of Shares})$.

CSI300 net total return index (CSI300 NTRI):

$$NTRI_t = NTRI \text{ closing data}_{t-1} \times \frac{\text{Adjusted Market Cap}_t}{\text{Closing Adjusted Market Cap}_{t-1} - \text{Adjusted Net Cash Dividend}_t}$$

T day represents any trading day, t-1 represents the last trading day of t day, Adjusted Market Cap= $\sum(\text{Price} \times \text{Adjusted No. of Shares})$, Adjusted Net Cash Dividend = $\sum(\text{Net Cash Dividend (after tax payment) per Share} \times \text{Adjusted No. of Shares})$, Tax rate used for index calculation is 10%.

The difference between the total return index, net total return index and the price index is on the treatment of cash dividend.

5. Index Maintenance

When changes occur to constituent list or the share structure, or constituents' market value changes due to non-trading factors, the divisor is adjusted to keep the index comparable overtime, that is, CSI300 adopts the “Divisor Adjustment Methodology” to adjust the old divisor according to index constituents Corporate Events Methodology.

5.1 Formula of Divisor Adjustment Methodology

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

Adjusted Market Cap after Adjustment = Adjusted Market Cap before adjustment + Adjusted Market Cap increased or decreased

The new divisor derived from this formula is used for later index calculation.

5.2 Circumstances for Index Maintenance

5.2.1 Corporate events that may affect the price of constituents

- Dividend: For CSI300 index, no index adjustment is required for dividend payment and the index is allowed to fallback naturally. CSI300 total return index is adjusted based on the adjusted price before the ex-dividend date.
- Bonus issue, rights issues, stock split and stock consolidation: The index is adjusted the day before the issuance. Adjusted Market Cap after the Adjustment = Ex-right Price × Adjusted No. of Shares + Adjusted Market Cap before the Adjustment (excluding stocks adjusted for bonus issue, rights issues, stock split and stock consolidation)

5.2.2 Share changes caused by other corporate events

- For other corporation events, such as second offering and exercise of warrants, if the accumulated change of constituents shares is more than 5%, the index is adjusted the day before the changes. Adjusted Market Cap after the Adjustment = closing price × Adjusted sharers after changes

- If the accumulated change of constituents shares is less than 5%, the adjustment will be implemented in the next regular review.

5.2.3 Constituents adjustment

- Index is adjusted before the effective day of periodical review or temporary adjustment.

6. Constituents Periodical Review

Constituents of CSI300 are reviewed every 6 months. Constituents are adjusted according to the periodical review.

6.1 Review Time

Meetings of CSI Index Advisory Committee are usually held in the end of May and November every year and constituents adjustment are implemented on the next trading day after the close of the second Friday in June and December each year.

6.2 Data Used for Periodical Review

Usually, data used for review in May includes trading data and financial data from May 1st of the previous year to April 30th of the review year (In case of an IPO, data since its fourth trading day after listing are used). Data used for review in November includes trading data and financial data from November 1st of the previous year to October 31st of the review year (In case of an IPO, data since its fourth trading day after listing are used).

6.3 Number of Constituents Adjustment

Number of constituents adjusted at each periodical review will not exceed 10%.

6.4 Old Constituents Buffer Zone of Trading Value

If old constituents of CSI300 rank top 60% by average daily trading value in the universe, they could enter next step to be ranked by market cap.

6.5 Buffer Zone

CSI300 adopts buffer zone rules for the sake of minimum turnover. New candidate stocks ranked top 240 will be given priority to add into the index and old constituents ranked top 360 will be given priority to remain in the index.

6.6 Reserve List

Reserve list is established at each periodical review of CSI300, which is used to implement temporary adjustment during two adjacent periodical reviews. See rule 8.

