



INDEX METHODOLOGY

# NASDAQ OMX CHINA TECHNOLOGY INDEX<sup>SM</sup> METHODOLOGY

## CHXN9000

### INDEX DESCRIPTION

The NASDAQ OMX China Technology Index is designed to track the performance of technology companies that are domiciled in China and Hong Kong.

### SECURITY ELIGIBILITY CRITERIA

#### Eligible security types

The security types eligible for the Index include common stocks, ordinary shares, depositary receipts, depositary shares, Dutch certificates and preference shares. Chinese A-Shares are generally ineligible.

#### Multiple classes of securities

One security per issuer is permitted. If an issuer has multiple securities, the security with the highest three-month average daily trading value is generally selected for possible inclusion into the Index.

#### Eligible exchanges

Index eligible exchanges include the following:

- The Nasdaq Stock Market
- The New York Stock Exchange
- NYSE American
- CBOE BZX U.S. Equities Exchange
- Hong Kong Stock Exchange

#### Geographic eligibility

The issuer of the security must be domiciled in China or Hong Kong.

### **Industry or sector eligibility**

The security must be classified within the Technology industry according to the Industry Classification Benchmark (ICB), a product of FTSE International Limited licensed for this use.

### **Market capitalization eligibility**

The issuer of the security must have a market capitalization of at least \$100 million.

### **Liquidity eligibility**

The security must have a three-month average daily trading value of at least \$1 million.

### **Seasoning Eligibility**

The security must have been listed for at least three months prior to the Index Reconstitution reference date.

### **Float eligibility criteria**

The security must have a free float of at least 20%.

### **Other eligibility criteria**

The issuer of the security generally may not currently be in bankruptcy proceedings.

The issuer of the security generally may not have entered into a definitive agreement or other arrangement that would make it ineligible for Index inclusion.

## **INDEX CALENDAR**

### **Reconstitution schedule**

Nasdaq selects constituents once annually in March.

### **Reconstitution reference dates**

The Security Eligibility Criteria are applied using market data as of the end of February.

### **Reconstitution announcement dates**

Index Reconstitutions are announced in early March.

### **Reconstitution effective dates**

Index Reconstitutions become effective at market open on the trading day after the third Friday in March.

### **Rebalance schedule**

The Index is rebalanced quarterly in March, June, September and December.

### **Rebalance reference dates**

The Index Rebalance uses the Total Shares Outstanding ("TSO"), Last Sale Price ("LSP"), Free Float Factor and Spot Rate of all Index Securities as of the prior month-end (February, May, August and November, respectively).

### **Rebalance announcement dates**

Index Rebalance changes are announced in early March, June, September and December.

### **Rebalance effective dates**

Index Rebalance changes become effective at market open on the trading day after the third Friday in March, June, September and December.

### **Special rebalance schedule**

A Special Rebalance may be conducted at any time based on the weighting restrictions described in the constituent weighting process if deemed necessary to maintain the integrity of the Index.

## **CONSTITUENT SELECTION**

### **Constituent selection process**

All securities that meet the applicable Security Eligibility Criteria are included in the Index. Constituent Weighting

### **Constituent weighting scheme**

The Index is a modified free float market capitalization-weighted index.

### **Constituent weighting process**

The Index employs a two-stage weight adjustment scheme.

Index Securities' initial weights are determined by dividing each Index Security's free float market capitalization by the aggregate free float market capitalization of all Index Securities.

**Stage 1:** Initial index weights are adjusted to meet the following Stage 1 constraint, producing Stage 1 weights:

- No Index Security weight may exceed 8%.

**Stage 2:** Stage 1 weights are adjusted to meet the following Stage 2 constraints, producing the final weights:

- For Index Securities with the five largest adjusted national security revenues, Stage 1 weights are maintained.
- For all other Index Securities, no weight may exceed 4%.

The final weights meet the following constraints:

- No Index Security weight may exceed 8% of the index; five may exceed 4%.

For additional information about index weighting, see **Nasdaq Index Weight Adjustment Guidelines**.

## INDEX MAINTENANCE

### Deletion policy

If, at any time other than an Index Reconstitution, Nasdaq determines that an Index Security has or will undergo a fundamental alteration that would make it ineligible for Index inclusion, the Index Security is removed as soon as practicable.

Such alterations may include the following:

- An Index Security no longer meets the Eligibility Criteria, or is otherwise determined to have become ineligible for inclusion in the Index.
- An Index Security reaches its foreign investment limit.
- A merger, acquisition, or other major corporate event that would otherwise adversely impact the integrity of the Index

### Replacement policy

Index Securities are not replaced in the Index outside of the Index Reconstitution.

### Corporate actions

In the periods between scheduled index reconstitution and rebalancing events, individual Index securities may be the subject to a variety of corporate actions and events that require maintenance and adjustments to the Index. With the exception(s) noted below, specific treatment of each type of corporate action or event is described in **Nasdaq Corporate Actions and Events Manual – Equities**, which is incorporated herein by reference.

In certain cases, corporate actions and events are handled according to the weighting scheme or other index construction techniques employed. Wherever alternate methods are described, the Index will follow the “Market Cap Corporate Action Method.”

