

**STANDARD  
& POOR'S**

# S&P/CITIC CHINA 30

INDEX METHODOLOGY



**STANDARD  
& POOR'S**

中信标普指数服务

**August 2006**

# Table of Contents

---

Introduction	3
<b>Highlights</b>	<b>3</b>
<b>Index Family</b>	<b>3</b>
Eligibility Criteria	4
<b>Eligibility Factors</b>	<b>4</b>
<b>Timing of Changes</b>	<b>5</b>
Index Construction	6
<b>Approaches</b>	<b>6</b>
<b>Index Calculations</b>	<b>6</b>
Index Maintenance	7
<b>5% Rule</b>	<b>7</b>
<b>Corporate Actions</b>	<b>7</b>
<b>Currency of Calculation</b>	<b>8</b>
<b>Exchange Rate</b>	<b>8</b>
<b>Base Date</b>	<b>8</b>
<b>Investable Weight Factor</b>	<b>8</b>
Index Data	10
<b>Total Return Indices</b>	<b>10</b>
Index Governance	11
<b>Index Committee</b>	<b>11</b>
Index Policy	12
<b>Announcements</b>	<b>12</b>
<b>Holiday Schedule</b>	<b>12</b>
<b>Recalculation Policy</b>	<b>12</b>
<b>Real-Time Calculation</b>	<b>12</b>
<b>Index Precision</b>	<b>13</b>

Index Dissemination	14
<b>Tickers</b>	<b>14</b>
<b>FTP</b>	<b>14</b>
S&P Contact Information	15
<b>Index Management</b>	<b>15</b>
<b>Media Relations</b>	<b>15</b>
<b>Index Operations &amp; Business Development</b>	<b>15</b>
Disclaimer	16

# Introduction

---

S&P/CITIC indices are co-developed by Standard & Poor's and CITIC Securities Co. Ltd. and are maintained by the joint venture company S&P/CITIC Index Information Services Ltd. The S&P/CITIC China 30 is a real-time market capitalization-weighted index that includes the largest and most liquid Chinese stocks listed outside China and freely available for all foreign investors. This index is based on Standard & Poor's global index methodology, which provides consistency, transparency and liquidity.

## **Highlights**

S&P/CITIC China 30 is a tradable index that serves as a barometer for Chinese offshore markets' performance. Index constituents are drawn from the entire universe of listed H shares, red chips, P chips, N shares and ADRs listed on the Hong Kong stock exchange, Singapore stock exchange, New York Stock exchange and the NASDAQ. The index is composed of 30 of the largest, most liquid stocks, which provide exposure to the Chinese offshore stock market.

S&P/CITIC China 30 is a highly liquid and tradable index constructed for easy and cost-effective replication as trading instruments with possible application as index funds and Exchange Traded Funds (ETF). To ensure that this index is consistent with international practices and standards, the Global Industry Classification Standard (GICS<sup>®</sup>), widely used by institutions and investors all over the world, is applied.

The S&P/CITIC index methodology is consistent with S&P's global indices, applying the same basic principles of index management, which provides consistency, transparency and liquidity. Each stock is analyzed for its market value, liquidity, financial performance and industry representation. An Index Committee is set up for the maintenance of the index. By applying the same basic calculation methodology, this effectively ensures that this index is comparable with S&P indices around the world.

## **Index Family**

S&P/CITIC China 30 belongs to a series of indices branded under the joint venture S&P/CITIC Index Information Services. Other indices in the family are the S&P/CITIC A-Share indices, which include the S&P/CITIC 50, S&P/CITIC 300 and S&P/CITIC Composite and the S&P/CITIC Bond Index Series, representing the mainland Chinese fixed income market.

# Eligibility Criteria

---

Stocks are eligible for inclusion in the S&P/CITIC China 30 if they meet the criteria for size, liquidity, and sector representation. All companies whose ownership are primarily Chinese, either via the Chinese government or by Chinese individuals, but are incorporated either in China or overseas and are listed on exchanges outside mainland China are eligible for inclusion. This is the universe of H shares, red chips, P chips, N shares and ADRs, all forms of listings that have been used by Chinese companies to list outside the mainland China market and which are fully available to global investors.

All decisions to include or exclude a company in the S&P/CITIC China 30 are at the sole discretion of the S&P/CITIC China 30 Index Committee.

## **Eligibility Factors**

**Market Capitalization.** Only stocks with the largest float-adjusted market capitalization within their respective industry are included in the S&P/CITIC China 30.

A stock's weight in an index is determined by the float-adjusted market capitalization of the stock. All strategic holdings, classified as either corporate, private or government holdings, are removed from the float-adjusted market capital.

