

# **Statement of Principles for Index Construction and Management of China Securities Index Company Limited**

V1.0

December 2023

Version Number	Change time	Change scope
1.0	2023-12	Creation of “Statement of Principles for Index Construction and Management of China Securities Index Company Limited” .

These Principles are formulated and issued by China Securities Index Company Limited to regulate index construction and management, and ensure index operations. When encountering situations that are not covered by general index rules such as constituent adjustment rules, corporate events treatment rules, calculation rules and index methodology, or existing potential conflicts with the principles, priority should be given to these principles.

1. Indexes aim to reflect the overall performance of a specific market or a specific group of securities objectively. The index should have clear construction objectives and the objectives should be disclosed in the respective index methodology.
2. The index construction and management should illustrate its objectivity and fairness. Index construction rules are the fundamental basis for index construction and management and should be public, transparent, continuous and scientific as possible. Index construction rules should balance the representativeness and investability, to align with the index objectives. The process of index construction and management should follow the index construction rules.

Index construction rules should be revised and implemented at the right time to better align with the index objectives and can be easily understood by index users as possible. In the events of situations that are not covered by index construction rules, CSI will make decisions to maintain the vitality of the index after considering these principles in conjunction with the opinions of the index advisory committee, index users and other relevant parties.

3. The index representativeness includes, but not limit to: (1) index names should align with the index objectives. (2) indexes generally selects constituents from a predefined index universe. Index universes are determined by criteria such as security types, place of registration, listing time of securities etc.. They should be able to cover the market boards or certain groups of securities described in the index objectives. (3) within the index universe, constituents and their weights are determined by predetermined rules of sample selection and weighting calculation, to dynamically and effectively reflect the characteristics of the specific markets, groups of securities, or investment strategies described by index objectives.

4. The index investability includes, but is not limited to: (1) constituents should possess a certain level of trading liquidity regarding to trading volume, turnover rate etc.. Generally, the constituents should be tradable for replication and tracking. (2) indexes should possess a certain level of investment capacity; (3) constituents and their weights should minimize insignificant adjustments as possible; (4) constituents generally do not include securities under the following unusual circumstances: securities and their issuers have experienced or are obviously about to experience significant events that affect investability, and this impact will continually exist for a certain period; security issuers with significant ongoing operational capability uncertainty; security issuers with severe legal violations and other severe governance concerns.

5. Index should reflect the overall price performance of the index constituents objectively and continuously. The price used for index calculations should be the transaction prices from relatively active markets. When the above conditions cannot be obtained, after considering the opinions of index advisory committee, index users and other relevant parties, fair prices are further selected to objectively and authentically reflect the latest securities value or the price.

6. The representativeness and investability of indexes should be balanced when dealing with the corporate events. When formulating the treatment plan for complex corporate events, market opinions and specific event circumstances should be considered with the premise of ensuring the consistency and predictability as possible.
7. In the process of index construction and management, data used for sample screening, weighting and calculation should be based on reliable and publicly available sources as possible.

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# **Constituent Adjustment Rules for Equity Indices of China Securities Index Company Limited**

V1.0

December 2023

Version Number	Change time	Change scope
1.0	2023-12	Creation of “Constituent Adjustment Rules for Equity Indices of China Securities Index Company Limited”.

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## 1. Introduction

The “Constituent Adjustment Rules for Equity Indices of China Securities Index Company Limited” (hereinafter referred to as the “Constituent Adjustment Rules”) aims to explain the rules followed by China Securities Index Company Limited (hereinafter referred to as “CSI”) during the periodical or temporary adjustment of equity indices. The main objective is to maintain the representativeness and investability of the indices, while also taking into account the stability of the indices.

The “Constituent Adjustment Rules” is in principle applicable to the domestic and overseas equity indices managed by CSI. When there are other instructions on the treatment rules in the index methodology, the rules stated in the methodology shall prevail. For other special circumstances not covered by the “Constituent Adjustment Rules”, CSI will determine the appropriate treatment methods according to the “Statement of Principles for Index Methodology and Management of China Securities Index Company Limited”.

## 2. Index Periodical Adjustment

### 2.1 Effective Date of Periodical Adjustments

The index constituents are adjusted periodically based on a pre-determined schedule, with commonly used cycles being annual, semi-annual, and quarterly, as detailed in the index methodology.

Annual periodical adjustment: Unless otherwise stated in the index methodology, the periodical adjustment in principle becomes effective on the next trading day after the second Friday of June or December each year.

Semi-annual periodical adjustment: Unless otherwise stated in the index methodology, the periodical adjustment in principle becomes effective on the next trading day after the second Friday of June and December each year.

Quarterly periodical adjustment: Unless otherwise stated in the index methodology, the periodical adjustment in principle becomes effective on the next trading day after the second Friday of March, June, September and December each year.

### 2.2 Data Cut-off Date of Periodical Adjustments

Among the basic data required for periodical adjustment of stock indices, a general data cut-off date is in principle adopted for the basic data. Generally, the general data cut-off date for indices

with commonly used periodical adjustment cycles is the last natural day of the second natural month before the effective date of the periodical adjustment.

The data applicable to the general data cut-off date includes but is not limited to: daily average trading volume, daily average market cap, cut-off date market cap, dividend data, etc. For newly added data that affects the representativeness and investability of the index after the data cut-off date, CSI will determine appropriate treatment methods based on index rules, including but not limited to: risk warning, compulsory delisting for trading reasons, and securities violation data, etc.

The periodical adjustment in June of each year generally uses the annual review results of the CSI Industry Classification, while the periodical adjustments in March, September, and December generally use the CSI Industry Classification results of the general data cut-off date.

The Stock Connect list shall be based on the latest list disclosed by the exchanges as of the fifth trading day before the effective date of the periodical adjustment. In principle, adjustments to the Stock Connect list that do not meet the above conditions will be processed in the next adjustment.

## **2.3 Equity Universe Eligibility Criteria**

### **2.3.1 Listing Time Requirement**

To avoid significant price fluctuations of newly listed securities affecting index stability and characterization functions, newly listed securities generally need to satisfy the listing time requirements, among which some securities that meet certain conditions may be exempt from listing time requirements. The specifics are detailed in the index methodology. For example, the index universe may require the security to be listed for more than a quarter, unless the security has ranked in the top 30 in terms of daily average market cap since listing.

### **2.3.2 Financial Reporting Requirement**

During the periodical adjustment, securities listed on Shanghai, Shenzhen, and Beijing Stock Exchanges of companies failing to disclose their semi-annual or audited annual reports within the statutory period, or whose accounting report for the recent fiscal year have been presented with disclaimer of opinion or adverse opinion, are in principle not eligible for index universe.

### **2.3.3 Treatment of Risk Warning Securities**

During the periodical adjustment, securities that have been issued a risk warning by Shanghai, Shenzhen, and Beijing Stock Exchanges or whose risk warnings have been removed for less than three months as of the data cut-off date are in principle not eligible for index universe.

### 2.3.4 Treatment of Proposed Delisting Securities

During the periodical adjustment, securities involving compulsory delisting for trading reasons or those that have disclosed the announcement of termination of listing or similar announcements are in principle not eligible for index universe.

