

Methodology of CSI Dividend Growth Index

CSI Dividend Growth Index selects 50 securities with consecutive dividend growing record and high potential of dividend growth. The index is weighted by 3-year average annual dividend payment. The index is to measure the overall price performance of companies with a consistent history of increasing dividends listed on SSE and SZSE markets.

1. Index Name and Index Code

- Index Name: CSI Dividend Growth Index
- Shortened Name: Dividend growth
- Index Code: 931056

2. Base Date and Base Value

The base date is December 31, 2006. 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

Rank the securities in the universe by average daily total market capitalization and average daily trading value over the past year in descending order respectively and delete any of the bottom 20% securities.

3.3 Constituents Selection

(1) From eligible securities, select securities that meet following criteria:

- 3-year average dividend payout ratio is higher than 0 and lower than 75%;
- Increasing net income in last 3 years and ranked in the top 90% in the Index Universe in terms of ROE.

(2) Among the remaining securities, those increase annual dividend

payments for at least 5 consecutive years are selected as candidates. If the number of candidates is below 75, then select securities that increase annual dividend payments for at least 4/3/2 consecutive years, until the number of candidates exceeds 75.

(3) Calculate the Dividend Performance Score by averaging the consecutive dividend paying years and annualized dividend payment growth rate of last 5 years in the weight of 60% and 40%. Rank the candidates by Dividend Performance Score in descending order and 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, which is calculated at each rebalancing date, so that the weight of each constituent is weighted by 3-year average annual dividend payment. the weight of each constituent is capped at 15%, the total weight of top 5 constituents is capped at 60%, the weight of each sector is capped at 30%.

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.

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.