*Please refer to the Investable Weight Factor section for details.*

**Liquidity.** Only listed companies that are actively traded on the Hong Kong, Singapore, New York or NASDAQ stock exchanges will be included in the S&P/CITIC China 30. The key criteria for assessing liquidity are annual trading volume and annual turnover rate of float-adjusted shares versus market trading turnover.

To ensure the liquidity of the constituent stocks, the Index Committee will review the trading volume and turnover of all constituents. If the float-adjusted market cap of two companies is the same or similar, the company with the larger annual trading volume will be selected for inclusion into an index.

**Domicile.** A stock's domicile is determined based on a number of criteria that include headquarters of the company, registration, listing of stock, place of operations, and residence of the senior officers. In today's world of multinationals, it is hard to fix one set rule of domicile, and the Index Committee takes into account all considerations before deciding on the domicile of a company.

**Eligible Securities.** All common and preferred shares (which are of an equity and not of a fixed income nature) are eligible for inclusion in S&P's indices. Convertible stock, bonds, warrants, rights, and preferred stock that provide a guaranteed fixed return are not eligible.

**Company Fundamentals.** Only companies with a track record of stable income and profitability can be included in the S&P/CITIC indices. In selecting constituent stocks from each representative industry, the Index Committee will use market capital as the basic selection standard, and liquidity of the stock as the secondary consideration. However, the Index Committee will carefully analyze the financial position and operations, income and profitability of the company to screen out companies with less stable income and profit.

**Sector Classification.** Stocks are classified by the Global Industry Classification Standard (GICS<sup>®</sup>). S&P's global indices provide geographic and economic balance over the 10 GICS market sectors. These sectors, consistent throughout all the S&P's indices, include Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Telecommunication Services and Utilities.

#### **Timing of Changes**

**Addition.** An index addition is generally made only if a vacancy is created by an index deletion. Index additions are made according to market size and liquidity. An initial public offering (IPO) is added to the index only when an appropriate vacancy occurs and is subject to proven liquidity for at least six months. An exception may be made for extraordinary large global offerings where expected trading volume justifies inclusion.

**Deletion.** A guiding principle of S&P/CITIC China 30 management is the minimization of turnover among index constituents. The most common reason for deleting a stock from the index is its acquisition by another company. Other reasons for deleting a company are as follows.

- **Bankruptcy:** Once a company applies for bankruptcy proceedings, it will be immediately deleted from the index.
- **Reorganization:** The Index Committee will analyze the reorganization plan of the company before deciding whether the reorganized company and any individual member company should continue to stay in the index.
- **Other reasons:** A company may no longer meet the eligibility criteria for inclusion in the index for reasons such as the inability of a stock to reflect the market due to a large change in size or liquidity.

# Index Construction

---

## **Approaches**

S&P/CITIC China 30 is calculated using a base-weighted aggregate methodology. That means the level of an index reflects the total float-adjusted market value of all the component stocks relative to a particular base period. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after float adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time. It is much easier to graph a chart based on indexed values than one based on actual market values. The index is calculated in real time.

## **Index Calculations**

On any given day, the index value is the quotient of the total available market capitalization of the index's constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the index, rights issues, share buybacks and issuances, spin-offs, and adjustments in availability. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the index. The divisor is adjusted such that the index value at an instant just prior to a change in base capital equals the index value at an instant immediately following that change.

*Please refer to the Index Mathematics document for details on index level calculation.*

# Index Maintenance

---

Changes in the index level reflect changes in the total market capitalization of the index that are caused by price movements in the market. They do not reflect changes in the market capitalization of the index, or of the individual stocks, that are caused by corporate actions such as dividend payments, stock splits, distributions to shareholders, mergers, or acquisitions. When a corporate action affects the price of a security – such as when the price drops on a special distribution ex-date – the price of the security is adjusted to reflect the ex-date and the index divisor is adjusted to offset any change in the total market value of the index.

When a stock is replaced by another stock, the index divisor is adjusted so that the change in index market value that results from the addition or deletion does not change the index level.

*Please refer to the Index Mathematics document for mathematical formulae and tables defining specific corporate actions.*

## **5% Rule**

All share changes of 5% and over are done at the effective date, or as soon as reliable information is available. Changes of less than 5% are applied on the third Friday of March, June, September and December. Similarly, changes reflecting float adjustment are applied if they cause a capitalization change of 5% or over. Changes of less than this are applied at annual review.

## **Corporate Actions**

Maintaining the S&P/CITIC China 30 includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to restructurings or spin-offs. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the index. Other corporate actions, such as share issuances, change the market value of an index and require an index divisor adjustment to prevent the value of the index from changing.

Adjusting the index divisor for a change in market value leaves the value of the index unaffected by the corporate action. This helps keep the value of the index accurate as a barometer of stock market performance, and ensures that the movement of the index does not reflect the corporate actions of the companies in it. Divisor adjustments are made after the close of trading and after the calculation of the closing value of the index.