## 2.4 Periodical Adjustment Rules

### 2.4.1 Adjustment Proportion Limit

During the periodical adjustment, to effectively reduce the turnover rate of index constituents, some indices set an adjustment proportion limit. In principle, the number of constituents to be adjusted should not exceed this set ratio and the specifics are detailed in the index methodology. The maximum number of constituents to be adjusted generally depends on the number of constituents of the index on the disclosure date of the periodical adjustment results.

### 2.4.2 Buffer Zone

During the periodical adjustment, to effectively reduce the turnover rate of index constituents, some indices adopt buffer zone rules and the specifics are detailed in the index methodology. For example, if the total number of index constituents is  $X$  and the buffer zone ratio is  $Y\%$ , new candidates ranked equal to or less than  $X(1-Y\%)$  will be prioritized for inclusion, while existing constituents ranked equal to or less than  $X(1+Y\%)$  will be prioritized for retention.

### 2.4.3 Reserve List

To enhance the predictability and transparency of temporary adjustments, some indices establish a reserve list to be used for temporary adjustments between periodical adjustments. The reserve list is generated according to the index methodology during every periodical adjustment and shall take effect immediately after the disclosure of the periodical adjustment results.

When the index has constituent vacancies due to reasons such as delisting or merger, or there is a need to temporarily replace constituents for other reasons, securities that comply with the index methodology and are ranked at the top of the reserve list are selected as constituents. If there is a temporary adjustment of the index constituents between the disclosure date and the effective date of the periodical adjustment results, the constituents are supplemented based on the constituents proposed to be effective and the reserve list. When over half of the securities on the reserve list have been used, CSI will promptly supplement a new reserve list. The new reserve list will be supplemented in order from the constituent selection results of the previous

periodical adjustment, according to the index methodology, to meet the required number of securities for the reserve list.

#### 2.4.4 Suspension

During the periodical adjustment, for indices subject to suspension rules:

**For index constituents, generally:**

Constituents that have been consecutively suspended from trading for more than 25 trading days and have not resumed trading by the data cut-off date of the periodical adjustment, if listed on the candidate deletion list, will be listed as priority deletion securities in principle.

**For non-constituent securities, generally:**

Securities that are under suspension on the disclosure date of periodical adjustment results and without clear expectation about trading resumption, or even if there is a clear expectation about trading resumption but the earliest expected resumption date is on or after the effective date of the index periodical adjustment, will not be able to be selected as candidate new additions in principle.

Securities that have been consecutively suspended for more than 25 trading days during the data period used for the index periodical adjustment can be included in the indices only if they have been resumed trading for at least 3 months.

For new additions suspended between the disclosure date of periodical adjustment results and the effective date of index periodical adjustment, CSI will decide whether to adjust the additions or not.

#### 2.4.5 Financial Losses

During the periodical adjustment, for indices subject to financial losses treatment rules, except for securities listed on the Science and Technology Innovation Board, securities listed on Shanghai, Shenzhen, and Beijing Stock Exchanges suffering financial losses are, in principle, not considered for inclusion as new constituents, unless the security impacts the index's representativeness.

#### 2.4.6 Risk Warning

During the periodical adjustment, securities listed on Shanghai, Shenzhen, and Beijing Stock Exchanges that are likely to be issued a risk warning are in principle not included as index constituents.

#### 2.4.7 Violations

During the periodical adjustment, for securities listed on Shanghai, Shenzhen, and Beijing

Exchanges of the companies that have violated the regulations such as being investigated by the China Securities Regulatory Commission or publicly denounced by Shanghai, Shenzhen, and Beijing Stock Exchanges during the year prior to the data cut-off date for periodical adjustment or between the data cut-off date and the disclosure date of the periodical adjustment results, they are, in principle, not considered for new inclusion, or prioritized for deletion if they are candidates for deletion.

#### **2.4.8 Weight Rebalancing**

Generally, for the index whose periodical adjustments take effect on the next trading day of the second Friday of March, June, September, and December every year, weight rebalancing is carried out using the prices after the close of the fifth trading day before the effective date and the number s of shares in issue proposed to be effective on the effective date.

#### **2.4.9 Deletion Price**

In principle, the most recent closing price is used to delete index constituents. When a decision is made to delete a constituent from the index, if the security has been suspended due to significant negative events, it is generally deleted at the system's lowest price (0.00001 CNY).

### **3. Index Temporary Adjustments**

Outside of the periodical adjustments, the eligibility of index constituents continues to be influenced by events, including but not limited to: corporate events such as mergers and acquisitions, spin-offs, suspensions, risk warnings, delistings, bankruptcies, and other situations such as fast entries, industry classification changes, adjustments to the Stock Connect list, ESG rating changes, etc. When the temporary adjustment of the index constituents is close to the next effective date of periodical adjustment, it is implemented together with the next periodical adjustment in principle.

The specific types and relevant treatment rules of corporate events are detailed in the “Corporate Events Treatment Rules for Equity Indices of China Securities Index Company Limited”. The treatment rules for other situations that may cause temporary adjustments to the index constituents can be found in the following text.

#### **3.1 Fast Entry**

To timely enhance the representativeness of the index, some indices set up fast entry rules for newly listed securities with large market capitalization, as detailed in the index methodology. If a newly listed security meets the conditions for fast entry into the index, but the time from listing

date to the next effective date of periodical adjustment is less than 20 trading days, the fast entry will be implemented together with the periodical adjustment.

For the SSE Composite Index (000001) and some other indices, if an IPO satisfies the requirements of index universe, and its daily average market cap ranks top 10 in the market by comparing the daily average market cap of an IPO in the range from the sixth trading day after listing (including the sixth trading day) to two weeks prior to the day of three-month listing with the daily average market cap of all the securities in the same time range, it shall be added in after three months of listing.

### **3.2 Industry Classification Change**

For indices that apply the industry classification change temporary adjustment rules in the index methodology, when the industry classifications of the index constituents or those of the parent index constituents change, the index constituents will be adjusted accordingly, which is detailed in the index methodology. These adjustments generally take effect on the next trading day of the second Friday of each month. The reference is based on industry classification data as of the last trading day of the previous month.

### **3.3 Adjustment to the Stock Connect List**

For indices that apply the Stock Connect temporary adjustment rules in the index methodology, for indices that include all securities within the scope of Shanghai Stock Connect, Shenzhen Stock Connect or Hong Kong Stock Connect, these indices and their corresponding sector indices adjust their constituents each month according to changes in the scope of Shanghai Stock Connect, Shenzhen Stock Connect, or Hong Kong Stock Connect; for other types of indices, when changes in the scope of Shanghai Stock Connect, Shenzhen Stock Connect or Hong Kong Stock Connect cause the constituent to no longer meet the Stock Connect eligibility, it will be removed from the index constituents. These adjustments generally take effect on the next trading day of the second Friday of each month. The reference is based on the Stock Connect list as of the third trading day before the effective date.

### **3.4 ESG Rating Change**

For indices that apply the ESG rating change temporary adjustment rules in the index methodology, when an index constituent's ESG rating changes causing it to no longer meet the ESG rating requirements, it will be removed from the index constituents. These adjustments generally take effect on the next trading day of the second Friday of each month. The reference is based on ESG rating data as of the last trading day of the previous month.

