

MSCI HK CHINA CONNECT SELECT INDEX METHODOLOGY

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1. Introduction

MSCI Indexes are constructed and maintained in accordance with the MSCI Global Investable Market Indexes (GIMI) Methodology and calculated as per the MSCI Index Calculation Methodology. This methodology book provides a description of the rules and guidelines followed by MSCI for the construction and maintenance of the MSCI HK China Connect Select Index¹(the “Index”).

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 Exchange, including the Hong Kong listing of HSBC, 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 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. 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 Methodology²
 - 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 an 8% capping for each issuer and redistribute the excess weight over the remaining issuers in proportion of their free float adjusted market capitalization weight.

² 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 same steps in section 2 are followed with the exception of the top 30 security selection where the following prioritization steps are followed:

- Rank all securities in the Screened Universe in descending order based on their security full market capitalization,
- Select the top 27 securities from the Screened Universe,
- 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 Methodology³.

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

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 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>.

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To learn more, please visit
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The process for submitting a formal index complaint can be found on the index regulation page of MSCI's website at: <https://www.msci.com/index-regulation>.

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