

GROUND RULES FOR THE

SZSE 100 INDEX

SZSE 300 INDEX

SZSE 200 INDEX

SZSE 700 INDEX

SZSE 1000 INDEX



Shenzhen Securities Information Co., Ltd.

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SECTION 1

1.0 INTRODUCTION

1.1 This paper sets out the Ground Rules for the management of the SZSE Scale Indices. The SZSE Scale Indices are developed by Shenzhen Securities Information Co., Ltd ('SSI'). Copies of the Ground Rules are available from SSI on the website of CNINDEX (www.cnindex.com.cn/en/).

1.2 Index Family

SZSE Scale Indices are designed to reflect the Shenzhen equity market.

SZSE 1000 Index	
SZSE300 Index	SZSE 700 Index
SZSE100 Index	SZSE200 Index

The SZSE 100 Index focuses on the large-cap sector of the market and consists of the top 100 A-share listed companies listing and trading on the Shenzhen Stock Exchange ranked by total market capitalization, free-float market capitalization and turnovers.

The SZSE 300 Index focuses on the large and middle-cap sector of the market and consists of the top 300 A-share listed companies listing and trading on the Shenzhen Stock Exchange ranked by total market capitalization, free-float market capitalization and turnovers.

The SZSE 1000 Index focuses on the total market performance and consists of the top 1000 A-share listed companies listing and trading on the Shenzhen Stock Exchange ranked by total market capitalization, free-float market capitalization and turnovers.

The SZSE 200 Index focuses on the middle-cap sector of the market and consists of the rest 200 constituents of the SZSE 300 Index by excluding the 100 constituents of the SZSE 100 Index.

The SZSE 700 Index focuses on the small-cap sector of the market and consists of the rest 700 constituents of the SZSE 1000 Index by excluding the 300 constituents of the SZSE 300 Index.

1.3 Index Information:

Index Code	399330	399004
Bloomberg Ticker	SZ399330	SI100
Reuters RIC	.SZS100PI	.SZS100
Index Name	SZSE 100 Price Index	SZSE 100 Return Index
Index Type	Price Index	Total Return Index
Base Date	December 31 st ,2002	December 31 st ,2002
Base Value	1000	1000
Launch Date	January 24 th ,2006	January 2 nd ,2003
Number of Constituents	100	100

Index Code	399007	399344
Bloomberg Ticker	SZ399007	SZ399344
Reuters RIC	.SZ300PI	.SZ300
Index Name	SZSE 300 Price Index	SZSE 300 Return Index
Index Type	Price Index	Total Return Index
Base Date	December 31 st ,2004	December 31 st ,2004
Base Value	1000	1000
Launch Date	November 4 th ,2009	November 4 th ,2009
Number of Constituents	300	300

Index Code	399009	399679
Bloomberg Ticker	SZ399009	SZ399679
Reuters RIC	.SZ200I	.SZSE200T
Index Name	SZSE 200 Price Index	SZSE 200 Return Index
Index Type	Price Index	Total Return Index
Base Date	December 31 st ,2004	December 31 st ,2004
Base Value	1000	1000
Launch Date	September 1 st ,2011	June 18 th ,2015
Number of Constituents	200	200

Index Code	399010	399011
Bloomberg Ticker	SZ399010	SZ399011
Reuters RIC	.SZ700I	.SZ1000I
Index Name	SZSE 700 Price Index	SZSE 1000 Price Index
Index Type	Price Index	Price Index
Base Date	December 31 st ,2004	December 31 st ,2004
Base Value	1000	1000
Launch Date	September 1 st ,2011	September 1 st ,2011
Number of Constituents	700	1000

- 1.4** The SZSE Scale Indices include both the price index and the total return index. The price index and the total return index of SZSE 100 Index, SZSE 300 Index and SZSE 200 Index, as well as the price indices of SZSE 700 Index and SZSE 1000 Index are calculated on a real time basis (every 3 seconds) in Chinese Yuan, and disseminated through the real-time market quotation system of Shenzhen Stock Exchange. The data are also globally disseminated by those authorized market data vendors like Bloomberg, FactSet, Thomson Reuters, IDC, etc. The total return index of SZSE 700 Index and SZSE 1000 Index are calculated on an end-of-day basis in Chinese Yuan, and displayed in the website of CNINDEX.
- 1.5** SZSE Scale Indices is the asset owned by Shenzhen Stock Exchange. Shenzhen Stock Exchange has appointed SSI to be its index business agency (including index research & development, maintenance & operation as well as marketing & sales). Without the authorization of Shenzhen Stock Exchange or SSI, any SZSE Scale indices shall not be tracked, traded or used as the benchmark for the investment evaluation by any institution or individual for commercial use.