### **3.5 Weight Balancing**

For indices with weight restrictions, when a temporary constituent adjustment occurs, weight rebalancing is generally carried out after the close of the third trading day before the effective date of the temporary adjustment. For Shanghai, Shenzhen, and Beijing market indices that adopt weight inheritance for weight rebalancing, new constituents in principle inherit the closing weight of the removed securities on the last trading day before adjustment, and the weight factors of the new constituents are calculated based on this.

### **3.6 Deletion Price**

In principle, the most recent closing price is used to delete index constituents. When a decision is made to delete a constituent from the index, if the security has been suspended due to significant negative events, it is generally deleted at the system's lowest price (0.00001 CNY).

### **3.7 Other Special Cases**

Except for indices that set up a reserve list or otherwise specified in the index methodology, when the index has vacancies due to various temporary adjustment situations, the index constituents are not supplemented in principle.

## Appendix A: Glossary of Terms

Key Term	Definition
Daily Average Market Cap	The arithmetic mean of the daily market capitalization of a security over a certain period of time (excluding the suspension days and data from the first five trading days after the listing of newly listed securities).
Daily Average Trading Volume	The arithmetic mean of the daily trading volume of a security over a certain period of time (excluding the suspension days and data from the first five trading days after the listing of newly listed securities).
Parent Index	An index that serves as the index universe for a certain index is the parent index of that index.
Security	Stocks of listed companies, depositary receipts, and real estate investment trusts (REITs).
Shanghai, Shenzhen and Beijing	Refers to the Shanghai Stock Exchange, Shenzhen Stock Exchange, and Beijing Stock Exchange.
Weight Inheritance	When a temporary adjustment to the constituents occurs, the weight of the new constituent inherits the weight of the removed security in its index.
Weight Rebalancing	For indices with weight restrictions, when a temporary adjustment to the constituents occurs, the weights and weight factors of the index constituents are generally recalculated before the effective date of the temporary adjustment.

## Appendix B: Summary of Methodology Changes

Adjustments	Effective Date	Before the Adjustment	After the Adjustment
Creation of Constituents Review Methodology for Equity Indices	2023-12	"Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited"	The new "Constituent Adjustment Rules for Equity Indices by China Security Index Company Limited" is established, and the original "Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited" is no longer in use.

## Disclaimer

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This document is subject to change from time to time without notice. Every effort is made to ensure the accuracy of the contents, but CSI makes no warranty or representation as to the accuracy, completeness or reliability of any of the contents contained herein and accepts no liability whatsoever to any person for any damages or loss of any nature arising from or as a result of reliance on any of the contents, or any errors or omission in the contents.

# **Corporate Events Treatment Rules for Equity Indices of China Securities Index Company Limited**

V1.0

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1.0	2023-12	Creation of “Corporate Events Treatment Rules for Equity Indices of China Securities Index Company Limited”.

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## 1. Introduction

The “Corporate Events Treatment Rules for Equity Indices of China Securities Index Company Limited” (hereinafter referred to as the “Corporate Events Treatment Rules”) aims to outline the rules followed by China Securities Index Company Limited (hereinafter referred to as “CSI”) in treating corporate events in the equity indices it manages. When treating corporate events involving index constituents, the following principles should be followed: i) The treatment of corporate events should reflect the impact of the events on the index constituents and comply with the requirements of the index methodology, keeping balance between representativeness and investability of the indices. ii) The treatment of corporate events should try to minimize the trading activities conducted by index users to track the indices, keeping the stability of the indices. iii) The treatment of the corporate events should try to maintain consistency, improving the predictability of the treatment of the corporate events.

The “Corporate Events Treatment Rules” is in principle applicable to the domestic and overseas equity indices managed by CSI. When there are other instructions on the treatment rules in the index methodology, the rules stated in the index methodology shall prevail. For other special circumstances not covered by the “Corporate Events Treatment Rules” or more complex corporate events, CSI will determine the appropriate treatment methods based on the “Statement of Principles for Index Methodology and Management of China Securities Index Company Limited”.

## 2. Corporate Events Treatment Rules

Corporate events include events that affect the basic situation or trading status of securities, such as new listing, suspension, risk warning, delisting, bankruptcy, transfer of listing, etc., asset restructuring events such as mergers and acquisitions, spin-off, etc., as well as events that cause changes in security prices or numbers of shares<sup>1</sup>, such as cash dividend, stock dividend, secondary offering, etc.

### 2.1 New Listing

During the periodical adjustment periods, to avoid significant price fluctuations of newly listed securities affecting index stability and characterization functions, newly listed securities generally need to satisfy the listing time requirements, among which some securities that meet certain conditions may be exempt from listing time requirements. The specifics are detailed in the index

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<sup>1</sup> “Shares” refers to “Shares in Issue”, similarly hereinafter.

methodology.

Outside of the periodical adjustment periods, to timely enhance the representativeness of the indices, some indices set up fast entry rules for newly listed securities with large market capitalization, as detailed in the index methodology.

## 2.2 Mergers and Acquisitions

For constituent adjustment caused by mergers, the treatment rules are as follows:

**A constituent company merges with another constituent company.** When a constituent company merges with another constituent company, the security of the resulting new company shall retain in the index in principle. Meanwhile, it will be decided whether to fill the constituent vacancy left by the merged company based on the index methodology.

**A constituent company merges with a non-constituent company.** When a constituent company merges with a non-constituent company, the security of the resulting new company shall retain in the index in principle.

**A non-constituent company merges with a constituent company.** When a non-constituent company merges with a constituent company, the security of the resulting new company shall be added to the index in principle. In special circumstances, if the security of the resulting new company doesn't meet some of the specific requirements of the index methodology, the security of the resulting new company shall not be added to the index, and it will be decided whether to fill the constituent vacancy left by the merged company based on the index methodology.

**A non-constituent company merges with another non-constituent company.** When a non-constituent company merges with another non-constituent company, if the security of the resulting new company meets the fast entry rule requirements, it shall be added to the index according to the fast entry rule.

## 2.3 Spin-off

When a constituent company is spun off so as to form two or more companies, CSI will decide whether to include the securities of the resulting companies in the indices, taking into account the listing time of the securities of the resulting companies and the actual circumstances of the spin-off event.

## 2.4 Suspension

For constituent adjustment caused by suspension of trading of Shanghai, Shenzhen, and Beijing securities, the treatment rules are as follows:

**During the periodical adjustment periods, generally:**

**For index constituents:**

Constituents that have been consecutively suspended from trading for more than 25 trading days and have not resumed trading by the data cut-off date of the periodical adjustment, if listed on the candidate deletion list, will be listed as priority deletion securities in principle.

**For non-constituent securities:**

Securities that are under suspension on the disclosure date of the periodical adjustment results and without clear expectation about trading resumption, or even if there is a clear expectation about trading resumption but the earliest expected resumption date is on or after the effective date of the index periodical adjustment, will not be able to be selected as candidate new additions in principle.

