

CSI300 Index Methodology



June 2, 2011

Contents

1. Preface	- 1 -
2. Index Universe	- 1 -
3. Selection Criteria	- 1 -
4. Index Calculation	- 3 -
5. Index Maintenance	- 6 -
6. Constituents Periodical Review	- 8 -
7. Temporary Adjustment of Constituents	- 11 -
8. Constituents Reserve List.....	- 14 -
9. Maintenance of Constituents Shares.....	- 15 -
10. Index Management.....	- 16 -
11. Amendments and Complements to CSI300 Methodology	- 18 -
12. Information Disclosure.....	- 19 -
13. Index Dissemination	- 20 -
Appendix A: Free Float	- 21 -
Appendix B: Definition	- 23 -
Appendix C: Examples for Index Calculation	- 24 -
Contact Us	- 35 -
Disclaimer.....	- 36 -

Section 1

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.

Section 2

2. Index Universe

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

- 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-ST or *ST stocks; non-temporary suspension stocks from trading.
-

Section 3

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.

Section 4

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. 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 (Companies, banks)
- (4) Frozen shares
- (5) Restricted employee shares
- (6) Cross holdings

If the holdings of shareholders of the six 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 (%)	≤10	(10, 20]	(20, 30]	(30, 40]	(40, 50]	(50, 60]	(60, 70]	(70, 80]	>80
Inclusion Factor (%)	Negotiable Market Cap Ratio	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	9,000	3,500	4,100
= Total A Shares - Non Free Float			
Negotiable Market Cap Ratio	9.0%	43.8%	82.0%
= Free Float / Total A Shares			
Inclusion Factor	9.0%	50%	100%
Inclusion Shares	9000	4000	5000

4.6 Total Return Index

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

Section 5

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.

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 actions 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.
- Right issue and bonus issue: 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 right issue and bonus issue)

5.2.2 Share changes caused by corporate actions

- Share changes: when shares of constituents change due to

corporate actions (e.g. re-issuance, listing of right issue), the index is adjusted the day before the changes. Adjusted Market Cap after the Adjustment = closing price \times Adjusted sharers after changes

5.2.3 Share changes caused by shareholders' behavior

- Share changes caused by shareholders' behavior are adjusted semi-annually. The effective date is the first trading day of Jan and July each year and the index is adjusted before the effective day.

5.2.4 Constituents adjustment

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

Section 6

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 early in June and December every year and constituents adjustment are implemented on the first trading day of July and January each year.

6.2 Data Used for Periodical Review

Usually, data used for review in June 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 listing time are used). Data used for review in December 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 listing time are used).

6.3 Number of Constituents Adjustment

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

6.4 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.

6.5 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.

6.6 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.

6.7 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.

Section 7

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 when the constituent is delisted.

- 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 Temporary Delisted and Delisting

If a constituent company is temporarily delisted 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.

Section 8

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.

Section 9

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.
- CSI adjusts free float resulted from non-corporate actions semi-annually. The adjustment will be effective on the 1st trading day of Jan and Jul.
- Usually, the effective date of shares adjustment is consistent with that of indicated in the announcement of listed companies. 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.

What follows are common shares adjustment dates due to corporate events:

- Bonus Share(Share transfer): The ex-right date indicated in the company's announcement;
- Rights issue/offering: The ex-right date and listing date of rights offerings indicated in the company's announcement;
- Secondary Offering: Listing date indicated in the listing notice of secondary offering;

Section 10

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.

Section 11

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.

Section 12

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.

Section 13

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 5 seconds.

Appendix

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 in lock-in period.
- Frozen shares: Frozen shares held by investors before released.
- Restricted employee shares: Stocks held by enterprise employee include employee pension plan, annuities for employees or management staff.
- Cross holdings: Two or more companies hold shares one another for specific purpose.

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 six 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 1st trading day of Jan and Jul.

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

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

c) Rights issue

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

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 (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, rights 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 Adjusted Market Cap							177,850

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								176,100
Market Cap								

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

✓ Share changes

Free float shares of stock A increases the next day. Stock B is going to be suspended from 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	100,000	13,000	13%	20%	20,000	4.9	98,000	
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								230,000
Market Cap								

Total Adjusted Market	Total Adjusted Market	Old Divisor	New Divisor
-----------------------	-----------------------	-------------	-------------

Cap before Adjustment (Yuan)		Cap after Adjustment (Yuan)	
(1)	(2)	(3)	(3) * (2) / (1)
176,100	230,000	181,000	236,400

Day 4

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	100,000	13,000	13%	20%	20,000	4.8	96,000
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							228,000

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
228,000	236,400	1000	964.47

✓ Secondary offering

Stock A is going to issue 8000 shares the next day. Stock B is to resume 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	Negotiable	Negotiable	Inclusion	Adjusted	Ex-right	Adjusted
-------	-------	------------	------------	-----------	----------	----------	----------

	Shares	Shares	Shares Ratio	Factor	Shares	Price	Market Cap
						(Yuan)	(Yuan)
A	108,000	21,000	19%	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	18.923	123,000
Total Adjusted							262,680
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)
228,000	262,680	236,400	272,358

Day 5

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	21,000	19%	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 Adjusted							265,710
Market Cap							

Index Calculation

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

265,710	272,358	1000	975.59
---------	---------	------	---------------

Day 6

Stock	Total	Negotiable	Negotiable	Inclusion	Adjusted	Closing	Adjusted
	Shares	Shares	Shares	Ratio	Factor	Price	Market Cap
						(Yuan)	(Yuan)
A	108,000	21,000	19%	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	272,358	1000	982.64

Stock C announces share changes and listing of right offerings: The total shares increases to 6230 and negotiable shares to 5300. The next day is the listing date of the right offerings.

