

STANDARD
& POOR'S

S&P PAN ASIA 50 HIGH DIVIDEND INDEX

INDEX METHODOLOGY

April 2007

Table of Contents

| | |
|--|-----------|
| Introduction | 3 |
| Highlights | 3 |
| Eligibility Criteria | 4 |
| Index Eligibility | 4 |
| Timing of Changes | 5 |
| Index Construction | 6 |
| Approaches | 6 |
| Index Calculations | 6 |
| Index Maintenance | 7 |
| Rebalancing | 7 |
| Index Adjustments | 7 |
| Corporate Actions | 7 |
| Base Date | 8 |
| Currency of Calculation | 8 |
| Index Data | 9 |
| Total Return Index | 9 |
| Withholding tax rates used in index computation | 9 |
| Index Governance | 11 |
| Index Committee | 11 |
| Index Policy | 12 |
| Announcements | 12 |
| Holiday Schedule | 12 |
| Unscheduled Market Closures | 12 |
| Tickers | 12 |

| | |
|--|-----------|
| S&P Contact Information | 13 |
| Index Management | 13 |
| Media Relations | 13 |
| Index Operations & Business Development | 13 |
| Disclaimer | 14 |

Introduction

The S&P Pan Asia 50 High Dividend Index is designed to measure the performance of 50 pan-Asian stocks that have high dividend yields.

Highlights

High dividend paying stocks from Australia, China, Hong Kong, Japan, Singapore, South Korea and Taiwan are eligible for membership.

To enhance investability, a minimum float-adjusted market capitalization of at least US\$1 billion is required for index membership. The index ensures stock, sector and country level diversification through concentration limits. No single stock can have a weight of more than 8% in the index, while no single sector or country can have a weight of more than 40%.

The index series is calculated by means of the float-adjusted market capitalization weighting and divisor method used in most Standard & Poor's indices. Membership of the index is reviewed semi-annually. Corporate actions are treated in a manner similar to those of other market capitalization weighted indices.

Eligibility Criteria

Index Eligibility

To establish index membership, a selection universe is first constructed. The selection universe is constructed in the following manner:

- All stocks from the S&P/Citigroup Pan-Asia Index with a nationality of Australia, China¹, Hong Kong, Japan, Singapore, South Korea or Taiwan become the initial selection universe.
- All stocks with a float-adjusted market capitalization of less than US\$1 billion are removed.
- The remaining stocks are ranked, in descending order, by dividend yield. The top 100 form the selection universe.

From the selection universe, 50 stocks are selected using an optimization algorithm such that the following constraints are met, while the yield of the index is maximized:

- No single stock has a float-adjusted market capitalization weight of more than 8% in the index.
- No single GICS[®] sector has a float-adjusted market capitalization weight of more than 40%.
- No single country has a float-adjusted market capitalization weight of more than 40%.
- The combined weight of China, Hong Kong, Singapore, South Korea and Taiwan should be less than 50%.

For more information on the Global Industry Classification Standard (GICS[®]), please refer to the GICS methodology

If the constraints cannot be satisfied with a selection universe of 100 stocks as identified above, the selection universe is extended to the top 150 stocks in terms of dividend yield. Standard & Poor's may modify the criteria in the future to address evolving markets.

¹ Only Hong Kong listed China stocks are eligible.

Timing of Changes

The index is rebalanced twice annually, on the 15th trading day of January and July. The reference date used for constructing the universe is the last trading date of December and June, respectively.

Additions. At each rebalancing, a company is added to the index if it meets the Index Eligibility criteria as defined above.

No additions are made to the index between annual rebalancings.

Deletions. Index constituents may be deleted from the index for the following reasons:

- During the semi-annual rebalancing, if the stock no longer meets the eligibility criteria as defined above.
- Between rebalancings, if the stock is removed from the S&P/Citigroup BMI Pan Asia Index.

Index Construction

Approaches

The index is market capitalization weighted and calculated by the divisor methodology used in Standard & Poor's equity indices.

Index Calculations

The initial divisor is set to have a base index value of 1000 on January 22, 1996. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \frac{\text{Index Market Value}}{\text{Index Divisor}} \quad (1)$$

$$\text{Index Market Value} = \sum_{i=1}^N (\text{Index Shares})_i * (\text{Price})_i \quad (2)$$

$$\text{Index Shares}_i = \text{IWF}_i * \text{Shares Outstanding}_i \quad (3)$$

Investable weight factors (IWF) reflect the public float of the company. Index Shares and IWFs used in these indices are the same as those used in the S&P/Citigroup Pan Asia Broad Market index at the time of each rebalancing.

In order to maintain index series continuity, it is also necessary to adjust the divisor at each rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}} \quad (4)$$

Therefore,

$$\text{(Divisor)}_{\text{after rebalancing}} = \frac{\text{(Index Market Value)}_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}} \quad (5)$$

Index Maintenance

Rebalancing

The index is rebalanced twice annually, on the 15th trading day of January and July. The reference date used for constructing the universe is the last trading date of December and June, respectively.