Securities that have been consecutively suspended for more than 25 trading days during the data period used for the index periodical adjustment can be included in the indices only if they have been resumed trading for at least 3 months.

For new additions suspended between the disclosure date of the periodical adjustment results and the effective date of the index periodical adjustment, CSI will decide whether to adjust the additions or not.

**Outside of the periodical adjustment periods,** when the security of a constituent company is suspended from trading, CSI shall determine whether to remove it from the index based on its suspension reasons.

## **2.5 Risk Warning**

For constituent adjustment caused by the implementation of risk warning of Shanghai, Shenzhen, and Beijing securities, the treatment rules are as follows:

During the periodical adjustment periods, the securities that have been issued a risk warning by Shanghai, Shenzhen or Beijing Stock Exchanges or whose risk warnings have been removed for less than 3 months as of the data cut-off date are in principle not eligible for the index universe. Unless it is otherwise specified in the index methodology regarding the index universe, the rules stated in the index methodology shall prevail.

Outside of the periodical adjustment periods, generally, constituents which are under risk warning status or will enter risk warning status will be removed from the indices on the next trading day after the second Friday of every month.

## **2.6 Delisting**

During the periodical adjustment periods, securities involving compulsory delisting for trading reasons or those that have disclosed the announcement of termination of listing or similar announcements are in principle not eligible for index universe.

Outside of the periodical adjustment periods, constituents that have already disclosed the announcement of termination of listing or similar announcements should be removed from the indices as soon as possible, and whether the vacancy should be filled shall depend on the index methodology.

## **2.7 Bankruptcy**

If a constituent company files for bankruptcy or is adjudged bankrupt, it shall be removed from the index, and whether the vacancy should be filled shall depend on the index methodology.

## **2.8 Transfer of Listing**

For transfer of listing between different stock exchanges, in principle, the security before the transfer is treated as delisting, and the security after the transfer is treated as a new listing. For transfer of listing within the same stock exchange, the specific treatment shall depend on the rules stated in the index methodology.

## **2.9 Ex-right and Ex-dividend Corporate Events**

Ex-right and ex-dividend corporate events mainly refer to corporate events requiring price adjustments, including events that cause changes in security prices such as cash dividend, and events that cause simultaneous changes in security prices and numbers of shares such as stock dividend, rights issue, stock split and stock consolidation, etc.

For these types of corporate events, they generally take effect immediately on the ex-right date or ex-dividend date.

Detailed explanations and treatment for each type of corporate event are as follows:

Event Type	Treatment
Cash Dividend	<p>Dividends are distributed to shareholders in cash on a pro rata basis. The security price on the ex-dividend date needs to be adjusted accordingly.</p> $\text{Ex-dividend price} = \text{Closing price before ex-dividend date} - \text{Dividend per share}$ <p>In cases of currency conversion involved in cash dividend, unless otherwise stated, the exchange rate shall be sourced from the data providers as designated by CSI from time to time.</p>
Stock Dividend (Bonus Issue)	<p>The company's shares are presented to shareholders on a pro rata basis. The security price and number of shares on the ex-right date need to be adjusted accordingly.</p> $\text{Ex-right price} = \frac{\text{Closing price before ex-right date}}{1 + \text{bonus issue ratio}}$
Cash Dividend & Stock Dividend	<p>Cash dividends are distributed to shareholders on a pro rata basis, and simultaneously the company's shares are presented to shareholders on a pro rata basis. See above for the adjustment to Ex-dividend price and Ex-right price.</p> $\text{Ex-right \& Ex-dividend price} = \frac{\text{Closing price before ex-right and ex-dividend date} - \text{Dividend per share}}{1 + \text{bonus issue ratio}}$
Stock Split or Stock Consolidation	<p>The shares held by the existing shareholders are split or consolidated on a pro-rata basis. The security price and number of shares on the ex-right date need to be adjusted accordingly.</p> $\text{Ex-right price} = \frac{\text{Closing price before ex-right date}}{\text{Total number of shares in issue before ex-right date} \div \text{Total number of shares in issue on ex-right date}}$
Rights Issue	<p>A financing process in which a certain number of additional shares are offered to the existing shareholders at a specific price in proportion to their existing holdings. The security price and number of shares on the ex-right date need to be adjusted accordingly. CSI will generally make adjustment to the ex-right price according to the proposed rights issue ratio, based on the announcement of the rights issue of the listed company.</p> $\text{Ex-right price} = \frac{\text{Closing price before ex-right date} + \text{Rights issue price} \times \text{rights issue ratio}}{1 + \text{Rights issue ratio}}$

## 2.10 Other Corporate Events Causing Changes in Numbers of Shares

In addition to ex-right corporate events such as stock dividend, rights issue, stock split and stock consolidation, changes in numbers of shares may also be caused by other corporate events, such as secondary offering, debt-to-equity swap, exercise of warrants, etc. These types of corporate

events generally only require adjustments to numbers of shares, and do not require price adjustments.

For these types of corporate events, CSI applies a principle of concentrated implementation, and make temporary adjustments or periodical adjustments based on the change of the total numbers of shares.

When such corporate events cause an accumulated change of the total numbers of shares reaching or exceeding 5%, a temporary adjustment shall be made to constituents' total numbers of shares. Usually, the effective date of the temporary adjustment shall be two trading days later than the listing date of new shares disclosed in the announcement made by the listed company when the accumulated change of the total numbers of shares reaches or exceeds 5% (If the announcement day is later than the listing date of new shares, the next trading day after the announcement date shall be regarded as the listing date of new shares).

When such corporate events cause an accumulated change of the total number of shares of less than 5%, the changes in the total numbers of shares will be implemented at the time of periodical adjustment. The effective date of the periodical adjustment of number of shares shall be the next trading day of the second Friday of June and December each year.

The detailed explanations and treatment for each type of corporate event are as follows:

Event Type	Treatment
Expiry of Lock-up Period for Restricted Shares	Restricted shares may be freely traded on the secondary market when the lock-up period expires. The restricted shares shall be deemed as non-free float within the lock-up period; The treatment of restricted shares after the lock-up period is the same as that of non-restricted shares, but its effect on free float will be reflected in periodical adjustments. It is noted that the shares on the day of ban-lifting shall remain unchanged.
Secondary Offering	Secondary offering is the financing of issuing additional shares to specific investors (such as major shareholders or institutional investors) or to all investors. If the accumulated change of total number of shares caused by the secondary offering reaches or exceeds 5%, the number of shares shall be temporarily adjusted; otherwise it shall be subject to periodical adjustment.
Share Cancellation	The listed company buys back a certain amount of its outstanding shares from the secondary market in cash or other assets and then cancels the repurchased shares. If the accumulated change of total number of shares caused by the share cancellation reaches or exceeds 5%, the number of shares shall be temporarily adjusted; otherwise it shall be subject to periodical adjustment.
Over-allotment	The over-allotment option, also known as the "green shoe", is an option granted by the issuer to the lead underwriter which allows the lead underwriter to oversell up to 15% shares of the original offering size at the same offering price, meaning that the lead underwriter can issue up to 115% shares of the original size to the investors. If the accumulated change of total number of shares caused by over-allotment reaches or exceeds 5%, the number of shares shall be temporarily adjusted; otherwise it shall be subject to periodical adjustment.
Debt-to-Equity	The bond holder may exchange the bond for the common security in the same