SECTION 2

2.0 INDEX MANAGEMENT

2.1 Shenzhen Securities Information Co., Ltd ('SSI')

2.1.1 SSI is responsible for the operation of the SZSE Scale Indices. SSI will maintain records of the market capitalization of all constituents and will make changes to the constituents and their weightings in accordance with the Ground Rules. SSI will carry out reviews and implement the resulting constituent changes as required by the Ground Rules.

2.1.2 Changes to constituent weightings will be made by SSI in accordance with the Ground Rules. SSI is responsible for publicizing and keeping a record of all changes to constituent weightings. The weightings of constituents in the real time indices shall be used in the calculation of the end of day indices

2.2 Status of these Ground Rules

2.2.1 These Ground Rules provide information about the publication of the SZSE Scale Indices and set out the methodology underlying SZSE Scale Indices.

2.2.2 Investors who choose to follow SZSE Scale Indices or to buy products that claim to follow SZSE Scale Indices should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by SSI (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:

- any reliance on these Ground Rules, and/or
- any errors or inaccuracies in these Ground Rules, and/or
- any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
- any errors or inaccuracies in the compilation or any constituent data in the Index.

2.3 Amendments and Exceptions

2.3.1 Where an exception is granted to the Ground Rules, it shall not be deemed to create a precedent for future decisions of SSI.

2.3.2 Changes to the Ground Rules can only be made by SSI.

2.3.3 Changes to the Ground Rules are announced after being approved and will be announced to the market at the proper time prior to their implementation.

SECTION 3

3.0 INDEX CONSTRUCTION

3.1 Eligible Securities

- 3.1.1 A-Share listed companies on Shenzhen Stock Exchanges (including main board, SME board and ChiNext market) are eligible for inclusion in the SZSE Scale Indices, subject to conforming to all other rules.
- 3.1.2 Stocks that have not been issued with a delisting-risk alert or the alert for 'special treatment for other reasons' by the Shenzhen Stock Exchange (i.e. the short name of the company shall not be prefixed by ST or *ST).
- 3.1.3 Eligible stocks must have been listed for more than 6 months (unless its total market capitalization and free-float market capitalization comprehensively ranks within the top 10 among all stocks listed on Shenzhen Stock Exchange);
- 3.1.4 Eligible candidate companies shall not be penalized, either economically or administratively, by CSRC due to any violation of laws and regulations in the most recent year.
- 3.1.5 Convertible preference shares and loan stocks are excluded until converted.
- 3.1.6 Companies whose business is that of holding equity and other investments (e.g. Investment Trusts) which are assumed as equity investment instruments sector and non-equity investment instruments which are assumed as non-equity investment instruments sector will not be eligible for inclusion.

3.2 Free Float

- 3.2.1 The free float shares are the amount of tradable shares outstanding in the open stock market. It is defined as all negotiable shares of the company minus the negotiable shares held by the following 3 types of shareholders with holding proportion exceed 5% of the company's total shares:
- a) the government holdings,
 - b) strategic holdings, or
 - c) long term holdings by founders, families or senior executives.
- 3.2.2 Actual number of free float shares is used in the calculation of SZSE Scale Indices.

3.3 Selection Methodology and Procedures for the SZSE 100 Index

- 3.3.1 Calculate the daily average total market capitalization ratio ('individual daily average total market capitalization / the Shenzhen market's daily average total market capitalization') of each eligible security in the most recent 6 months.

The total market capitalization is the total market capitalization of the company's A-share stocks. Other tiers of stocks, for example B shares or H shares, are not considered.

The Shenzhen market is all the A-share listed companies in Shenzhen Stock Exchange.