6.7 Long Suspension Stocks

When reviewing constituents eligibility periodically ----for constituents of CSI300

- Constituents that have been suspended for 3 months and have not resumed trading as of the deadline of data used for constituents eligibility review will be classified as candidate deletion stocks.
- CSI should report the name list of constituents that have been suspended close to 3 months as of the deadline of data used for constituents eligibility review to the index advisory committee. The committee will discuss and decide whether they should be classified as candidate deletion stocks.
- Constituents that had been suspended for 3 months during the data period used for constituents review and have been resumed trading will remain in the index in principle if they meet constituents requirement..

When reviewing constituents eligibility periodically ----for non-constituent

stocks:

- Stocks that have been suspended for 3 months and have not resumed trading as of the deadline of data used for constituents eligibility review will not be able to be selected as candidate new additions.
- CSI should report the name list of stocks that have been suspended close to 3 months and have not resumed trading yet as of the deadline of data used for constituents eligibility review to the index advisory committee.
- Stocks that have been suspended for 3 months during the data period used for constituents review can be included in the index only if they have been resumed trading for 3 months.

6.8 Stocks Experiencing Financial Losses

Stocks that suffered losses in financial report are not included in the index in principle at constituents periodical review unless the stocks exert great impact on the representativeness of index.

7. Temporary Adjustment of Constituents

Necessary ongoing adjustments are made by CSI to CSI300 when some corporate events happened so as to maintain the representativeness and investability of index.

7.1 IPO

If the total A share market cap of an IPO (which equals to issue price multiply total A shares) ranks top 10 (compared with all the A shares by average daily A share market cap of the past year since the listing announcement of the IPO) in the overall market and it satisfies the requirements of index universe, then

fast entry rules are applied here. Namely, it will be added in the index after the close of the tenth trading day. Meanwhile, the last ranked old constituent by daily average market cap of the most recent year will be deleted from the index.

If an IPO meets the criteria of fast entry, however, time span between its listing time and the effective day of the next constituents periodical review is less than 20 trading days, fast entry rules are not applied immediately but will be implemented together with the next constituents periodical review.

7.2 Merger and Acquisition

- Two constituent companies merge: The stock of the resulting new company will be added to the index and there will be a vacancy. The vacancy will be filled by the highest ranking stock in the reserve list.
- One constituent company and one non-constituent company merge: The stock of the resulting new company will be added to the index.
- One non-constituent company purchases or takes over one constituent company: If the stock of the resulting new company ranks higher than the highest stock in the reserve list, the new stock will be added to the index. Otherwise, the highest ranking stock in the reserve list will be added to the index.
- Merger, spin-off, acquisition and restructuring of non-constituents: If the total market cap of the stock of the resulting new company ranks top 10 in the overall market, fast entry rules are applied here. Otherwise, these corporate events are considered at constituents periodical review.

7.3 Spin-off

If one constituent company is split so as to form two or more companies, then whether the resulting companies is eligible for inclusion or not

depends on their rankings.

- If two or more of the resulting companies rank higher than the lowest constituent, then the resulting companies that rank higher than the lowest constituent will be added to the index and the lowest constituent(s) will be removed to keep the number of the index constituents constant.
- If one or more of the resulting companies ranks higher than the lowest constituent, then the (these) new resulting company will be added to the index. If more than 1 companies enter the index, the lowest constituents will be removed to keep the number of the index constituents constant.
- If all of the resulting companies rank lower than the lowest constituent, but some or all of the resulting companies rank higher than the highest stock in the reserve list, then the highest new company will replace the split company to be added to the index.
- If all of the resulting companies rank lower than the lowest constituent and the highest stock in the reserve list, then the highest company in the reserve list will be added to the index.

7.4 Suspension

If a constituent is suspended from trading, CSI will determine whether to delete it from the index or not according to different suspension reasons.

7.5 Suspension from listing and Delisting

If a constituent company is suspended from listing or delisted from the A share market, it will be removed from the index and be replaced by the highest ranking company in the reserve list.

7.6 Bankruptcy

If a constituent company enters bankruptcy proceedings, it will be removed as soon as practicable and the highest ranking stock in the reserve list will be added to the index.

8. Constituents Reserve List

For the sake of index consistency and transparency, CSI300 adopts a reserve list policy which is used to implement temporary adjustment between two adjacent periodical reviews.