Swap	<p>listed company at the predetermined price at the time of issuance.</p> <p>If the accumulated change of total number of shares caused by debt-to-equity swap reaches or exceeds 5%, the number of shares shall be temporarily adjusted; otherwise it shall be subject to periodical adjustment.</p>
Exercise of Warrants	<p>An option contract offers the holder the right to buy the underlying securities at an agreed price and at the agreed time.</p> <p>If the accumulated change of total number of shares caused by exercise of warrants reaches or exceeds 5%, the number of shares shall be adjusted temporarily; otherwise it shall be subject to periodical adjustment.</p>
Scrip Dividend	<p>A listed company gives investors the option of either directly receiving cash dividends or using cash dividends to buy newly issued shares at market prices.</p> <p>CSI treats this event in accordance with regular dividend on the ex-dividend date of constituents, and completes the difference adjustment of shares after the announcement of scrip dividend. If the accumulated change of total number of shares caused by scrip dividend reaches or exceeds 5%, the number of shares shall be temporarily adjusted; otherwise it shall be subject to periodical adjustment.</p>
Other Changes of Number of Shares	<p>When other events that only cause changes in the number of shares but do not affect security prices occur, which are not included in the types of events mentioned above, they are treated as "Other Changes of Number of Shares".</p> <p>If the accumulated change of total number of shares caused by such events reaches or exceeds 5%, the number of shares shall be temporarily adjusted; otherwise it shall be subject to periodical adjustment.</p>

## Appendix A: Glossary of Terms

Key Term	Definition
Effective Date of the Index Adjustment	The date on which the index periodical or temporary index adjustments officially take effect.
Disclosure Date of the Index Adjustment Results	The date on which the results of the index periodical or temporary adjustments are disclosed to the public.
Shanghai, Shenzhen and Beijing	Refers to the Shanghai Stock Exchange, Shenzhen Stock Exchange, and Beijing Stock Exchange.

## Appendix B: Summary of Methodology Changes

Adjustments	Effective Date	Before the Adjustment	After the Adjustment
Creation of Corporate Events Treatment Rules	2023-12	“Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited”	The new “Corporate Events Treatment Rules for Equity Indices of China Securities Index Company Limited” is established, and the original “Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited” is no longer in use.

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# **Calculation Rules for Equity Indices of China Securities Index Company Limited**

V1.0

December 2023

Version Number	Change Time	Change Scope
1.0	2023-12	Creation of “Calculation Rules for Equity Indices of China Securities Index Company Limited”.

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## 1. Introduction

The “Calculation Rules for Equity Indices of China Securities Index Company Limited” (hereinafter referred to as “Calculation Rules”) aims to explain the rules followed by China Securities Index Company Limited (hereinafter referred to as “CSI”) in calculating equity indices, mainly including index calculation and index divisor adjustments.

The “Calculation Rules” is in principle applicable to the domestic and overseas equity indices managed by CSI. When there are other instructions on the calculation rules in the index methodology, the rules stated in the index methodology shall prevail. For other special circumstances not covered by the “Calculation Rules”, CSI will determine the appropriate treatment methods according to the “Statement of Principles for Index Methodology and Management of China Securities Index Company Limited”.

## 2. Index Calculation

Index calculation includes both closing calculation and real-time calculation. Index calculation is based on the trading data and fundamental information. All the data are objectively available or can be obtained through arms-length transactions.

### 2.1 Index Calculation Formula

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

$$\text{Price Index}_t = \frac{\text{Index adjusted Market Cap}_t}{\text{Divisor}_t} \times \text{Base Value}$$

In which,

$$\text{Index Adjusted Market Cap}_t =$$

$$\sum_i (\text{Constituent Price}_{i,t} \times \text{Adjusted Shares}_{i,t} \times \text{Weight factor}_{i,t} \times \text{Exchange Rate}_{i,t})$$

Adjusted Shares is obtained by adjusting total number of shares of constituents using category-weighted method. Hence, the calculation of adjusted shares of constituents depends on free float and category-weighted method. Detailed contents of free float and category-weighted method could be found in the “Free Float Rules for Equity Indices of China Securities Index Company Limited”. The adjusted free float market cap is calculated by multiplying the security

price and adjusted shares. If there are other instructions on adjusted market cap or adjusted shares in the index methodology, the rules in the index methodology shall prevail.

The weight factor is between 0 and 1, which is calculated from the ratio of the weight to the adjusted free float market value. Unless specified, the weight factor and exchange rate are both 1. If there are other instructions on the calculation formula in the index methodology, the rules in the index methodology shall prevail.

If the index is weighted by free float adjusted market cap and the weight of each constituent is capped at X, the weight of the constituent whose initial weight exceeds X is adjusted to X, and the remaining constituents are allocated the remaining weight according to the free float adjusted market cap ratio. If the weight of remaining constituents exceeds X, then repeat the above steps.

In the situation that the index is weighted by free float market cap, the weight of each constituent is capped at X, and the total weight of top N constituents is capped at Y. If the weight of top N constituents does not exceed Y, the weight restriction is referred to X for each constituent. Otherwise, the total weight of the top N constituents is set to Y, and the weights of the top N constituents are allocated according to the adjusted free float market cap ratio. The weight of the constituent with weights exceeding X after the distribution are adjusted to X, and the top N constituents are distributed the remaining weight based on the free float adjusted market cap. If there are still constituent weights that exceed X after reallocation, repeat the above steps. The total weight of constituents other than the top N 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 N<sup>th</sup> largest constituent.

When there occur changes of the index constituent or the share structure, or constituents' market value changes due to non-trading reasons, the Divisor Adjustment Methodology is used to adjust the original divisor to ensure the continuity of the index. For further details, please see Chapter 3 of "Index Divisor Adjustment".

## **2.2 Index Real-time and Closing Calculation**

For index real-time calculation, the real-time trading prices of constituents come from stock exchange trading systems such as the Shanghai Stock Exchange, the Shenzhen Stock Exchange, or from data providers designated by CSI from time to time.

The general practice is to calculate the index using real-time quotes published by the stock exchanges during trading hours (using the opening reference price provided by the trading system if there's no transaction or the opening reference price maintained by CSI), and release it in real time. The calculation price (X) of each constituent is determined based on the following principles:

**If there is no transaction on the day, then X = opening reference price**

**If there is a transaction on the day, then X = latest transaction price**

The closing calculation of the index comes from the trading quote systems of the Shanghai Stock Exchange, Shenzhen Stock Exchange, or other exchanges, or from the trading quotes provided by data suppliers designated by the China Securities Index from time to time.

When abnormal situations occur in the exchange's quotation system or with the data supplier, or when trading is suspended, CSI will determine the appropriate treatment methods depending on the situation.

## 2.3 Total Return Index and Net Return Index

CSI calculates total return indices and net total return indices for some CSI indices to satisfy investors' needs.

The total return indices and net total return indices are derived indices from the price index. Their difference with the price index is that the calculation of total return index and net total return index takes the reinvestment income of constituents' before-tax and after-tax cash dividends into consideration. When the constituent company distributes cash dividends, the total return index and net total return index shall not fall naturally, which enables investors to measure index performance from different aspects.