- 3.3.2 Calculate the daily average free-float market capitalization ratio ('individual daily average free-float market capitalization / the Shenzhen market's daily average free-float market capitalization') of each eligible security in the most recent 6 months.

- 3.3.3 Calculate the daily average turnover ratio ('individual daily average turnover / the Shenzhen market's daily average turnover') of each eligible security in the most recent 6 months.

- 3.3.4 Calculate the aggregate ratio ('aggregate the above three ratios in 3.3.1, 3.3.2 and 3.3.3, weighted by 1:1:1') of each eligible security.

- 3.3.5 Rank the eligible stocks according to the aggregate ratio in 3.3.4 in descending order, and the top 100 stocks, the top 300 stocks and the top 1000 stocks are selected as the constituents of the SZSE 100 Index, the constituents of the SZSE 300 Index and the constituents of the SZSE 1000 Index, respectively.

- 3.3.6 The rest 200 constituents from the SZSE 300 Index by excluding the 100 constituents of the SZSE 100 Index are selected as the constituents of the SZSE 200 Index.

The rest 700 constituents from the SZSE 1000 Index by excluding the 300 constituents of the SZSE 300 Index are selected as the constituents of the SZSE 700 Index.

SECTION 4

4.0 PERIODIC REVIEW OF CONSTITUENTS

4.1 Review Dates

- 4.1.1 The SZSE Scale Indices will be reviewed semi-annually in January and July using data as at the close of business on the last day in October and April.
- 4.1.2 The periodic reviews are semi-annually implemented on the first trading day in January and July each year.
- 4.1.3 Announcements of the constituent review are usually published on the first trading day of the second integral trading week of December (for the January review) and June (for the July review) prior to the implementation of the review.

4.2 Rules for Insertion and Deletion at the Periodic Review

- 4.2.1 For the SZSE 100 Index, the SZSE 300 Index and the SZSE 1000 Index, the rules for inserting and deleting securities at the periodic review are designed to provide stability while ensuring that the indices continue to be representative of the market by including or excluding those securities which have risen or fallen significantly.
- 4.2.2 For the SZSE 100 Index, the SZSE 300 Index and the SZSE 1000 Index, a company will be inserted at the periodic review if it rises above the position stated below when the eligible securities are ranked by the aggregate ratio noted in rule 3.3.4:

- SZSE 100 Index - Risen to 70th or above
- SZSE 300 Index - Risen to 210th or above
- SZSE 1000 Index - Risen to 700th or above

- 4.2.3 For the SZSE 100 Index, the SZSE 300 Index and the SZSE 1000 Index, a original constituent company will be delete from the periodic review if it falls below the position stated below when the eligible securities are ranked by the aggregate ratio noted in rule 3.3.4:

- SZSE 100 Index - fallen to 130th or below
- SZSE 300 Index - fallen to 390th or below
- SZSE 1000 Index - fallen to 1300th or below

- 4.2.4 For the SZSE 100 Index, the number of constituent adjusted shall not exceed 10%

of the sample size, or say, 10 constituents per time. For the SZSE 300 Index, the number of constituent adjusted shall not exceed 30 stocks per time. For the SZSE 1000 Index, the number of constituent adjusted shall not exceed 100 stocks per time.

However, only securities subject to rule 3.1 are considered eligible for inclusion. Where this leads the proportion of constituent changes more than 10% of the sample size, rule 3.1 will take precedence over rule 4.2.5.

4.2.5 A constant number of constituents will be maintained for the SZSE Scale Indices after each periodic adjustment.

Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted, the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted, the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

4.2.6 For the SZSE 200 Index, its periodic review is implemented along with the SZSE 100 Index and the SZSE 300 Index.

For the SZSE 700 Index, its periodic review is implemented along with the SZSE 300 Index and the SZSE 1000 Index.

4.3 Monitoring of Eligible Companies

4.3.1 The market capitalization and turnovers of companies eligible for inclusion in the SZSE Scale Indices are monitored by SSI. All listed securities that fulfill the selection criteria of the index universe will be included in the periodic reviews.