- Reserve list is created at each constituents periodical review. Usually, number of stocks in the list is 5% of the number of constituents. Hence, there are 15 stocks in CSI300 reserve list.
- If temporary adjustment is needed due to constituents delisting, merger, etc, stocks on the reserve list will be added to the index by rankings in turn.
- If the number of stocks in the list is less than 50% of the original number, CSI will complement the list according to the reserve list policy and publicize the new reserve list timely.

9. Maintenance of Constituents Shares

To ensure that CSI300 index can reflect trading information of related stocks, CSI maintains constituents shares of CSI300 based on the following rules:

- CSI maintains constituents shares based on announcements of listed companies.
- Temporary Adjustment or Regular Review according to the types of corporate events.

If the bonus issue, rights issues, stock split and stock consolidation

lead to constituents shares change, the adjustment will be implemented on the ex-right day.

For other corporation events, such as second offering and exercise of warrants, if the accumulated change of constituents shares is more than 5%, the adjustment will be implemented immediately. If the accumulated change of constituents shares is less than 5%, the adjustment will be implemented in the next regular review.

- Usually, the effective date of shares adjustment is consistent with that of indicated in the announcement of listed companies which make the shares change larger than 5%. If the announcement date of listed companies is later than the effective date, then the effective date of shares adjustment is the trading day after the announcement date. CSI would provide notice in the CA files after the market close of the day when we find out 5% threshold is breached.
- CSI tracks the changes of free float shares timely and adjusts free float changes resulted from shareholder's behavior semi-annually. The adjustment will be effective on the next trading day after the close of the second Friday in June and December.

10. Index Management

10.1 Index Advisory Committee

CSI establishes an Index Advisory Committee which is composed of domestic and overseas famous experts and scholars specialized in index creating, indexing and market research.

- The Index Advisory Committee is responsible for the evaluation, consulting and examination of CSI index rules to guarantee its

scientific nature and authority. The committee exams the qualifications of index constituents to ensure them satisfy the design specification requirements. The committee also gives suggestion to other index operation issues.

- In general, the CSI Index Advisory Committee holds a meeting each half year. Temporary meeting could be called on requirement. Over half of the committee members should attend the meeting. Decision-making should be voted by the committee and is only to be approved if agreed by over 2/3 of the members that attend the meeting.
- The decision of the committee is publicized in the name of CSI normally on deal-off time.
- Member of the Index Advisory Committee is appointed by CSI. Member is to be re-appointed every two year in general. Old member could be re-employed. The committee has one president who takes charge of meeting and decision-making.

10.2 Secretary of the Index Advisory Committee

The committee has one secretary who is responsible for communication with committee members, meeting preparation, documents preparation and implementation of decision.

10.3 China Securities Index Company

CSI is responsible for management and operation of CSI300. CSI maintains, manages and provides market service according to index methodology. CSI is in charge of executing decisions of the Index Advisory Committee.

11. Amendments and Complements to CSI300 Methodology

Whenever the Committee or CSI realizes that it is necessary to amend or complement index methodology due to changes of market and feedbacks from clients, the potential change should be submitted to the Index Advisory Committee.

- Any change of index methodology should be discussed by the Index Advisory Committee.
- Communication voting is adopted when spot meeting is unavailable. Any change of index methodology is only to be approved if agreed by over 2/3 of the members.
- Adjustments of index methodology should be publicized in advance.

12. Information Disclosure

In order to ensure the objective, independent nature and authority of index, CSI has established a strict information disclosure policy.

- Any personnel of CSI and the Committee members are forbidden to publicize any information before the information is disclosed. Private interviews to media are forbidden either.
- Media used for information disclosure include, but not limited to, China Securities Journal, Shanghai Securities News, Securities Times, website of the two exchanges and website of CSI.
- In general, results of constituents periodical review is publicized two weeks ahead. Constituents ongoing adjustment plan is publicized in advance as soon as practicable. Adjustments of important rules such as index creation and index maintenance are usually publicized two

weeks ahead.