Corporate actions such as splits, stock dividends, spin-offs, rights offerings, and share changes are applied on the ex-date.

### **Currency of Calculation**

The S&P/CITIC China 30 index is calculated in U.S. dollars. Underlying prices are collected in the local currencies via Reuters. Using Reuters' real-time spot exchange rate, these local prices are converted to U.S. dollars. The last exchange to close in the index is New York. The index's closing value is then calculated using the real-time exchange rates at that point in time. In situations where either a stock does not trade or a primary exchange is not open for trading but the index is being calculated as other constituent primary exchanges are open and trading, the stocks from the closed primary exchange use the last available closing price and convert into U.S. dollars using the real time spot foreign exchange rate of the day. The index's final closing values convert all stock prices used in the index calculation at the spot foreign exchange rate provided by Reuters at the closing time of the index.

### **Exchange Rate**

Real-time spot Forex rates, as supplied by Reuters, are used for ongoing index calculation. The end-of-day value of the index is calculated using the real-time spot exchange rate provided by Reuters at the time the index is closed. For regional or multi-country indices, where different markets close at different times, after a stock stops trading, it still makes an impact on the index via the spot Forex rate fluctuations of its currency.

### **Base Date**

The index has a base date of December 29, 2000, with a base value of 1000 points.

### **Investable Weight Factor**

Three groups of shareholders have been defined whose holdings are presumed to be for control and are subject to float adjustment. Within each group, the holdings are totaled.

In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group will be excluded from the float-adjusted count of shares to be used in index calculations. For arriving at the 10% and over calculations, individual holdings below 5% will be ignored. Holdings under 5% will be taken into account only if they belong to clearly related shareholders like family members or board members. This rule has been adopted to provide level playing fields for all countries as reporting requirements differ across countries.

The three groups are:

1. Holdings by other publicly traded corporations, venture capital firms, private equity firms or strategic partners or leveraged buy-out groups.
2. Holdings by government entities, including all levels of government
3. Holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders. Second, holdings of trusts, foundations, pension funds, employee stock ownership plans or other investment vehicles associated with and controlled by the company.

*Additionally statutory limits on foreign ownership are recognized and applied where necessary. The final Investable Weight Factor (IWF) is one minus the larger of the sum of all strategic holdings or the statutory foreign ownership limit.*

After adjusting for float shares, the Investable Weight Factor of a stock is calculated using the following formula:

$$\text{IWF} = 1 - \text{Sum of the \% held by major shareholders}$$

The components of float-adjusted market capital are subject to change caused by corporate actions. If the cumulative scale of increase or decrease in the float of a stock resulting from share consolidation, share repurchase, share bonus and other corporate actions of the company, is greater than or equal to 5%, the index will be adjusted as soon as possible, with the appropriate public announcements being made. All float adjustments less than 5% will be implemented at the following annual IWF review.

*Please refer to the Float methodology for additional information on float adjustment.*

# Index Data

---

## **Total Return Indices**

Total return for the S&P/CITIC China 30 index is calculated daily. Total return is calculated by adding the dividend income and price appreciation for a given time period. In effect, the dividend is reinvested in the entire index, not in the specific stock that paid the dividend. S&P/CITIC China 30 uses the ex-dividend date, rather than the payment date, to determine the total daily dividends for each day because the marketplace price adjustment for the dividend occurs on the ex-dividend date. In cases where stock dividends in kind, stock dividends of a different company, rights distributions and cash distributions are significant relative to the share price, the calculation of the total return index will be determined based on the details of the corporate action.

*Please refer to the Index Mathematics document for details on total return calculations.*

# Index Governance

---

## **Index Committee**

The S&P/CITIC indices are governed by the S&P/CITIC Index Committee, comprised of five members representing both Standard & Poor's and CITIC Securities. It is the sole responsibility of the Index Committee to decide on all matters relating to methodology, maintenance, constituent selections and index procedures. The Index Committee is chaired by a representative appointed by Standard & Poor's. Meetings are held on a quarterly basis as well as on an as-needed basis should unusual corporate events warrant.

Decisions made by the Index Committees include all matters relating to index construction and maintenance. The Index Committees meet regularly to review market developments, and convenes as needed to address major corporate actions. In constructing the indices, the Index Committee will independently reject or add new constituents to the indices. The decision of the Index Committee is kept strictly confidential. The Index Committee will review the indices methodology from time to time.

The Index Committees makes decisions based on all publicly available information and discussions are kept confidential to avoid any unnecessary impact on market trading. As the number of companies in the S&P/CITIC China 30 is fixed, constituent changes are generally driven by mergers and acquisition activity or the impairment of a stock's ability to reflect the market, due to a substantial change in size or liquidity.

