

Methodology CSI Technology Advantage Growth 50 Strategy Index

CSI Technology Advantage Growth 50 Strategy Index selects and weights constituents from technology industries by growth, innovation, value, volatility, quality and other factors. The index is to provide investors with multi-factor strategic investment tools of technology industries.

1. Index Name and Index Code

- Index Name: CSI Technology Advantage Growth 50 Strategy Index
- Shortened Name: Technology 50 Strategy
- Index Code: 931696

2. Base Date and Base Value

The base date is December 31, 2008. The base value is 1000.

3. Index Eligibility

3.1 Index Universe

Same as the Universe of CSI All Share Index

3.2 Eligible Securities

Liquidity Criteria: securities ranked in the top 80% 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 which belong to Aerospace & Defense, Communications Equipment, Semiconductors, Electronic Equipment, Computers & Peripherals, Software Development, IT Services, Internet Services, Chemical Medicine, Biotechnology, Pharmaceutical & Biotechnology Services, Health Care Devices, Health Care Technology and other industries as candidate securities.

(2) For the candidate securities, calculate the following factor gradient

score: growth, innovation, consensus estimated, momentum, value, volatility, profitability, solvency, operational efficiency, financial soundness and investment soundness. Each factor gradient score is obtained by simple averaging and linear transformation of the percentage ranking in each industry of the corresponding indicators in the table below.

Factor name	Indicator name
Growth	Scaled earnings growth, Scaled revenue growth, Earnings growth surprise, Revenue growth surprise
Innovation	R&D expenditure ratio, R&D expenditure growth
Consensus estimated	Consensus estimated earnings growth, Consensus estimated rating growth
Momentum	Momentum of the last 11 months, Alpha of the last 11 months
Value	Price-to book, Price-to-earnings ratio, Price-to-sales ratio, Enterprise value
Volatility	Residual volatility, Average of highest daily return monthly over the past 12 months
Profitability	Gross profit margin, Operating profit margin
Solvency	Short-term debt coverage ratio, Quick ratio
Operational efficiency	Return on net operating assets, Net operating assets turnover, Net operating assets turnover growth
Financial soundness	Accrual, Net operating assets ratio
Investment soundness	Earnings distribution, Dividend distribution

(3) Calculate the proportion of the free-float market capitalization of each candidate as the base score, and the adjusted score is obtained by adding the base score and the above factor gradient score. Rank the candidates by the adjusted score in descending order and select the top 50 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 constituents are weighted by the adjusted score, and the weight of each constituent is not more than 10% and not less than 0.1%.

5. Constituents and Index Weights

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 in 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.