13. Index Dissemination

13.1 Index Code

Shanghai 000300

Shenzhen 399300

13.2 Dissemination Channels

CSI300 index is released to domestic and foreign public through various means:

- Broadcasted nationwide via Shanghai Stock Exchange and Shenzhen Stock Exchange's real time broadcast system;
- Released real time globally via Thomson Reuters and Bloomberg financial information vendors;
- Publicized daily via various news media including Shanghai Securities News, China Securities Journal and Securities Times;
- Published daily through the Internet at CSI's website: <http://www.csindex.com.cn/>, Shanghai Stock Exchange's website: <http://www.sse.com.cn/> and Shenzhen Stock Exchange's website: <http://www.szse.cn/>.
- CSI300 total return index is published daily after the close of trading through the Internet at CSI's website: <http://www.csindex.com.cn/>.

13.3 Dissemination Frequencies

CSI300 is calculated and disseminated real time. Specifically, CSI300 is calculated each second and quotes are updated every 3 seconds.

Appendix A: Free Float

A portion of shares outstanding by listed companies are hardly negotiable in certain period due to shareholders strategic holding, etc. Calculated with such kind of shares, index is not capable of reflecting real investment opportunities. Hence, CSI adopts free float weighted method to calculate index.

1. Scope of Free Float

CSI defines A share free float as shares outstanding and tradable shares in the open stock market. According to CSI's definition, free float is total A shares minus the restricted trading shares and the following non-negotiated shares:

- Long term holdings by founders, families and senior executives: Shares held by founders or founder families as well as shares held by members of the directorates and senior managers etc.
- Government holdings: Shares held by the government or its subsidiaries.
- Strategic holdings: Shares held by strategic investors for long-term strategic interests.
- Employee share plans: Shares held by employee share plans.

2. Identification of Free Float

- (1) Restricted shares during the lock-in period are deemed as non-free float.
- (2) For non-restricted shares, if they belong to the four categories and the holdings of shareholders or persons acting in concert is larger than 5%, they will be defined as non-free float, and those smaller than 5% will be defined as free float.
- (3) Restricted shares after the lock-in period are treated the same way as non-restricted shares.

3. Information Source

What CSI uses to identify and calculate free float is all public information that are required to be disclosed by existing laws and regulations, which include:

- Prospectus and listing notice: Information of founders, strategic investors, frozen shares, employee holdings, senior executives holdings, etc are available.
- Periodic report: Information of founders, strategic investors, frozen shares, employee holdings, senior executives holdings and top ten shareholders, etc are available.
- Temporary reports: Shares change notice, acquisition notice, equity impawning notice, etc are available.

4. Adjustment of Free Float

CSI tracks the changes of free float shares timely and adjusts free float changes resulted from shareholder's behavior semi-annually. The adjustment will be effective on the next trading day after the close of the second Friday in June and December.

Appendix B: Definition

1. A shares –Securities of Chinese incorporated companies that trade on the Shanghai or Shenzhen stock exchanges, quoted in Chinese Renminbi (RMB).
2. B shares–Securities of Chinese incorporated companies that trade on the Shanghai Stock Exchange (quoted in US Dollars) or the Shenzhen Stock Exchange (quoted in Hong Kong Dollars – HKD).
3. H shares –Securities of companies incorporated in the PRC that list and trade on the Hong Kong Stock Exchange, quoted and traded in HKD.
4. ST stocks –ST stocks refer to stocks that are special treated by regulators for financial losses of continuous 2 years, etc. For example, the daily share price fluctuation of the ST stock should within 5%, etc.
5. *ST stocks –Stocks that are special treated to inform the potential delisting risks.
6. Adjusted price of ex-dividend and ex-right–The reference price issued by the exchanges on the ex-right (dividend) day which is used to remind investors that the internal value of the stocks have been diluted due to dividend or rights offering.