The calculation formulas for the total return index and net return index are as follows:

**Total return index (TRI):**

$$\text{Total Return Index}_t = \text{Total Return Index}_{t-1} \times \frac{\sum_i (\text{Constituent Price}_{i,t} \times \text{Adjusted Shares}_{i,t} \times \text{Weight Factor}_{i,t} \times \text{Exchange Rate}_{i,t})}{\sum_i (\text{Constituent Opening Reference Price}_{i,t} \times \text{Adjusted Shares}_{i,t} \times \text{Weight Factor}_{i,t} \times \text{Exchange Rate}_{i,t-1})}$$

T represents any trading day, t-1 represents the previous trading day of t, and the Opening Reference Price refers to the opening reference price adjusted on the same day in accordance with corporate events (such as cash dividends).

**Net total return index (NTRI):**

$$\text{Net Total Return Index}_t = \text{Net Total Return Index}_{t-1} \times \frac{\sum_i (\text{Constituent Price}_{i,t} \times \text{Adjusted Shares}_{i,t} \times \text{Weight Factor}_{i,t} \times \text{Exchange Rate}_{i,t})}{\sum_i (\text{Constituent Opening Reference Net Price}_{i,t} \times \text{Adjusted Shares}_{i,t} \times \text{Weight Factor}_{i,t} \times \text{Exchange Rate}_{i,t-1})}$$

T represents any trading day, t-1 represents the previous trading day of t, and the Opening Reference Net Price refers to the adjusted after-tax opening reference price on that day based on corporate events (such as cash dividends), with the securities tax rate for Shanghai, Shenzhen,

Beijing, and Hong Kong generally set at 10%.

## 2.4 Exchange Rates for Index Calculation

Unless otherwise stated, exchange rate refers to the exchange rate sourced from the data providers as designated by CSI from time to time. The real-time exchange rate is generally used to calculate the real-time index; the exchange rate at index closing time or the designated time is used to calculate the closing index.

The exchange rate of RMB in index calculation will normally use on shore exchange rate (CNY). If other exchange rate of RMB is used in index calculation, such as CNH, CSI will mark this in the index methodology. The prices of B shares in the constituents of the SSE Composite Index (000001) and the SSE Sector Indices (000004-000008) are converted into CNY using the applicable exchange rate (USD/CNY Central Parity Rate on the last trading day of each week published by China Foreign Exchange Trade System).

## 2.5 Index Publication Frequency

**Real-time index calculation and publication:** The update frequency of the index is determined by the specifications of the INDEXPRESS, exchanges, or other third-party market data publishing systems.

**Closing index calculation and publication:** The index is published daily on each trading day.

## 3. Index Divisor Adjustment

To ensure the continuity of the index, when there occur changes of the index constituent or the share structure, or constituents' market value changes due to non-trading reasons, the index will adjust the original divisor using the Divisor Adjustment Methodology after the close on the previous trading day of the effective date.

### 3.1 Divisor Adjustment Formula

$$\text{Divisor}_t = \frac{\text{Index Adjusted Market Cap After Adjustment}_{t-1}}{\text{Index Adjusted Market Cap}_{t-1}} \times \text{Divisor}_{t-1}$$

Within this formula,

$$\text{Index Adjusted Market Cap After Adjustment}_{t-1} =$$

$$\sum_i (\text{Adjusted Ex - right Price or Closing Price}_{i, t-1} \times \text{Adjusted Shares}_{i,t} \times \text{Weight Factor}_{i, t} \times \text{Exchange Rate}_{i, t-1})$$

The divisor for day  $t$  derived from this formula shall be used for the future index calculation. Examples are illustrated in Appendix A.

## 3.2 Situations Requiring Divisor Adjustment

### 3.2.1 Corporate Events that may Affect the Price of Constituents

**Ex-Dividend:** When any constituent goes ex-dividend (dividend payment), the divisor of the price index is not adjusted and the price index's natural fall shall not be interfered.

**Ex-Right:** If the stock dividend, rights issue, stock split or stock consolidation occurs, the index divisor shall be adjusted the day before the ex-right day. Calculation of Adjusted Market Cap is based on new shares and prices.

### 3.2.2 Other Corporate Events that Affect the Number of Shares of Constituents

In the situation that the accumulated change in the total number of shares of constituents due to other corporate events (e.g. secondary offering, debt-to-equity swap and exercise of warrants) reaches or exceeds 5%, the index divisor is subject to temporary adjustment and shall be adjusted after the close of the trading day before the effective date of change of the number of shares of the index constituents.

Where the accumulated change in the total number of shares of constituents due to other corporate events is less than 5%, it is adjusted periodically semi-annually. The adjustment takes effect on the trading day of the second Friday of June and December each year, and the index divisor shall be adjusted after the close of the trading day before the effective date of the periodical adjustment.

### 3.2.3 Constituents adjustment

When there's a periodical or temporary adjustment in the index constituents, the index divisor shall be adjusted after the close of the trading day before the effective date of the periodical adjustment.

## Appendix A: Examples of Price Index Calculation

If 3 securities are selected as constituent securities, the base period is using the adjusted total market cap of 3 securities on base date. The base value is 1000 points.

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

### Base Day

Security	Total Shares <sup>1</sup>	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	1	1	5	45,000
B	8,000	3,500	44%	50%	4,000	1	1	9	36,000
C	5,000	4,100	82%	100%	5,000	1	1	20	100,000
Index Adjusted Market Cap									181,000

### Index Calculation

Index Adjusted Market Cap (Yuan)	Divisor	Base Value	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
181,000	181,000	1000	<b>1000</b>

### Day 1

Security	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	1	1	5.1	45,900
B	8,000	3,500	44%	50%	4,000	1	1	9.05	36,200
C	5,000	4,100	82%	100%	5,000	1	1	19	95,000
Index Adjusted Market Cap									177,100

### Index Calculation

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

<sup>1</sup> "Total Shares" refers to "Total Number of Shares in Issue", similarly hereinafter.

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

Suppose Security B distributes cash dividend: 0.50 yuan/share. The next day is ex-dividend day.

No adjustment is required.

