

Methodology Book for:
**- MSCI Hong Kong Listed Large
Cap Index**
**- MSCI China Hong Kong Listed
Large Cap Index**

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1. Introduction

The MSCI Hong Kong Listed Large Cap Index aims to represent the performance of a free float adjusted market capitalization (available to foreign investors) weighted set of securities that includes Hong Kong listed companies in the MSCI Zhong Hua Large Cap Index, plus the Hong Kong listing of HSBC¹.

The MSCI China Hong Kong Listed Large Cap Index aims to represent the performance of a free float adjusted market capitalization (available to foreign investors) weighted set of securities that includes Hong Kong listed companies in the MSCI China Large Cap Index.

Additionally, to avoid concentration, the maximum weight of issuers in the MSCI Hong Kong Listed Large Cap Index and the MSCI China Hong Kong Listed Large Cap Index (the “Indexes”) is capped at 10% as per the MSCI Capped Indexes Methodology^{2,3}.

¹ The Hong Kong listing of HSBC is included in the MSCI Hong Kong Listed Large Cap Index given its significant size in the Hong Kong stock market. This treatment is different from the country classification rule of the MSCI Global Investable Market Indexes (GIMI) Methodology. At each Index Review, MSCI monitors the investability of the Hong Kong listing of HSBC relative to the investability requirements for the Equity Universe of Hong Kong under the MSCI GIMI Methodology. MSCI GIMI Methodology is available at <https://www.msci.com/index/methodology/latest/GIMI>

² For more details, please refer to the MSCI Capped Indexes Methodology at <https://www.msci.com/index/methodology/latest/Capped>

³ The Indexes are 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 Hong Kong Listed Large Cap Index and the MSCI China Hong Kong Listed Large Cap Index

The Indexes are created in following steps:

- 1) Defining the Underlying Universe
- 2) Selecting the Hong Kong Listed Securities
- 3) Security Weighting

2.1 Defining the Underlying Universe

The underlying universe for the Indexes constitutes all the securities of the respective “Parent Index” as defined below:

Index	Parent Index
MSCI Hong Kong Listed Large Cap Index	MSCI Zhong Hua Large Cap Index + Hong Kong Listing of HSBC
MSCI China Hong Kong Listed Large Cap Index	MSCI China Large Cap Index

2.2 Selecting the Hong Kong Listed Securities

All the securities from the underlying universe which are listed in Hong Kong are included in the Indexes.

Additionally, the securities in the underlying universe which are listed outside Hong Kong are replaced by eligible alternate listings in Hong Kong, if available.

An alternate listing is eligible if its 12-month FIF Adjusted Annual Traded Value Ratio (ATVR)⁴ is 15% or higher. If no eligible alternate listing is available, the security is excluded from the Index.

2.3 Security Weighting

Selected securities are then weighted in proportion of their free float market capitalization applicable to foreign investors.

The maximum weight of issuers in the Indexes is then capped at 10%, as per the MSCI Capped Indexes Methodology.

⁴ For more details on ATVR, please refer to the MSCI Global Investable Market Indexes Methodology at <https://www.msci.com/index/methodology/latest/GIMI>

3. Maintaining the MSCI Hong Kong Listed Large Cap Index and the MSCI China Hong Kong Listed Large Cap Index

3.1 Quarterly Index Reviews

The Indexes are reviewed on a quarterly basis to coincide with the regular Index Reviews of the MSCI Global Investable Market Indexes. The changes are generally implemented as of the close of the last business day of February, May, August, and November.

The pro forma Index is, in general, announced nine business days before the effective date.

3.1.1 Buffer Rules

To reduce Index turnover and enhance Index stability, buffer rules are applied for the liquidity screening of any Hong Kong listed alternate listing at each Index Review. While any newly eligible alternate listing is required to have an ATVR of 15% or higher, existing alternate listings are eligible to be retained in the Index, as long as they have an ATVR of 10% or higher.

3.2 Ongoing Event-Related Changes

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

No new securities will be added (except where noted below) to the Indexes between Index Reviews. For cases where additions are noted below, securities will be added to the indexes only if added to the Parent Index. Only HK listings of the securities, if available, are added to the Indexes.

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 an IPO and other early inclusions), will be added to the index, if eligible as per Section 2. The security will be added at an estimated capped weight.

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.

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 be added to the index reflecting the terms of the acquisition.

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 book.

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

Appendix I: Changes to this Document

The following sections have been modified as of November 2023:

Methodology book was updated to reflect the transition of the MSCI Global Investable Market Indexes (GIMI) to Quarterly Comprehensive Index Reviews.

All references to “Semi-Annual Index Reviews” and “Quarterly Index Reviews” of the MSCI GIMI were replaced with “Index Reviews.”

Contact us

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AMERICAS

Americas	1 888 588 4567 *
Atlanta	+ 1 404 551 3212
Boston	+ 1 617 532 0920
Chicago	+ 1 312 675 0545
Monterrey	+ 52 81 1253 4020
New York	+ 1 212 804 3901
San Francisco	+ 1 415 836 8800
São Paulo	+ 55 11 3706 1360
Toronto	+ 1 416 628 1007

EUROPE, MIDDLE EAST & AFRICA

Cape Town	+ 27 21 673 0100
Frankfurt	+ 49 69 133 859 00
Geneva	+ 41 22 817 9777
London	+ 44 20 7618 2222
Milan	+ 39 02 5849 0415
Paris	0800 91 59 17 *

ASIA PACIFIC

China North	10800 852 1032 *
China South	10800 152 1032 *
Hong Kong	+ 852 2844 9333
Mumbai	+ 91 22 6784 9160
Seoul	00798 8521 3392 *
Singapore	800 852 3749 *
Sydney	+ 61 2 9033 9333
Taipei	008 0112 7513 *
Thailand	0018 0015 6207 7181 *
Tokyo	+ 81 3 5290 1555

* toll-free

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