Index Adjustments

| S&P BMI Pan Asia action | Adjustment made to the S&P Pan Asia 50 High Dividend | Divisor adjustment for the S&P Pan Asia 50 High Dividend |
|--|---|--|
| Constituent change | If the constituent being deleted is a member of the S&P Pan Asia 50 High Dividend, then it is removed from the index. | A divisor adjustment is made to ensure the index level after the deletion is equal to the index level before the deletion. |
| Share changes between semi-annual rebalancings | None. | None. |

Corporate Actions

| Corporate Action | Adjustment made to index | Divisor adjustment |
|------------------------------------|--|---------------------------|
| Spin-Off | The price is adjusted to the Price of Parent Company minus (Price of Spin-off Company/ Share Exchange Ratio). | Yes |
| Rights Offering | The price is adjusted to Price of Parent Company minus (Price of Rights Subscription/Rights Ratio). | Yes |
| Stock Split | Index Shares are multiplied by and price is divided by the split factor. | None |
| Share Issuance or Share Repurchase | Share changes follow the parent index | Yes |
| Special Dividends | The price of the stock making the special dividend payment is reduced by the per-share special dividend amount after the close of trading on the day before ex-date. | Yes |
| IWF change | IWF changes follow the parent index | Yes |

Base Date

Daily returns are available from January 22, 1996. The base value for both the price return and total return series on that date is 1000.

Currency of Calculation

The currency of index calculation is U.S. dollars, with all prices being converted from local currency to U.S. dollars using WM Reuters daily rates.

Index Data

Total Return Index

The index has a total return counterpart, which assumes dividends are reinvested in the index after the close on the ex-date. On any given date t :

$$\text{Total Return Multiplier}_t = \frac{[\text{Index Value}_t + \text{Index Dividend Points}_t]}{\text{Index Value}_{t-1}} \quad (6)$$

$$\text{Total Return Index Value}_t = (\text{Total Return Index Value}_{t-1}) * (\text{Total Return Multiplier}_t) \quad (7)$$

$$\text{Index Dividend Points}_t =$$

$$\sum_{i=1}^N (1 - \text{Tax Rate}_{i,t}) * \text{Index Shares}_{i,t} * (\text{Ex} - \text{dividends})_{i,t} / \text{Index Divisor}_t \quad (8)$$

The Tax Rate refers to withholding taxes on dividends imposed on a Luxembourg based holding company investing as a non-resident investor. Standard & Poor's may revise these rates annually, in the second quarter of the year. The principal source for the rates is the annual Ernst & Young Worldwide Corporate Tax Guide. Standard & Poor's also consults other sources. The tax rates used for different countries are listed below.

Withholding tax rates used in index computation

| Country | Withholding tax rate |
|------------------------|----------------------|
| Australia ² | 0.0% |
| China ³ | 0.0% |
| Hong Kong | 0.0% |
| Japan | 20.0% |
| Korea | 28.0% |
| Singapore ⁴ | 20.0% |
| Taiwan | 20.0% |

² The withholding rate for Australia is 0% because in the index computation net dividends are used for unfranked dividends and gross dividends are used for franked dividends. Applying an additional withholding tax would result in doubling the withholding tax.

³ The withholding rate used for China was 20% prior to January 1, 2004.

⁴ The withholding rate used for Singapore was 23% prior to January 1, 2005.

Index Dividend Points will be zero on those dates in which no index constituents are issuing dividends (as measured by the dividend ex-date), while on other dates it will be a positive number. Therefore, returns calculated for the Total Return Index will always be greater than or equal to the Price Index.

Index Governance

Index Committee

The S&P/Citigroup Global Equity Index Series, from which the S&P Pan Asia 50 High Dividend Index is derived, is the responsibility of an Index Committee that monitors overall policy guidelines and methodologies. The Index Committee is composed of Standard & Poor's staff specialized in the global equity markets.

Decisions made by the Index Committee includes all matters relating to index construction and maintenance. The Index Committee meets regularly to review market developments, and convenes as needed to address major corporate actions.

It is the sole responsibility of the Index Committee to decide on all matters relating to methodology, maintenance, constituent selection and index procedures. The Index Committee makes decisions based on all publicly available information and discussions are kept confidential to avoid any unnecessary impact on market trading.

Index Policy

Announcements

Announcements of the rebalancing for the index in January and July are generally made no later than five business days after the Reference Date. There are no separate corporate action announcements other than the rebalancings.

Holiday Schedule

The S&P Pan Asia 50 High Dividend Index is calculated on all business days of the year.

A complete holiday schedule for the year is available on Standard & Poor's Web site at www.indices.standardandpoors.com.

Unscheduled Market Closures

In situations where an exchange is forced to close early due to unforeseen events, such as computer or electric power failures, weather conditions or other events, Standard & Poor's will calculate the closing price of the indices based on (1) the closing prices published by the exchange, or (2) if no closing price is available, the last regular trade reported for each stock before the exchange closed. In all cases, the prices will be from the primary exchange for each stock in the index. If an exchange fails to open due to unforeseen circumstances, then the index will use the prior day's closing prices. If all exchanges fail to open, Standard & Poor's may determine not to publish the index for that day.

Tickers

| | |
|--|------------------|
| | Bloomberg |
| S&P Pan Asia 50 High Dividend Index | SPA5HDP |
| S&P Pan Asia 50 High Dividend Total Return Index | SPA5HDT |

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