**Day 2**

Security	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	1	1	5.05	45,450
B	8,000	3,500	44%	50%	4,000	1	1	9.1	36,400
C	5,000	4,100	82%	100%	5,000	1	1	19.2	96,000
Index Adjusted Market Cap									177,850

**Index Calculation**

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

✓ **Bonus issue, rights issue**

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

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

**Index Divisor Adjustment**

Security	Total Shares after Adjustment	Negotiable Shares after Adjustment	Negotiable Shares Ratio after Adjustment	Inclusion Factor after Adjustment	Adjusted Shares	Weight Factor	Exchange Rate	Ex-right Price/Closing Price (Yuan)	Adjusted Market Cap after Adjustment (Yuan)
A	100,000	9,000	9%	9%	9,000	1	1	5.05	45,450
B	16,000	7,000	44%	50%	8,000	1	1	4.55	36,400
C	5,000	4,100	82%	100%	5,000	1	1	19.2	96,000
Index Adjusted Market Cap									177,850

  

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

### Day 3

Security	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	1	1	4.9	44,100
B	16,000	7,000	44%	50%	8,000	1	1	4.5	36,000
C	5,000	4,100	82%	100%	5,000	1	1	19.2	96,000
Index Adjusted Market Cap									176,100

### Index Calculation

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

### ✓ Rights issue

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

### Index Divisor Adjustment

Security	Total Shares after Adjustment	Negotiable Shares after Adjustment	Negotiable Shares Ratio after Adjustment	Inclusion Factor after Adjustment	Adjusted Shares	Weight Factor	Exchange Rate	Ex-right Price/Closing Price (Yuan)	Adjusted Market Cap after Adjustment (Yuan)
A	100,000	9,000	9%	9%	9,000	1	1	4.9	44,100
B	16,000	7,000	44%	50%	8,000	1	1	4.5	36,000
C	6,500	5,330	82%	100%	6,500	1	1	18.923	123,000
Index Adjusted Market Cap									203,100

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

#### Day 4

Security	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	9,000	9%	9%	9,000	1	1	4.8	43,200
B	16,000	7,000	44%	50%	8,000	1	1	4.5	36,000
C	6,500	5,330	82%	100%	6,500	1	1	19.1	124,150
Index Adjusted Market Cap									203,350

#### Index Calculation

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

#### ✓ Secondary offering

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

#### Index Divisor Adjustment

Security	Total Shares after Adjustment	Negotiable Shares after Adjustment	Negotiable Shares Ratio after Adjustment	Inclusion Factor after Adjustment	Adjusted Shares	Weight Factor	Exchange Rate	Ex-right Price/Closing Price (Yuan)	Adjusted Market Cap after Adjustment (Yuan)
A	108,000	17,000	16%	20%	21,600	1	1	4.8	103,680
B	16,000	7,000	44%	50%	8,000	1	1	4.5	36,000
C	6,500	5,330	82%	100%	6,500	1	1	19.1	124,150
Index Adjusted Market Cap									263,830

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

#### Day 5

Security	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	1	1	4.85	104,760
B	16,000	7,000	44%	50%	8,000	1	1	4.6	36,800
C	6,500	5,330	82%	100%	6,500	1	1	19.1	124,150
Index Adjusted Market Cap									265,710

#### Index Calculation

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

#### Day 6

Security	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	1	1	4.8	103,680
B	16,000	7,000	44%	50%	8,000	1	1	4.65	37,200
C	6,500	5,330	82%	100%	6,500	1	1	19.5	126,750
Index Adjusted Market Cap									267,630

#### Index Calculation

Index Adjusted Market Cap (Yuan)	Divisor	Base Value	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
267,630	270,837	1000	<b>988.16</b>

Security 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 Security 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

Security	Total	Negotiable	Negotiable	Inclusion	Adjusted	Weight	Exchange	Closing Price	Adjusted
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ity	Shares	Shares	Shares Ratio	Factor	Shares	Factor	Rate	(Yuan)	Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	1	1	4.9	105,840
B	16,000	7,000	44%	50%	8,000	1	1	4.6	36,800
C	6,500	5,330	82%	100%	6,500	1	1	19.6	127,400
Index Adjusted Market Cap									270,040

#### Index Calculation

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

#### ✓ Constituents adjustment

Security B is merged by Security C, Security B is to be delisted the next day. Security D is the highest-ranking security on the reserve list.

#### Index Divisor Adjustment

Secur ity	Total Shares after Adjustm ent	Negotiable Shares after Adjustment	Negotiable Shares Ratio after Adjustment	Inclusion Factor after Adjustm ent	Adjusted Shares	Weight Factor	Exchange Rate	Ex-right Price/Closing Price (Yuan)	Adjusted Market Cap after Adjustment (Yuan)
A	108,000	17,000	16%	20%	21,600	1	1	4.9	105,840
C	6,500	5,330	82%	100%	6,500	1	1	19.6	127,400
D	8,000	6,000	75%	80%	6,400	1	0.7	13	58,240
Index Adjusted Market Cap									291,480

Index Adjusted Market Cap before Adjustment (Yuan)	Index 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

Secur ity	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
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A	108,000	17,000	16%	20%	21,600	1	1	5.1	110,160
C	6,500	5,330	82%	100%	6,500	1	1	20	130,000
D	8,000	6,000	75%	80%	6,400	1	0.95	10	60,800
Index Adjusted Market Cap									300,960

#### Index Calculation

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

#### ✓ Dividend Payment and Bonus Issue

Security 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 Divisor Adjustment

Security	Total Shares after Adjustment	Negotiable Shares after Adjustment	Negotiable Shares Ratio after Adjustment	Inclusion Factor after Adjustment	Adjusted Shares	Weight Factor	Exchange Rate	Ex-right Price/Closing Price (Yuan)	Adjusted Market Cap after Adjustment (Yuan)
A	108,000	17,000	16%	20%	21,600	1	1	5.1	110,160
C	13,000	10,660	82%	100%	13,000	1	1	10	130,000
D	8,000	6,000	75%	80%	6,400	1	0.95	10	60,800
Index Adjusted Market Cap									300,960

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

#### Day 9

Security	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchange Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	1	1	5	108,000
C	13,000	10,660	82%	100%	13,000	1	1	9	117,000

D	8,000	6,000	75%	80%	6,400	1	0.84	12.5	67,200
Index Adjusted Market Cap									292,200

#### Index Calculation

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

#### ✓ Treatment of Weight Factor Adjustment

The next day is the effective date for the periodical adjustment of the weight factor, and the weight factor for Security A is adjusted from 1 to 0.8.

#### Index Divisor Adjustment

Security	Total Shares after Adjustment	Negotiable Shares after Adjustment	Negotiable Shares Ratio after Adjustment	Inclusion Factor after Adjustment	Adjusted Shares	Weight Factor	Exchange Rate	Ex-right Price/Closing Price (Yuan)	Adjusted Market Cap after Adjustment (Yuan)
A	108,000	17,000	16%	20%	21,600	0.8	1	5	86,400
C	13,000	10,660	82%	100%	13,000	1	1	9	117,000
D	8,000	6,000	75%	80%	6,400	1	0.84	12.5	67,200
Index Adjusted Market Cap									270,600

Index Adjusted Market Cap before Adjustment (Yuan)	Index Adjusted Market Cap after Adjustment (Yuan)	Old Divisor	New Divisor
(1)	(2)	(3)	(3) * (2) / (1)
292,200	270,600	292,340	270,730

**Day 10**

Sec urit y	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Weight Factor	Exchang e Rate	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	17,000	16%	20%	21,600	0.8	1	6	103,680
C	13,000	10,660	82%	100%	13,000	1	1	10	130,000
D	8,000	6,000	75%	80%	6,400	1	0.8	12.5	64,000
Index Adjusted Market Cap									297,680

**Index Calculation**

Index Adjusted Market Cap (Yuan)	Divisor	Base Value	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
297,680	270,730	1000	<b>1099.55</b>

