CNI HK Connect Technology Index Methodology

CNI HK Connect Technology Index is designed to reflect the performance of leading tech companies listed on Hong Kong Stock Exchange and eligible for Southbound Trading under Stock Connect, and to provide an index investment instrument.

1. Code and Name

Index Name: CNI HK Connect Technology Index

Short Name: HKCTECH

Index Code: 987008

2. Base Date and Base Point

Base Date: December 31, 2014

Base Point: 1000

3. Index Universe

All stocks listed on Hong Kong Stock Exchange satisfying the

following criteria:

3.1 Eligible for Southbound Trading under Stock Connect;

3.2 Listed for more than 12 months[1];

3.3 Company business relates to internet, electronics, telecommunication equipment, biotechnology, medical equipment, big data, cloud services, intelligent cars, artificial intelligence and other technology industries;

3.4 Compound growth rate of revenue larger than 10% within the latest 2-year, or ratio of R&D over revenue larger than 5% for the latest year.

4. Selection Criteria

4.1 Remove stocks with average monthly trading velocity[2] less than 0.1% within the latest 12 months, or stocks with daily average trading value less than 20 million HKD within the latest 12 months.

4.2 Select top 30 stocks ranked by daily average total market cap within the latest 12 months from remaining stocks as index constituents.

5. Index Calculation

[1] For companies dual-listed in A-share and H-share markets, the initial listing date in either market shall be used as the basis of calculation. If the listing duration of the H-shares is shorter than the statistical period required by the index selection methodology, the data shall be calculated from its actual listing date.

[2] Monthly trading velocity is median of daily trading velocity within month.

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

$$\text{current index} = \text{last trading day closing index} \times \frac{\sum(\text{constituent's stock price} \times \text{No. of shares} \times \text{adjustment factor})}{\sum(\text{constituent's last trading day closing price} \times \text{No. of shares} \times \text{adjustment factor})}$$

For adjustment method of No. of shares, please refer to 'Index Calculation and Maintenance Methodology'. For adjustment factor, please refer to '7. Adjustment for Constituents' Weights'.

6. Index Review

6.1 Periodic Review

The index is reviewed quarterly. Periodic reviews are implemented on the next trading day after market closing of the second Friday in March, June, September and December each year.

The number of new constituents in each periodic review shall not exceed 10% of the total number of index constituents. New candidate stocks ranked top 70% of the total number of index constituents are selected in order; existing constituents ranked top 130% are remained in the index with priority.

Rank the stocks not selected as index constituents by daily average

total market cap in descending order and select 5% of the total number of index constituents as reserved stocks.

6.2 Non-periodic Review

If a constituent is subject to delisting or removal from the list of eligible stocks for Southbound Trading under Stock Connect, it will be replaced by the highest ranked reserved stock.

7. Adjustment for Constituents' Weights

In index calculation, the adjustment factor is designed to set the weight of individual constituent no more than 15% and the total weight of top 5 constituents no more than 60% in each periodic review.

The adjustment factor is recalculated four times a year and implemented in periodic reviews. The adjustment factor generally remains constant before next periodic review.

In case of non-periodic review, the adjustment factor for the new constituent is calculated accordingly.