

Methodology of SSE STAR Top Strategy Custom Index

SSE STAR Top Strategy Custom Index selects 50 securities of listed companies with large market value, high R&D investment, and good growth potential from STAR market as constituents. The index is to measure the performance of the representative companies in each industry of STAR market.

1. Index Name and Index Code

- Index Name: SSE STAR Top Strategy Custom Index
- Shortened Name: STAR Top Strategy Custom
- Index Code: 950196

2. Base Date and Base Value

The base date is December 31, 2019. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

The index universe includes stocks and CDRs issued by red-chip enterprises listed on SSE Science and Technology Innovation Board satisfying the following conditions.

(1) The listing time is more than six months. For securities with the daily average total market value since its initial listing ranked top 5 on SSE Science and Technology Innovation Board, the listing time is more than three months.

(2) Non -*ST securities.

3.2 Eligible Securities

Liquidity Criteria: securities ranked in the top 90% in the index universe in terms of average daily trading value over the past year in descending order are eligible for inclusion.

3.3 Constituents Selection

(1) Calculate the number of candidates to be selected for each industry:

For the eligible securities, calculate the growth rate of operating revenue TTM for each industry of the past three years, with the median growth rate of operating revenue TTM for each industry of past three years as the threshold. If the growth rate of operating revenue TTM for that industry of past three years is greater than or equal to the threshold, then the number of candidates to be selected for the industry is 10; If the growth rate of operating revenue TTM of past three years is less than the threshold, then the number of candidates to be selected for the industry is 5;

(2) Calculate the comprehensive score for each candidate to be selected:

For each industry whose growth rate of operating revenue TTM of the past three years is greater than or equal to the above threshold, the comprehensive score of securities in this industry is the average of the scale factor, R&D factor, and growth factor; For each industry whose growth rate of operating revenue TTM of the past three years is less than the threshold, the comprehensive score of securities in this industry is $0.4 \text{ scale factor} + 0.4 \text{ R\&D factor} + 0.2 \text{ growth factor}$.

Among them, the scale factor, R&D factor, and growth factor is the average of the corresponding sub indicators in the table below after industry neutral standardization treatment:

| Factor | Sub Indicator |
|---------------|---|
| Scale Factor | Proportion of the average daily total market capitalization over the past year、 Proportion of operating revenue TTM |
| R&D Factor | R&D intensity 、 Proportion of R&D personnel |
| Growth Factor | Operating revenue TTM quarter on quarter growth rate、 EBIT TTM quarter on quarter growth rate |

(3) From each industry select the securities with highest comprehensive scores as the candidates to be selected based on the number of candidates allocated to each industry above;

(4) Rank the candidates by the comprehensive score, select the top 50 securities as index 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 = $\sum (\text{Security Price} \times \text{Number of Free Float Adjusted Shares} \times \text{Weight Factor})$

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, so that the weight of each constituent is capped at 10%.

5. Constituents and Index Weights Adjustment

5.1 Constituent's Periodical Review

The index is adjusted and rebalanced quarterly and the adjustment will be effective as of the next trading day after the 2nd Friday of March, June, September and December.

Weight Factor is assigned to each constituent at each rebalancing date. The effective date is the same as that of the constituent adjustment. The Weight Factor stays the same until next rebalancing date.

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.