

# SSE 50 Index Methodology

SSE 50 Index selects 50 largest stocks of good liquidity and representativeness from Shanghai security market by scientific and objective method. The objective is to reflect the complete picture of those good quality large enterprises, which are most influential in Shanghai security market.

## 1. Selection of Constituents

- **1) Index Universe:** Constituents of SSE 180 Index
- **2) Number of Constituents:** 50
- **3) Selection Criteria:** Size and liquidity
- **4) Selection Method:** Rank the stocks by negotiable market capitalization and trading value. In principle, top 50 ranked stocks will be selected except for stocks with abnormal market performance and considered by the Index Advisory Committee as inappropriate as constituents.

## 2. Index Adjustment

SSE 50 Index will make constituent adjustment every 6 months following principle of Stability and Dynamic Tracking. The timing for adjustments is consistent with that of SSE 180 Index. Temporary adjustment may be made under special circumstances. Number of constituents adjusted each time should not exceed 10%. A buffer is setup in constituent adjustment. Stocks ranked top 40 will be given priority to add into the index, and old constituents ranked top 60 will be given priority to remain in the index.

## 3. Index Calculation

### • 1) Base day, Based Period and Base Index

The Base Day for SSE 50 Index is December 31, 2003. The Base Period is the total adjusted market capitalization for 50 constituents after closing on the Base Day. The Base Index is 1000 points. SSE 50 index is formally launched on January 2, 2004.

• **2) Calculation Formula**

SSE 50 Index is calculated using a Paasche weighted composite price index formula and weighted by adjusted number of shares.

The formula is

$$\text{Current index} = \frac{\text{Current adjusted market cap of constituents}}{\text{Base Period}} \times \text{Base Value}$$

Adjusted market cap =  $\Sigma$  Price  $\times$  Adjusted No. of shares.

SSE 50 Index uses category-weighted method (as indicated by the following chart) to adjust constituents' sharers.

Negotiable									
Market Share	≤10	(10, 20]	(20, 30]	(30, 40]	(40, 50]	(50, 60]	(60, 70]	(70, 80]	>80
Ratio (%)									
	Negotiable								
Weight(%)	Market	20	30	40	50	60	70	80	100
	Share Ratio								

**4. Index Maintenance**

Same as SSE 180 Index.