a) Dividend

Ex-dividend price=Closing price before ex-dividend day – Dividend per share

b) Bonus issue

$$\text{Ex-right price} = \frac{\text{Closing price before ex-bonus day}}{1 + \text{Bonus issue ratio}}$$

c) Rights issue

$$\text{Ex-right price} = \frac{\text{Closing price before ex-right issue day} \times \text{Right issue ratio}}{1 + \text{Right issue ratio}}$$

d) Stock split and stock consolidation

$$\text{Ex-right price} = \text{Closing price before ex-right day} \times \frac{\text{Old term}}{\text{New term}}$$

Appendix C: Examples for Index Calculation

3 stocks are selected as constituent stocks. The base period is the adjusted total market cap of 3 stocks on base day. The base index is 1000 points.

3 stocks are selected as constituent stocks. The base period is the adjusted total market cap of 3 stocks on base day. The base index is 1000 points.

✓ **No adjustment is required. Index is calculated as usual.**

Base Day

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	5	45,000
B	8,000	3,500	44%	50%	4,000	9	36,000
C	5,000	4,100	82%	100%	5,000	20	100,000
						Total Adjusted Market Cap	181,000

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
181,000	181,000	1000	1000

Day 1

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	5.1	45,900
B	8,000	3,500	44%	50%	4,000	9.05	36,200
C	5,000	4,100	82%	100%	5,000	19	95,000
						Total Adjusted Market Cap	177,100

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
177,100	181,000	1000	978.45

✓ **No index adjustment is required for dividend payment.**

Stock B distributes cash dividend: ¥0.50/share. Today is ex-dividend day. No adjustment is required.

Day 2

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap
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							(Yuan)
A	100,000	9,000	9%	9%	9,000	5.05	45,450
B	8,000	3,500	44%	50%	4,000	9.1	36,400
C	5,000	4,100	82%	100%	5,000	19.2	96,000
Total Adjusted Market Cap							177,850

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
177,850	181,000	1000	982.60

✓ Bonus issue

Stock B is to be traded ex-bonus for all shareholders at the ratio of 10 for 10 and the next day is ex-right day. Stock C is to be traded ex-right for all shareholders at the ratio of 3 for 10 at ¥18/share and it is to be suspended from trading the next day.

Ex-right price for stock B is $9.1/(1+1)=¥4.55$. Index adjustment is required.

Index Adjustment

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Ex-right Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	5.05	45,450
B	16,000	7,000	44%	50%	8,000	4.55	36,400
C	5,000	4,100	82%	100%	5,000	19.2	96,000
Total							177,850

		Adjusted Market Cap	
Total Adjusted Market Cap before Adjustment (Yuan)	Total Adjusted Market Cap after Adjustment (Yuan)	Old Divisor	New Divisor
(1)	(2)	(3)	(3) * (2) / (1)
177,850	177,850	181,000	181,000

Day 3

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	4.9	44,100
B	16,000	7,000	44%	50%	8,000	4.5	36,000
C	5,000	4,100	82%	100%	5,000	19.2	96,000
						Total Adjusted Market Cap	176,100

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
176,100	181,000	1000	972.93

✓ **Rights issue**

Stock A is going to issue 1000 shares the next day. Because the accumulated shares change of Stock A account for only 1%, it is unnecessary to adjust the index immediately. Stock B is going to be suspended from trading the next day. The rights offering of Stock C succeeds. Stock C is to resume trading the next day which is also the ex-right date of stock C. Ex-right price for stock C is $(19.2+18 \times 0.3) / (1+0.3) = \text{¥}18.923$.

Index Adjustment

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Ex-right Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	4.9	44,100
B	16,000	7,000	44%	50%	8,000	4.5	36,000
C	6,500	5,330	82%	100%	6,500	18.923	123,000
						Total Adjusted	203,100
Market Cap							

Total Adjusted Market Cap before Adjustment (Yuan)	Total Adjusted Market Cap after Adjustment (Yuan)	Old Divisor	New Divisor
(1)	(2)	(3)	(3) * (2) / (1)
176,100	203,100	181,000	208,751

Day 4

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	4.8	43,200
B	16,000	7,000	44%	50%	8,000	4.5	36,000
C	6,500	5,330	82%	100%	6,500	19.1	124,150
						Total Adjusted Market Cap	203,350

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
203,350	208,751	1000	974.13

✓ Secondary offering

Stock A is going to issue 7000 shares the next day. Because the accumulated shares change of Stock A are 1000+7000=8000 shares which account for 8%, it is necessary to adjust the index immediately. Stock B is to resume trading the next day.