Index Adjustment

Stock	Total	Negotiable	Negotiable	Inclusion	Adjusted	Ex-right	Adjusted
	Shares	Shares	Shares	Ratio	Factor	Price	Market Cap
						(Yuan)	(Yuan)
A	108,000	21,000	19%	20%	21,600	4.8	103,680

B	16,000	7,000	44%	50%	8,000	4.65	37,200
C	6,230	5,300	85%	100%	6,230	19.5	121,485
Total Adjusted							262,365
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)
267,630	262,365	272,358	267,000

Day 7

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	21,000	19%	20%	21,600	4.9	105,840
B	16,000	7,000	44%	50%	8,000	4.6	36,800
C	6,230	5,300	85%	100%	6,230	19.6	122,108
Total Adjusted							264,748
Market Cap							

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
264,748	267,000	1000	991.57

✓ 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	Adjusted Market Cap	
						(Yuan)	(Yuan)	
A	108,000	21,000	19%	20%	21,600	4.9	105,840	
C	6,230	5,300	85%	100%	6,230	19.6	122,108	
D	8,000	6,000	75%	80%	6,400	9.1	58,240	
Total Adjusted Market Cap								286,188

Total Adjusted Market Cap before Adjustment (Yuan)	Total Adjusted Market Cap after Adjustment (Yuan)	Old Divisor	New Divisor
(1)	(2)	(3)	(3) * (2) / (1)
264,748	286,188	267,000	288,622

Day 8

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price	Adjusted Market Cap	
						(Yuan)	(Yuan)	
A	108,000	21,000	19%	20%	21,600	5.1	110,160	
C	6,230	5,300	85%	100%	6,230	20	124,600	
D	8,000	6,000	75%	80%	6,400	9.5	60,800	
Total Adjusted Market Cap								295,560

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
295,560	288,622	1000	1024.04

✓ 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	21,000	19%	20%	21,600	5.1	110,160
C	12,460	10,600	85%	100%	12,460	10	124,600
D	8,000	6,000	75%	80%	6,400	9.5	60,800
Total Adjusted Market Cap							295,560

Total Adjusted Market Cap before Adjustment (Yuan)	Total Adjusted Market Cap after Adjustment (Yuan)	Old Divisor	New Divisor
(1)	(2)	(3)	(3) * (2) / (1)

295,560	295,560	288,622	288,622
---------	---------	---------	---------

Day 9

Stock	Total Shares	Negotiable Shares	Negotiable Shares Ratio	Inclusion Factor	Adjusted Shares	Closing Price (Yuan)	Adjusted Market Cap (Yuan)
A	108,000	21,000	19%	20%	21,600	5	108,000
C	12,460	10,600	85%	100%	12,460	9	112,140
D	8,000	6,000	75%	80%	6,400	10.5	67,200
						Total Adjusted	287,340

Index Calculation

Total Adjusted Market Cap (Yuan)	Divisor	Base Index	Closing Index
(1)	(2)	(3)	(3) * (1) / (2)
287,340	288,622	1000	995.56

Contact Us

For further details on CSI300, CSI index series and ground rules, please contact China Securities Index Company.

Customer Service

China Securities Index Company

13th floor, South tower of Shanghai Stock Exchange Building,
528 South Pudong Road, Shanghai, P.R.China.

Post Code: 200120

Tel:0086 21 6880 3988

Fax:0086 21 6882 9830

Email: Csindex@sse.com.cn

Website: <http://www.csindex.com.cn/>

Disclaimer

All the information in the file, including, but not limited to, characters, data, charts and tables (hereinafter referred to as “information”) is properties of China Securities Index Company and thus be protected by China intellectual property law and other related laws. The information is for reference only. Reproduction, redistribution and transmission of the information contained in the file (other than for your personal use) are strictly prohibited. If you wish to reproduce or publish any information provided on or accessed through this file, you will require a separate license from CSI.

All the information provided in this file is not intended for basis or advice of any trading strategies and any investment tools. Neither CSI nor its licensors is giving investment advice or other professional advice via this file, and neither CSI nor its licensors sponsor, recommend or endorse the purchase or sale of any security or investment.

CSI does not accept liability for any error, omission or delay in the information. CSI shall not be liable for any claims or losses of any nature, arising indirectly or directly from use of the information on or accessed through the file.

All rights reserved.