4.4 Capping Methodology

4.4.1 The SZSE Scale Indices don't implement capping methodology.

SECTION 5

5.0 CHANGES TO CONSTITUENT COMPANIES

5.1 New Issues

5.1.1 SSI will be notified if there is any new company issue expected. When a new issued company's daily average total market capitalization and free-float market capitalization for the first 5 trading days comprehensively ranks within the top 10 in the Shenzhen market, it will be added into the index on 15th trading day to replace the constituent with the smallest market capitalization.

5.1.2 If a non-constituent and eligible company's daily average total market capitalization and free-float market capitalization for the first 5 trading days comprehensively ranks within the top 10 in the Shenzhen market after merger or takeover or restructuring , it will be added into the index on 15th trading day to replace the constituent with the smallest market capitalization.

5.2 Deletions and Replacements

5.2.1 If a constituent is de-listed, suspended from listing, ceases to have a firm quotation, is subject to a take-over or has, in the opinion of SSI, ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the SZSE Scale Indices.

5.2.2 In cases of delisting and suspension of listing, the constituent will be removed from the indices at the end of the last trading day before the constituent is delisted or suspended from listing.

5.2.3 When a company is removed from the SZSE Scale Indices, the vacancy will be filled by the non-constituent and eligible stock in the index universe with the highest aggregate ratio according to 3.3.4.

5.3 Mergers, Restructuring and Complex Takeovers

5.3.1 If the effect of a merger or takeover is that one constituent in the SZSE Scale Indices is absorbed by another constituent in the same index, the resulting company will remain a constituent of the relevant Index, and a vacancy will be created. This vacancy will be filled by the non-constituent and eligible stock in the index universe with the highest aggregate ratio according to 3.3.4.

5.3.2 If the effect of a merger or takeover is that a non-constituent company is absorbed by a constituent in the index, the resulting company will remain a constituent of the SZSE Scale Indices.

5.3.3 If a constituent company in the SZSE Scale Indices is taken over by a non-constituent company, the original constituent will be removed and a vacancy will be created. If the aggregate ratio (according to 3.3.4) of the new company after the merger's is still higher than any non-constituent and eligible stock in the index universe, then the vacancy will be filled by the new company. Otherwise, the vacancy will be filled by the non-constituent and eligible stock in the index universe with the highest aggregate ratio.

5.3.4 If a constituent company is split to form two or more companies, a vacancy will be created. Whether the resulting companies will be included as index constituents depends on their aggregate ratios (according to 3.3.4).

If the aggregate ratio of every resulting company is higher than the lowest constituent, then every resulting company will be added to the index, and the lowest constituent(s) will be removed to keep the number of the index constituents constant.

If the aggregate ratios of some resulting companies are higher than the lowest constituent, then those resulting companies will be added to the index, and the lowest constituent(s) will be removed to keep the number of the index constituents constant.

If the aggregate ratio of every resulting company is lower than the lowest constituent, but the aggregate ratio of every resulting company (or some resulting companies) is higher than the highest non-constituent in index universe, then the resulting company with the highest aggregate ratio will be added to the index.

If the aggregate ratio of every resulting company is lower than both the lowest constituent and the highest non-constituent in index universe, then the highest non-constituent in index universe will be added to the index.

5.3.5 Any changed pursuant to Rule 5.3 will be announced to the market prior to the implementation.

5.4 Suspension of Trading

5.4.1 If a constituent is suspended from trading it may remain in the indices at its suspension price until the next periodic review is applied.

5.5 Changes to Prior Trading Day's Closing Price of Constituent

5.5.1 For the total return index, when the company implements ex-right activities such as dividend payment, split and bonus, rights offerings, transfer of capital surplus reserve, then on the ex-right or ex-dividend date, the closing price of that stock on the date of record will be replaced by the ex-right reference price. The ex-right reference price is according to the data released by Shenzhen

Stock Exchange.

5.5.2 For the price index, there is no adjustment in the circumstance of cash dividend payment on the ex-dividend date. The approaches applied for other ex-right activities are the same as the total return index.

