

Methodology of SSE STAR Private-owned Enterprises 50 Strategy Index

SSE STAR Private-owned Enterprises 50 Strategy Index selects 50 securities of private-owned enterprises with high research expenditure and strong profitability from SSE Science and Technology Innovation Board as the constituents. The index is to measure the performance of representative private-owned enterprises in SSE Science and Technology Innovation Board.

1. Index Name and Index Code

- Index Name: SSE STAR Private-owned Enterprises 50 Strategy Index
- Shortened Name: STAR POEs Strategy
- Index Code: 950178

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

Same as the Universe of SSE STAR Private-owned Enterprises Index.

3.2 Eligible Securities

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) For the eligible securities, select the securities of listed companies ranking at the top 95% according to pledge ratio from high to low as the candidate securities.

(2) For the candidate securities, select the top 5 securities as constituents by the average daily capitalization over the past year; and then from the remaining candidate securities, rank listed companies in descending order

based on R&D expenditure and Accrual, respectively. Calculate the arithmetic mean of the two rankings to obtain a composite ranking and select those with top composite ranking to make up a total 50 constituents.

Where, $\text{Accrual} = (\text{Operating Cash Flow} - \text{Operating Income}) / \text{Total Assets}$.

4. Index Calculations

The index is calculated according to the following formula:

$$\text{Current Index} = \text{Current Total Adjusted Market-Cap} / \text{Divisor} \times \text{Base Value}$$

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

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, which is calculated at each rebalancing date, 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 semi-annually and the adjustment will be effective as of the next trading day after the 2nd Friday in June and December. Normally, the number of constituents adjusted at each periodical review will not exceed 30%.

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.