

## **Methodology of China Strategic Emerging Industries Component Index**

China Strategic Emerging Industries Component Index is composed of Top 100 listed securities which belongs to new generation of information technology industry, biological industry, space intelligence perception, energy storage and distributed, high-end materials, new energy vehicles, high-end equipment manufacturing and other related companies benefitting from Strategic Emerging Industries. The index is to measure the performance of the theme.

### **1. Index Name and Index Code**

- Index Name: China Strategic Emerging Industries Component Index
- Shortened Name: Emerging Component Index
- Index Code: 000171

### **2. Base Date and Base Value**

The base date is December 31, 2014. The base value is 1000.

### **3. Index Eligibility**

#### **3.1 Index Universe**

The Constituents of China Strategic Emerging Industries Composite Index and listed in Shanghai, Shenzhen or Beijing Stock Exchange.

#### **3.2 Constituents Selection**

(1) Select the securities in the universe which listed more than 3 months.

(2) Rank the securities in CSI All Share Index constituents by average daily trading value and average daily total market capitalization of over the past year in descending order and take the bottom 20% quantile as the threshold. In the rest securities of (1), delete the securities whose average daily trading value and average daily total market capitalization over the past year is less than the threshold value.

(3) Calculate the Value Score, Revenue Growth Score and Roe Score

respectively, and add up the three scores to get the overall score:

- Value Score: rank the securities by average daily total market capitalization over the past year in descending order, the ranking percentile is regarded as the value score.
- Revenue Growth Score: in CSI 2 industry, rank the securities by revenue growth over the past year in descending order, and the ranking percentile is regarded as the revenue growth score.
- Roe Score: in CSI 2 industry, rank the securities by roe over the past year in descending order, and the ranking percentile is regarded as the roe score.

(4) Rank the candidate securities by the overall ranking and select the top 100 securities as the constituents.

#### 4. Index Calculations

The index is calculated according to the following formula:

Current Index = Current Total Adjusted Market-Cap / Divisor × Base Value

Where Current Total Adjusted Market-Cap =  $\sum$  (Security Price × Number of Free Float Adjusted Shares × Weight Factor)

For the calculation of number of free float adjusted shares, please refer to CSI Index Calculation and Maintenance Methodology for further details. The value of Weight Factor is between 0 and 1, which is calculated at each rebalancing date, so that the weight of each constituent is weighted by product of factor score adjustment coefficient and capped at 10%.

The factor score adjustment coefficient is calculated as follows:

Add up the revenue growth score and roe score to get the factor score.

Factor Score	Factor Score Adjustment Coefficient
Top 20%	1
21%-40%	0.9
41%-60%	0.8
61%-80%	0.7
81%-100%	0.6

#### 5. Constituents and Index Weights

##### 5.1 Constituent's Periodical Review

The index is adjusted and rebalanced semi-annually and the adjustment will be effective as of the next trading day after the 2nd Friday in June and December.

## **5.2 Ongoing Review**

When special events occur, CSI will review the index accordingly. Delisted securities will be deleted from the constituents. Please refer to Index Calculation and Maintenance Methodology for further details.