

# **MSCI CHINA TECH 100 INDEX**

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## 1 Introduction

The MSCI China Tech 100 Index aims to represent the performance of a set of companies associated with the development of new products and services from technology innovations leading to breakthroughs in areas such as internet and digitization, mobility, autonomous technology, industrial automation and digital healthcare.

## 2 Constructing the Index

The Index is constructed by selecting stocks from Parent Indexes (the “Parent Index” as shown in the table below) based on rules explained in the following sections.

Index Name	Parent Index
MSCI China Tech 100 Index	MSCI China Index
MSCI China A International Tech 100 Index	MSCI China A International Index <sup>1</sup>

The Index selects companies which are assessed to have high exposure to the following technology related business activities:

Internet	Mobility	Industrials	Health
<ul style="list-style-type: none"> <li>• Blockchain &amp; P2P</li> <li>• Cloud Computing</li> <li>• Crowdsourcing</li> <li>• Cybersecurity</li> <li>• E-commerce</li> <li>• Fintech</li> <li>• Internet of Things</li> <li>• Mobile &amp; Digital Payments</li> <li>• Robotics and Artificial Intelligence</li> <li>• Social Media</li> </ul>	<ul style="list-style-type: none"> <li>• Batteries</li> <li>• High speed transportation</li> <li>• Sharing Economy</li> <li>• Smart Mobility</li> <li>• Vehicular Automation</li> </ul>	<ul style="list-style-type: none"> <li>• 3D Printing</li> <li>• Alternate Energy Sources</li> <li>• Innovative Materials</li> <li>• Smart Infrastructure</li> <li>• Space Exploration</li> </ul>	<ul style="list-style-type: none"> <li>• Automated Diagnostics</li> <li>• Bioinformatics</li> <li>• Clinical Lab Automation</li> <li>• Healthcare Infotech</li> <li>• Medical Robotics</li> <li>• Telemedicine</li> <li>• Medical Device/ Instruments/ Materials</li> </ul>

MSCI may seek input from outside market experts on the ongoing evolution of the themes underlying the Index. However, such input is advisory only in nature. MSCI alone decides whether to use such input at all or to what extent. Receipt of such input, like any other feedback on MSCI indexes, may or may not lead to a change to the index or index methodology.

### 2.1 Eligible Universe

All stocks in the Parent Index (as described in section 2) with Relevance Score<sup>2</sup> of 25% or more are included in the Eligible Universe.

<sup>1</sup> For details on the MSCI China A International Index, please refer to the MSCI China All Shares Indexes Methodology (Available on <https://www.msci.com/index-methodology>)

<sup>2</sup> For details of calculation of Relevance Scores, please refer to the MSCI Thematic Relevance Score Methodology document.

### 2.1.1 Liquidity Screening

Securities in the bottom quintile of the Parent Index by 3-month average daily trading value (3M ADTV) are excluded from the Eligible Universe. For the calculation of ADTV, please refer to Appendix 2.

## 2.2 Selected Universe

The top 100 securities ranked by their issuer market capitalization are selected for inclusion in the final Index.

If the number of securities in the Eligible Universe is below 100, all the securities in the universe are selected for inclusion in the Index

## 2.3 Weighting scheme

Stocks in the Selected Universe are weighted by the product of Relevance Score and their free float adjusted market capitalization, which is calculated based on the Foreign Inclusion Factor (FIF) and subject to Foreign Ownership Limits (FOLs)<sup>3</sup>. The weights are then normalized to sum to 100%.

Additionally, constituent weights are capped at the issuer level to mitigate concentration risk in the Index. The issuer weight in the Index is capped at 10%.

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<sup>3</sup> For China A-share constituents the inclusion factor will align with the Parent Index. For details please refer to the Global Investable Market Indexes Methodology (Available on <https://www.msci.com/index-methodology>)

## 3 Maintaining the Index

### 3.1 Semi-Annual Index Review

The Index is reviewed on a Semi-Annual basis in May and November to coincide with the May and November Semi-Annual Index Reviews of the Parent Index, and the changes are implemented at the end of May and November. In general, the pro forma Index is announced nine business days before the effective date.

During the Semi-Annual Index Review, the Eligible Universe and Selected Universe are updated.

In general, MSCI uses Relevance Score data as of two business days prior to the rebalancing date for the Semi-Annual Index Review.

### 3.2 Ongoing event-related maintenance

The general treatment of corporate events in the index aims to minimize turnover outside of Index Reviews. The methodology aims to appropriately represent an investor's participation in an event based on relevant deal terms and pre-event weighting of the index constituents that are involved. Further, changes in index market capitalization that occur as a result of corporate event implementation will be offset by a corresponding change in the Variable Weighting Factor (VWF) of the constituent.

The following section briefly describes the treatment of common corporate events within the index.

No new securities will be added (except where noted below) to the index between Index Reviews. Parent Index deletions will be reflected simultaneously.

**EVENT TYPE**

**EVENT DETAILS**

**New additions to the Parent Index**

A new security added to the Parent Index (such as IPO and other early inclusions) will not be added to the Index.

**Spin-Offs**

All securities created as a result of the spin-off of an existing Index constituent will be added to the Index at the time of event implementation if the spin-off security is also added to the Parent Index. Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

**Merger/Acquisition**

For Mergers and Acquisitions, the acquirer's post event weight will account for the proportionate amount of shares involved in deal consideration, while cash proceeds will be invested across the Index.

If an existing Index constituent is acquired by a non-Index constituent, the existing constituent will be deleted from the Index and the acquiring non-constituent will not be added to the Index.

**Changes in Security Characteristics**

A security will continue to be an Index constituent if there are changes in characteristics (country, sector, size segment, etc.) Reevaluation for continued inclusion in the Index will occur at the subsequent Index Review.

Further detail and illustration regarding specific treatment of corporate events relevant to this Index can be found in the MSCI Corporate Events Methodology.

The MSCI Corporate Events methodology book is available at:  
<https://www.msci.com/index-methodology>.

## Appendix 1: Methodology for China All Shares IMI Tech Index

The MSCI China All Shares IMI Tech Index is constructed by selecting stocks from the MSCI China All Shares IMI Index<sup>4</sup>. This index follows the same methodology as described in section 2.1 of this methodology document.

### Selected Universe

Securities from the eligible universe which are in the bottom half by issuer market capitalization and have a Relevance Score lower than 50% are excluded from the Selected Universe.

The Index follows the weighting scheme as described in section 2.3 of this methodology document.

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<sup>4</sup> For details on the MSCI China All Shares IMI Index, please refer to the MSCI China All Shares Indexes Methodology (Available on <https://www.msci.com/index-methodology>)



## Appendix 2: Calculation of 3-Month Average Daily Traded Value (ADTV)

$$ADTV = ATV/252$$

Where:

- ADTV = 3-month Average Daily Traded Value
- ATV = 3-month Annualized Traded Value

For details on the calculation of ATV, please refer to the MSCI Global Investable Market Indexes Methodology (<https://www.msci.com/index-methodology>).

**The following sections have been modified since January 2022:**

- Introduction
- The role of experts in constructing the Index
- The set of relevant words and phrases
- Calculating the stock Relevance Score

**The following sections have been modified effective June 1, 2022:**

- Section 2 updated to reference the MSCI Thematic Relevance Score Methodology
- Section 3 updated to reflect the data cutoff date for Relevance Scores
- Appendix 1 updated to reference MSCI Thematic Relevance Score Methodology

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