Index Adjustment

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Ex-right Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	4.8	103,680
B	16,000	7,000	44%	50%	8,000	4.5	36,000
C	6,500	5,330	82%	100%	6,500	19.1	124,150
						Total Adjusted	263,830
						Market Cap	

Total Adjusted Market Cap before Adjustment (Yuan)	Total Adjusted Market Cap after Adjustment (Yuan)	Old Divisor	New Divisor
(1)	(2)	(3)	(3) * (2) / (1)
203,350	263,830	208,751	270,837

Day 5

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	4.85	104,760
B	16,000	7,000	44%	50%	8,000	4.6	36,800
C	6,500	5,330	82%	100%	6,500	19.1	124,150
						Total	265,710

Adjusted

Market Cap

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
265,710	270,837	1000	981.07

Day 6

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	4.8	103,680
B	16,000	7,000	44%	50%	8,000	4.65	37,200
C	6,500	5,330	82%	100%	6,500	19.5	126,750
						Total Adjusted	267,630
							Market Cap

Index Calculation

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

267,630	270,837	1000	988.16
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Stock C announces share changes and listing of right offerings: The total shares increases to 6470 and negotiable shares to 5300. Because the accumulated shares change of Stock C are 30 shares which account for 0.5%, it is unnecessary to adjust the index immediately. The next day is the listing date of the right offerings.

Day 7

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	4.9	105,840
B	16,000	7,000	44%	50%	8,000	4.6	36,800
C	6,500	5,330	82%	100%	6,500	19.6	127,400
						Total Adjusted	270,040
							Market Cap

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
270,040	270,837	1000	997.06

✓ Constituents adjustment

Stock B is acquired by stock C. Stock B is to be delisted the next day. Stock D

is the highest ranking stock on the reserve list.

Index Adjustment

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Ex-right Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	4.9	105,840
C	6,500	5,330	82%	100%	6,500	19.6	127,400
D	8,000	6,000	75%	80%	6,400	9.1	58,240
						Total Adjusted	291,480
						Market Cap	
Total Adjusted Market Cap before Adjustment (Yuan)				Total Adjusted Market Cap after Adjustment (Yuan)		Old Divisor	New Divisor
(1)				(2)		(3)	(3) * (2) / (1)
270,040				291,480		270,837	292,340

Day 8

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	5.1	110,160
C	6,500	5,330	82%	100%	6,500	20	130,000
D	8,000	6,000	75%	80%	6,400	9.5	60,800
						Total	300,960

Adjusted

Market Cap

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
300,960	292,340	1000	1029.49

✓ Dividend Payment and Bonus Issue

Stock C distributes cash dividend ¥1/share, and is to be traded ex-bonus for all shareholders at the ratio of 10 for 10. The next day is ex-right day.

Index Adjustment

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Ex-right Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	5.1	110,160
C	13,000	10,660	82%	100%	13,000	10	130,000
D	8,000	6,000	75%	80%	6,400	9.5	60,800
Total Adjusted Market Cap							300,960

Total Adjusted Market Cap before	Total Adjusted Market Cap after	Old Divisor	New Divisor
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Adjustment (Yuan)		Adjustment (Yuan)	
(1)	(2)	(3)	(3) * (2) / (1)
		292,34	
300,960	300,960	0	292,340

Day 9

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	5	108,000
C	13,000	10,660	82%	100%	13,000	9	117,000
D	8,000	6,000	75%	80%	6,400	10.5	67,200
						Total Adjusted	292,200

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
292,200	292,340	1000	999.52

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