## Corporate action exceptions

### Spin-offs

- If the parent is an Index Security and there is a when-issued market for the spinco, the price of the parent is adjusted downward for the value of the spinco. The value of the spinco is calculated as the spin-off ratio multiplied by the when-issued Last Sale Price (“LSP”) of the spinco. There is no adjustment to the Index Shares of the parent. This will result in a divisor adjustment. The spinco is not added to the Index.
- If there is no when-issued market for the spinco, then no price or Index Share adjustment is made to the Index Security. The spinco is not added to the Index.

## Index share adjustments

For handling of changes in total shares outstanding (TSO) greater than 10% arising from other corporate events, please refer to **Corporate Actions and Events Manual – Equities**.

At the quarterly rebalancing, no changes are made to the Index from the previous month end until the quarterly share change effective date, with the exception of corporate actions with an ex-date.

## ADDITIONAL INFORMATION

### Announcements

Nasdaq announces Index-related information via the Nasdaq Global Index Watch (GIW) website at <http://indexes.nasdaqomx.com>.

For more information on the general Index Announcement procedures, please refer to the **Nasdaq Index Methodology Policy**.

### Holiday schedules

The Index is calculated Monday through Friday and does not close for holidays, as it is a Global Index.

### Unexpected market closures

For information on Unexpected Market Closures, please refer to the **Nasdaq Index Methodology Policy**.

## **Calculation types**

For information on the Index calculation types as well as the mathematical approach used to calculate the Index(es), please refer to the **Nasdaq Index Policies & Procedures: Calculation Manual – Equities & Commodities**.

## **Recalculation and restatement policy**

For information on the Recalculation and Restatement Policy, please refer to the **Nasdaq Index Recalculation Policy**.

## **Data sources**

For information on data sources and the classification of dividends and associated tax rates, please refer to the **Nasdaq Index Methodology Policy**.

## **Contact information**

For any questions regarding an Index, please contact the Nasdaq Index Client Services team at [indexservices@nasdaq.com](mailto:indexservices@nasdaq.com).

## **Index dissemination**

Index values and weightings information are available through Nasdaq Global Index Watch (GIW) website at <https://indexes.nasdaqomx.com/> as well as the Nasdaq Global Index Flexfile Delivery Service (GIFFD) and Global Index Dissemination Services (GIDS). Similar to the GIDS offerings, Genium Consolidated Feed (GCF) provides real-time Index values and weightings for the Nordic Indexes.

For more detailed information regarding Index Dissemination, see the **Nasdaq Index Methodology Policy**.

## **Index calculation and dissemination schedule**

The Index is calculated starting by the earliest time zone (Asia/Tokyo) and closes by the latest time zone (America/New York).

## **Website**

For further information, please refer to Nasdaq GIW website at <https://indexes.nasdaqomx.com/>.

## **FTP and dissemination service**

Index values and weightings are available via FTP on the Nasdaq Global Indexes FlexFile Delivery Service (GIFFD). Index values are available via Nasdaq's Global Index Dissemination Services (GIDS).

## GOVERNANCE

### Index governance

Nasdaq Indexes follow the same governance structure. For a detailed list of this information, please see the **Nasdaq Index Methodology Policy**.

### Nasdaq Index Management Committee

A methodology document is created for all new Index Methodologies. The methodology document includes the following: Index Objective, Security Eligibility Criteria, Index Construction, Index Maintenance, Index Governance, Index Policy, and Index Dissemination.

The Nasdaq Index Management Committee approves all new Index Methodologies. This committee is comprised of full-time professional members of Nasdaq. The committee meets regularly, and reviews items including, but not limited to, pending corporate actions that may affect Index constituents, statistics comparing the composition of the indexes to the market, companies that are being considered as candidates for addition to an Index, and any significant market events.

For a detailed overview of the Index Management Committee, please see the **Nasdaq Index Methodology Policy**.

### Internal reviews of methodology

For a detailed description on internal reviews of the Methodology, please see the **Nasdaq Index Methodology Policy**.

### Communication with stakeholders and consultations

For a detailed description on Consultations and Communications with Stakeholders, please see the **Nasdaq Index Methodology Policy**.

### Index cessation

Nasdaq has a documented procedure that is followed for Index Cessation that includes termination/retirement of an Index or Index Family.

For more information, please refer to the **Nasdaq Index Cessation Policy**.

### Discretionary adjustment

This Index Methodology was created by Nasdaq to achieve the aforementioned objective of measuring the underlying purpose of each Index governed by this methodology document. Any deviations from this methodology are made in the sole judgment and discretion of Nasdaq so that the Index continues to achieve its objective.

For more information on potential adjustments including Calculation and Pricing Disruptions, Expert Judgment, and Unexpected Reconstitution/Rebalances, please refer to the **Nasdaq Index Methodology Policy**.

## GLOSSARY OF TERMS AS USED IN THIS DOCUMENT

See **Nasdaq Index Methodology Policy**.

## DISCLAIMER

Nasdaq may, from time to time, exercise reasonable discretion as it deems appropriate in order to ensure Index integrity, including but not limited to, quantitative inclusion criteria. Nasdaq may also, due to special circumstances, if deemed essential, apply discretionary adjustments to ensure and maintain the high quality of the index construction and calculation. Nasdaq does not guarantee that any Index accurately reflects future market performance.

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