

MSCI HK CHINA CONNECT SELECT INDEX METHODOLOGY

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1. Introduction

The MSCI HK China Connect Select Index¹(the “Index”) is designed to measure the performance of the top 30 securities by security full market capitalization in the MSCI China and the MSCI Hong Kong Indexes that are listed on the Hong Kong Stock Exchange², that adhere to Sharia investment principles. The securities must be eligible for Southbound Trading (i.e., eligible for both buy and sell) through the Shanghai-Hong Kong or Shenzhen-Hong Kong Stock Connect Program. The Index applies stringent screens to exclude securities based on two types of criteria: business activities and financial ratios derived from average market capitalization. The Index also applies a screen based on Business Segment Relevance Score. The Index constituents are capped at 8% at an issuer level during each rebalancing.

¹ The Index is governed by a set of methodology and policy documents (“Methodology Set”), including the present index methodology document. The Methodology Set for the Indexes can be accessed from MSCI’s webpage <https://www.msci.com/index-methodology> in the section ‘Search Methodology by Index Name or Index Code’.

² including the Hong Kong listing of HSBC.

2. Constructing the MSCI HK China Connect Select Index

The Index constituents are selected and weighted based on following steps at initial index rebalancing:

- Determining the Screened Universe:
 - Construct the parent index (“Parent Index”) by selecting all constituents of the MSCI China Index (MSCI Index Code: 302400) and MSCI Hong Kong Index (MSCI Index Code: 934400) that are listed on the Hong Kong Stock Exchange, as well as the Hong Kong listing of HSBC
 - Apply Islamic Index M-series screening as per the MSCI Islamic Series Methodology³
 - Select securities available via the Southbound Trading of the Shanghai-Hong Kong or Shenzhen-Hong Kong Stock Connect Program
- Selecting the top 30 securities
 - Rank all securities in the Screened Universe in descending order based on their security full market capitalization
 - Select the top 30 securities
- Determining the constituent weights:
 - Determine an initial weight based on the free float adjusted market capitalization of each security
 - Apply a 8% capping for each issuer and redistribute the excess weight over the remaining issuers in proportion of their free float adjusted market capitalization weight.

³ The MSCI Islamic Series Methodology is available on: <https://www.msci.com/index/methodology/latest/Islamic>.

3. Maintaining the MSCI HK China Connect Select Index

3.1 QUARTERLY INDEX REVIEW

The Index is rebalanced on a quarterly basis, with the pro forma Index determined and announced nine business days before the effective date. Changes are generally implemented as of the close of the last business day of each February, May, August and November, to coincide with the Quarterly Index Reviews of the MSCI Global Investable Market Indexes.

During a Quarterly Index Review, the below steps are followed in addition to the steps in section 2.

3.1.1 EXCLUSION OF COMPANIES BASED ON BUSINESS SEGMENT RELEVANCE SCORE

An additional screen to exclude companies from the Screened Universe on the basis of Business Segment Relevance Score⁴ is applied. The process is explained in more details as below:

3.1.1.1 Company Level Data Used for Assessing Company Exposure

The following data is used at the company level:
Business segment information from company annual reports and vendor data sources: business segment names⁵, assigned SIC codes⁶ and related revenue.

3.1.1.2 Security Selection

Companies with Business Segment Relevance Score greater than 0% are excluded.

The company level Business Segment Relevance Score is calculated as per the steps described in the following section.

⁴ This screen is applied effective from the August 2024 Index Review.

⁵ MSCI uses the company business segment names and revenue data as of the rebalancing date of the index review.

⁶ Company's business segments are assigned with a specific SIC (Standard Industry Classification) description for products and services, used by official agencies within the US government. These descriptions provide additional information on the nature of the segment.

3.1.1.3 Calculation of Company Level Business Segment Relevance Score

A discount factor is assigned to the business segment(s) of each company as per the business segment selection criteria described in the following table.

Business Segment Selection Criteria	Segment Discount Factor
Business Segment is assigned to one or more of the following SIC Codes described in Section 3.1.1.4	1
All other segments	0

The Company Level Business Segment Relevance Score is calculated as follows:

Business Segment Relevance Score = $\frac{\text{sum [revenue from business segments * segment discount factor]}}{\text{Total company revenue}}$

3.1.1.4 SIC Code List

List of SIC Codes to be excluded.

SIC Code	Description
0211	Beef cattle feedlots
0212	Beef cattle, except feedlots
0213	Hogs
0214	Sheep and goats
0219	General livestock, except Dairy & Poultry
0241	Dairy farms
0251	Broiler, fryer and roaster chickens
0252	Chicken eggs
0253	Turkeys and turkey eggs
0254	Poultry hatcheries
0259	Poultry and eggs, not elsewhere classified
0271	Fur-bearing animals and rabbits
0272	Horses and other equines
0279	Animal specialties, not elsewhere classified
0291	General farms, primarily livestock
0971	Hunting, trapping, game propagation
2011	Meat packing plants
2013	Sausages and other prepared meats

2015	Poultry slaughtering and processing
2021	Creamery butter
2022	Natural, Processed, and Imitation Cheese
2023	Dry, Condensed, and Evaporated Dairy Products
2024	Ice cream and frozen desserts
2026	Fluid milk
2077	Animal and marine fats and oils
2099	Food preparations, not elsewhere classified
5142	Packaged frozen foods
5143	Dairy products, except dried or canned
5144	Poultry and poultry products
5147	Meats and meat products
5154	Livestock
5421	Meat and Fish (Seafood) Markets, incl Freezer Provisioners
5451	Dairy Products Stores
5812	Eating places
5813	Drinking places (Alcoholic Beverages)

3.1.2 SELECTING THE TOP 30 SECURITIES

The following prioritization steps are followed to select the top 30 securities:

- Rank all securities in the Screened Universe after the screening for Business Segment Relevance Score in descending order based on their security full market capitalization.
- Select the top 27 securities.
- Select any existing constituents that are ranked 28 to 33 to reach 30 constituents.
- Select any non-current constituents based on their ranking to reach 30 constituents.

3.2 ONGOING EVENT RELATED CHANGES

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

Securities that are no longer eligible for Southbound Trading (i.e., eligible for both buy and sell) through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect Program are deleted giving 2 days’ notice.

Additionally MSCI reviews securities for potential exclusion following changes in GICS according to section 3.3 of the MSCI Islamic Series Methodology⁷.

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 not be added to the Index at the time of event implementation even if the spin-off security is added to the Parent Index. Reevaluation for 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.
Transformation	A security will continue to be the Index

⁷ The MSCI Islamic Series Methodology is available on: <https://www.msci.com/index/methodology/latest/Islamic>

constituent if there are changes in characteristics but remains in the Parent Index (e.g., country classification of the security). 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 book.

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

List of Methodology Changes

The following section has been added since August 2024:

3.1.1 EXCLUSION OF COMPANIES BASED ON BUSINESS SEGMENT RELEVANCE SCORE

- Methodology update to apply additional security exclusion rules.

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