

CNI Bursa Malaysia 50 Index Methodology

December 2020

CNI Bursa Malaysia 50 Index is designed to reflect the overall performance of the most influential leading securities listed on Bursa Malaysia Berhad ('BM'), and to provide instruments for tradeable index products and financial derivatives.

1. Code and Name

Index Name: CNI Bursa Malaysia 50 Index

Short Name: CNI-BM 50

Index Code (CNI): 985018

Index Code (BM): 0501I

Index Name: CNI Bursa Malaysia 50 Index (CNY)

Short Name: CNI-BM 50 (CNY)

Index Code (CNI): 985019

Index Code (BM): 0499I

2. Base Date and Base Point

Base Date: December 31, 2015

Base Point: 1000

3. Index Universe

All securities listed on the main market of BM satisfying the following criteria:

- 3.1 Listed for more than 1 year, with the exception of ranking in the top 1% of Malaysia market by total market cap;
- 3.2 No major violations in laws and regulations, and no major problems in financial reports in the latest year (eg. problems include being classified under Practice Note 17 (PN 17) by BM);
- 3.3 No abnormal operation or substantial losses in the latest year;
- 3.4 No abnormal fluctuation in stock price during the review period.

4. Selection Criteria

Calculate the daily average total market cap and daily average trading value within the latest 6 months for stocks in the index universe;

Rank the stocks by daily average trading value in descending order and remove bottom 10% stocks;

Rank remaining stocks by daily average total market cap in descending order and select top 50 stocks as index constituents;

In case of similar rankings, stocks with strong industry representativeness and good financial performance are preferred.

5. Index Calculation

The index is calculated according to the Paasche weighted method, real-time calculation is carried out daily according to the following formula:

$$\text{Index} = \text{Base Value} \times \frac{\text{Current Aggregate Market Value}}{\text{Base Aggregate Market Value}}$$

Current Aggregate Market Value (CAMV): the sum of the free float shares outstanding multiplied by the current closing price of the current constituents in the index.

Base Aggregate Market Value (BAMV): the sum of free float shares outstanding on the base date multiplied by the closing price of constituents on the base date.

Base Value: base point of the index.

Free-float shares: the actual number of tradable shares of a listed company, which is the number of non-restricted shares after excluding ‘the non-restricted shares held by the following three types of shareholders and the persons acting in concert with a shareholding ratio of more than 5%’: ①state-owned (legal entities) shareholders; ②strategic investors; ③company founders, families or senior executives.

To maintain continuity whenever changes in capital of index constituents take place, the BAMV is adjusted on the following basis:

Index Value After Adjustment = Index Value Before Adjustment

$$\frac{\text{CAMV}_1}{\text{BAMV}_1} = \frac{\text{CAMV}_0}{\text{BAMV}_0}$$

$$\text{BAMV}_1 = \text{BAMV}_0 \times \frac{\text{CAMV}_1}{\text{CAMV}_0}$$

CAMV1: Current aggregate market value after adjustment.

BAMV1: Base aggregate market value after adjustment.

CAMV0: Current aggregate market value before adjustment.

BAMV0: Base aggregate market value before adjustment.

6. Periodic Review

6.1 Review Period

The index is reviewed semi-annually. Review in May is based on trading and fundamental data from November 1 of the previous year to April 30; review in November is based on trading and fundamental data from May 1 to October 31.

6.2 Implementation Date

Periodic reviews are implemented on the next trading day after market closing of the second Friday in June and December each year. Announcements of periodic reviews are published two weeks before implementation.

6.3 Number of New Constituents

The number of new constituents in each periodic review shall not exceed 10% of the total number of index constituents.

6.4 Buffer Zone

New candidate stocks ranking top 70% of the total number of index constituents are selected in order, existing constituents ranking top 130% are remained in the index with priority.

6.5 Reserved Stocks

After new constituents are determined, remaining stocks will be ranked by daily average total market cap in descending order and 3 index constituents will be selected as reserved stocks.

7. Non-periodic Review

7.1 Fast Entry Rules

For a newly issued stock ranking top 10 in Malaysia market by average daily total market cap for the first 5 trading days, it will be added into the index on the 15th trading day to replace the existing constituent with the smallest average total market cap.

For a listed company ranking top 10 in Malaysia market by the average total market cap due to M&A and other corporate actions, the same rules shall be applied.

7.2 Merger and Acquisition

Constituent companies merge: the stock of the resulting company will remain as a constituent. The vacancy will be filled by the highest ranked reserved stock.

A constituent company acquires a non-constituent company: the stock of the resulting company will remain as a constituent.

A non-constituent company acquires a constituent company: the stock of the resulting company becomes index constituent if it ranks above all reserved stocks, otherwise the vacancy will be filled by the highest ranked reserved stock.

7.3 Splits

When a constituent company splits into two or more companies, a vacancy will be created. Whether resulting companies will be included as index constituents depends on their rankings.

If every resulting company ranks above the lowest constituent, then all resulting companies will be added to the index, and the lowest constituent(s) will be removed to keep the number of index constituents constant.

If every resulting company ranks below the lowest ranked constituent but some of them rank above all reserved stocks, then the highest ranked resulting companies will be added to the index.

If every resulting company ranks below the lowest ranked

constituent and the highest ranked reserved stock, then the highest ranked reserved stock will be added to the index.

7.4 Suspension of Listing and Delisting

If a constituent is subject to suspension of listing, it will be replaced by the highest ranked reserved stock from the day of suspension.

If a constituent is subject to delisting, it will be replaced by the highest ranked reserved stock from the first trading day of its delisting preparing period.

If a constituent is subject to probability of suspension of listing or delisting due to substantial violations in regulations (such as fraud of financial reports), it will be replaced by the highest ranked reserved stock.

7.5 Risk Alert

A constituent subject to risk alert (eg. being classified under PN17 by BM) by regulators will be removed on the next trading day of the second Friday of the month following the implementation of risk alert, the highest ranked reserved stock will be included.

8. Reserved Stocks

The reserved stocks list will be created for non-periodic adjustments during the periodic review.

Constituents subject to listing suspension or delisting will be replaced by the highest ranked reserved stocks.

Number of reserved stocks is set to cover 5% of the total number of index constituents. Reserved stocks list will be refilled and announced in time when the number of reserved stocks is less than 50%.

9. Adjustment for Index Calculation

9.1 Adjustment for Previous Closing Price

For price index, the closing price of a constituent on record date will be updated to the reference ex-right price on ex-date when dividend payment, bonus issue, rights issue, capital/surplus reserve issue or other ex-right actions implemented. The reference ex-right price shall be referred to BM.

9.2 Adjustment for Free-float Shares

Changes of free-float shares caused by non-corporate actions such as increase/decrease of major shareholders' holdings and listing of restricted shares shall be adjusted on the next trading day of the second Friday in June and December, according to the shareholding data from latest periodic and non-periodic reports.

10. Index Dissemination and Management

10.1 Index Dissemination

CNI Bursa Malaysia 50 Index shall be disseminated to the public via BM's website and CNI's website (www.cnindex.com.cn).

10.2 Index Management

CNI Bursa Malaysia 50 Index is compiled, maintained and operated by Shenzhen Securities Information Company Limited ('SSIC') and BM. SSIC assists BM in constituents' periodical review and constituent changes according to the review.

CNI Bursa Malaysia 50 Index is an asset owned by SSIC and BM. Without written authorization of SSIC or BM, no institution or

individual shall track or trade the index, or use the index as an evaluation benchmark.

11. Disclaimer

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