## Appendix B: Glossary of Terms

Key Term	Definition
Base Date of the Index	The date corresponding to the index base level.
Base Value/Level	The initial value of an index. The benchmark value from which ongoing calculations are done and compared to.
Capped Weight	The weight of the constituents shall not exceed the upper limit.
Category-Weighted Method	CSI will grant certain inclusion factor to the security according to the percentage of free float shares in total shares to ensure index stability.
Divisor	A component of the index calculation formula which is used to adjust the index to ensure that the index values remain comparable over time.
Effective Date	The date on which the adjustment is implemented.
Free Float	The outstanding shares available for purchase in the public security markets.
Free Float Ratio	The percentage of free float in the total shares.
Net Total Return Index	The Index takes account of the interests of dividend provided that the post-tax dividend of the security is reinvested in the index on the ex-dividend date.
Price Index	The performance of the index is calculated by the index constituents' market prices.
Reference Open Net Price	The Reference Open Net Price for the next trading day adjusted by corporate events, that is, the net ex-right and ex-dividend price.
Reference Open Price	The Reference Open Price for the next trading day adjusted by corporate events, that is, the ex-right and ex-dividend price.
Security	Stocks of listed companies, depositary receipts, and real estate investment trusts (REITs).
Shanghai, Shenzhen, Beijing, and Hong Kong	Refers to the Shanghai Stock Exchange, Shenzhen Stock Exchange, Beijing Stock Exchange, and Hong Kong Stock Exchange and Clearing Limited.
Total Return Index	Total Return Index takes account of the interests of dividend provided that the pre-tax dividend of the security is reinvested in the index on the ex-dividend date.
Weight Factor	The factor used to adjust the initial weight of the constituents to meet the weight requirements.

## Appendix C: Summary of Methodology Changes

Adjustment s	Effective Date	Before the Adjustment	After the Adjustment
Creation of Calculation Rules	2023-12	“Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited”	The new “Equity Indices Calculation Rules of China Securities Index Company Limited” is established, and the original “Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited” is no longer in use.

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# **Free Float Rules for Equity Indices of China Securities Index Company Limited**

V1.0

December 2023

Version Number	Change Time	Change Scope
1.0	2023-12	Creation of “Free Float Rules for Equity Indices of China Securities Index Company Limited”.

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## 1. Introduction

The “Free Float Rules for Equity Indices of China Securities Index Company Limited” (hereinafter referred to as “Free Float Rules”) aims to explain the definition and calculation of the free float weighting methodology of equity indices managed by China Securities Index Company Limited (hereinafter referred to as “CSI”). A part of outstanding shares issued by listed companies are hardly tradable in a certain period of time due to sales restriction or shareholders strategic holding, etc. To accurately reflect the real investment opportunities of index constituents, CSI generally adopts free float to calculate index. For other special circumstances not covered by the “Free Float Rules”, CSI will determine the appropriate treatment methods according to the “Statement of Principles for Index Methodology and Management of China Securities Index Company Limited”.

## 2. Scope of Free Float

CSI defines free float as shares outstanding and tradable in the security market. According to CSI’s definition, free float is the total shares of the security minus the restricted shares and the following non-free float shares, including but not limited to:

**Long term holdings by founders, families, and senior executives:** Including shares held by the company's founder or founder's family, and shares owned by senior managers or directors, supervisors, etc.;

**State-owned shares:** Shares held by the government or its branch institutions;

**Strategic holdings:** Shares held by strategic investors for long-term strategic interests;

**Employee share plan:** Shares held by employee share plans.

## 3. Identification of Free Float

### 3.1 Restricted Shares

Shares restricted during the lock-up period shall be deemed as non-free float shares.

### 3.2 Non-restricted Shares

For non-restricted shares, if they fall into the above non-free float shares, and the holdings by shareholders or shareholders acting in concert are 5% or greater, they shall be deemed as non-free float shares, otherwise they shall be deemed as free float shares.

The treatment of restricted shares after the lock-up period is the same as that of non-restricted shares, but its effect on free float will be reflected in semi-annual periodical adjustment. It is noted that the free float shares on the day of ban-lifting shall remain unchanged.

## 4. Information Source of Free Float

The identification and calculation of free float by CSI are based on objective information, including but not limited to:

**Prospectus and listing notice:** Information of the actual controllers, founders, strategic investors, holdings of senior executives and employees, etc. are available.

**Periodical reports:** Information of the actual controllers, founders, strategic investors, holdings of senior executives and employees, etc. are available.

**Temporary reports:** Shares change notice, acquisition notice, equity change notice, etc. are available.

Objective information provided by third parties.

## 5. Category-Weighted Method of Free Float

Unless otherwise stated, the calculation of free float use category-weighted method in which CSI will grant certain inclusion factor to the total shares of the security according to the percentage of free float shares in total shares of the security to ensure the stability of Adjusted Shares.

Free Float Ratio = Number of Shares Classified as Free Float / Total Number of Shares of Security

Adjusted Shares = Total Number of Shares of Security × Inclusion Factor

Inclusion factor of securities shall be determined according to the chart below:

Free Float Ratio (%)	≤15	(15, 20]	(20, 30]	(30, 40]	(40, 50]	(50, 60]	(60, 70]	(70, 80]	>80
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Inclusion Factor(%)	nearest higher percentage point	20	30	40	50	60	70	80	100
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Examples of Category-Weighted Method of Free Float are as follows:

Security	Security A	Security B	Security C
Total Shares	100,000	8,000	5,000
Non-Free Float	91,000	4,500	900
Free Float = Total Shares - Non-Free Float	9,000	3,500	4,100
Free Float Ratio = Free Float / Total A Shares	9.0%	43.8%	82.0%
Inclusion Factor	9%	50%	100%
Adjusted Shares	9000	4000	5000

## 6. Adjustment of Free Float

CSI generally adjusts the changes in the free float of securities caused by shareholder's behavior semi-annually. The effective date of the periodical adjustment is the next trading day of the second Friday of June and December each year. Temporary adjustments are made for the changes in the free float of securities caused by the merger of listed companies, and the effective date of the adjustments are generally the same as the effective date of temporary adjustment of the merger of listed companies.

## Appendix A: CSI Index Glossary

Key Term	Definition
Effective Date of Temporary Adjustment	Usually, the effective date of temporary adjustment shall be two trading days later than the listing date of new shares disclosed in the announcement made by the listed company when the accumulated change of the total number of shares reaches or exceeds 5%. (If the announcement day is later than the listing date of new shares, the next trading day after the announcement date shall be regarded as the listing date of new shares.)
Expiry of Lock-up Period for Restricted Shares	Restricted shares may be freely traded on the secondary market when the lock-up period expires.
Securities	Stocks of listed companies, depositary receipts, and real estate investment trusts (REITs).
Shareholder's Behavior	Equity changes such as the increase, decrease, and transfer of shares by shareholders.

## Appendix B: Summary of Free Float Rules Changes

Adjustments	Effective Date	Before the Adjustment	After the Adjustment
Creation of Free Float Rules	2023-12	“Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited”	The new “Free Float Rules for Equity Indices of China Securities Index Company Limited” is established, and the original “Equity Indices Calculation and Maintenance Methodology of China Securities Index Company Limited” is no longer in use.

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