5.6 Changes to Constituent's Free-Float Weight

5.6.1 Changes to constituent's free-float weights due to corporate actions:

- a) When the constituent implements a rights and interests distribution, adjustment will be applied to the related constituent's weight according to the actual amount of shares it increased on the listing date of the split or the date of the transfer of capital surplus reserve.
- b) When the constituent implements an additional shares issuing or a right offering, adjustment will be applied to the related constituent's weight on the listing date of new shares.
- c) When the constituent implements a debt-to-equity swap, a share repurchase or a warrant exercising, adjustment will be applied on the next trading day after the date of announcement.
- d) When the constituent implements a non-tradable-share relisting, real-time adjustment is applied according to the free float market capitalization after paying for the consideration.

5.6.2 Changes to constituent's free-float weights due to non-corporate actions:

When constituent implements an original-restricted-share listing due to the reform of the non-tradable shares, releasing the public placing shares, releasing the private placement of additional shares owned by the major shareholders and the strategic investors, the major shareholders increasing or decreasing their holdings or other non-corporate actions which could incur the change in the free float market capitalization, adjustment will be applied on the first trading day in January and July, according to the data announced in the latest periodic reports or interim report of the listed company.

SECTION 6

6.0 INDEX ALGORITHM AND CALCULATION METHOD

6.1 Prices

6.1.1 When the aggregate auction opens on each trading day, the opening price of the index is calculated by using the constituents' opening quotations; during the trading hours, the real time index is calculated by using the constituents' real time quotations; after the market is closed, the closing price of the index is calculated by using the constituents' closing quotations.

6.1.2 If no transaction of a constituent takes place on that day, the previous day's closing price is used for the calculation of the index; if the constituent is suspended from trading, the most recent price is used for the calculation of the index.

6.2 Index Calculation

6.2.1 The price index is calculated using the Paasche-weighted formula:

$$\text{Index}_t = \text{Index}_{t-1} \times \frac{\sum(P_{i,t} \times \omega_{i,t})}{\sum(P_{i,t-1} \times \omega_{i,t})}$$

Where,

- index_t is the latest index value on day t.
- Index_{t-1} is the closing value of the index on previous business day.
- $p_{i,t}$ is the latest price of constituent i on day t.
- $\omega_{i,t}$ is the free float shares of constituent i on day t.
- $P_{i,t-1}$ is the closing price constituent i on previous business day t-1.
- \sum means to aggregate.

6.2.2 The total return index is calculated using the Paasche-weighted formula:

$$\text{Index}_t = \text{Index}_{t-1} \times \frac{\sum(p_{i,t} \times \omega_{i,t})}{\sum \left[\left(P_{i,t-1} - \frac{\text{Div}_i}{1 + \Delta F_i} \right) \times \omega_{i,t} \right]}$$

Where,

- Index_t is the closing index value on day t.
- Index_{t-1} is the closing value of the index on previous business day.
- $P_{i,t}$ is the closing price of constituent i on day t.
- $\omega_{i,t}$ is the free float shares of constituent i on day t.

- $P_{i,t-1}$ is the closing price constituent i on previous business day $t-1$. When companies implement ex-right/ex-dividend activities such as dividend payment, split and bonus, the closing price will be replaced by the ex-right/ex-dividend reference price offered by Shenzhen Stock Exchange.
- Div_i is the cash dividend per share paid by constituent i .
- ΔF_i is the percentage of change in free float shares of constituent i .
- $P_{i,t-1} - \frac{Div_i}{1+\Delta F_i}$ is the ex-right/ex-dividend reference price offered by Shenzhen Stock Exchange when companies implement ex-right/ex-dividend activities such as dividend payment, split and bonus.
- Σ means to aggregate.

APPENDIX A

A. INDEX OPENING AND CLOSING HOURS

Index		Open	Close
SZSE 100 Index/SZSE 300 Index/SZSE 200 Index/ SZSE 700 Index/SZSE 1000 Index	Morning	9:30	11:30
	Afternoon	13:00	15:00

Notes:

Timings are Beijing Hours.

APPENDIX B

B. FURTHER INFORMATION

Further information on the SZSE Scale Indices is available from SSI (website: www.cnindex.com.cn) who will also welcome comments on these Ground Rules and on the Index. Enquiries should be addressed in the first instance to:

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