# Index Policy

---

## **Announcements**

All additions, deletions, share and IWF changes will generally be made five working days in advance of implementation of the effective date.

Other announcements regarding changes to index constituents including active corporate events and GICS changes, will generally be made two working days in advance of the anticipated corporate event whenever practical, bearing in mind that the timing of such events is occasionally uncertain.

Market sensitive announcements, including the additions or deletions of stocks in indices, are normally made when markets are closed. In general announcements will be posted to Standard & Poor's Web site at [www.indices.standardandpoors.com](http://www.indices.standardandpoors.com).

## **Holiday Schedule**

The index is calculated on all days when even one of the constituent markets is open for trading.

*A complete holiday schedule for the year is available on the Standard & Poor's Web site at [www.indices.standardandpoors.com](http://www.indices.standardandpoors.com).*

## **Recalculation Policy**

Standard & Poor's and CITIC Securities Co., Ltd. attempts to avoid incorrect data affecting the indices on a best-efforts basis. Incorrect shares outstanding and corporate actions are corrected immediately. In circumstances where incorrect data was disseminated by the Stock Exchanges or as a result of data transmission failures, index adjustments may or may not be made subject to data correction policy of the Exchanges.

## **Real-Time Calculation**

A real-time index is calculated for an index as soon as the first market within the index opens. The opening price is the first trade of any stock in the designated exchange. In the event that a stock does not open, the previous closing price is used. The indices are calculated until 10 minutes past the last exchange in the index goes down, to allow for last-minute revisions by regional stock exchanges.

At the country level, the opening price is the first trade of any stock. In the event that a stock does not open, the previous closing price or adjusted price in the region is used. The closing index value is calculated using the closing price of each stock that traded during the day, and adjusted closing prices of the previous trading day for those stocks that did not trade during the day. The S&P/CITIC China 30 is calculated every 15 seconds.

### **Index Precision**

- The level of precision for index calculation is as follows:
- Index values are published rounded to two decimal places.
- Share prices are rounded to six decimal places.
- Shares outstanding are expressed in units.
- Investable Weight Factors are rounded to four decimal places.
- Exchange rates are stated to 14 decimal places.
- Market capitalization is stated to four decimal places.
- Index values are calculated to 14 decimal places.

# Index Dissemination

---

## **Tickers**

Daily index values, corporate actions, index weights and portfolios can be received via Standard & Poor's FTP site. Additionally, daily index values can be viewed on Bloomberg and Reuters. The tickers are as below:

<b>Index</b>	<b>Bloomberg</b>	<b>Reuters</b>
S&P/CITIC China 30	SPCRD30	.SPCRD30

## **FTP**

Daily stock level and index data is available via FTP on subscription.

*For further information, please refer to Standard & Poor's Web site at [www.indices.standardandpoors.com](http://www.indices.standardandpoors.com).*

# S&P Contact Information

---

## **Index Management**

David M. Blitzler, Ph.D. – Managing Director & Chairman of the Index Committee	
david_blitzler@standardandpoors.com	+1.212.438.3907
Andrew Webb – Director, Asia Pacific Index Operations	
andrew_webb@standardandpoors.com	+86.10.6535.2919

## **Media Relations**

Angela Wang – Communications	
angela_wang@standardandpoors.com	+86.10.6535.2961

## **Index Operations & Business Development**

### **North America**

#### New York

Maureen O’Shea	+1.212.438.2046
Wendy Chan	+1.212.438.4080

#### Toronto

Tony North	+1.416.507.3204
------------	-----------------

### **Europe**

#### Paris

Christopher O’Brien	+33.1.40.75.77.91
---------------------	-------------------

#### London

Susan Fagg	+44.20.7176.8388
------------	------------------

### **Asia**

#### Tokyo

Seiichiro Uchi	+813.3593.8568
----------------	----------------

#### Beijing

Andrew Webb	+86.10.6535.2919
-------------	------------------

#### Sydney

Jason Hill	+61.2.9255.9872
------------	-----------------

# Disclaimer

---

The report is published by Standard & Poor's, 55 Water Street, New York, NY 10041. Copyright © 2006. Standard & Poor's is a division of The McGraw-Hill Companies, Inc. All rights reserved. Standard & Poor's does not undertake to advise you of changes in the information contained in this report.

These materials have been prepared solely for informational purposes based upon information generally available to the public from sources believed to be reliable. Standard & Poor's makes no representation with respect to the accuracy or completeness of these materials, the content of which may change without notice. The methodology involves rebalancings and maintenance of the indices that are made periodically during each year and may not, therefore, reflect real time information. Standard & Poor's disclaims any and all liability relating to these materials and makes no express or implied representations or warranties concerning the accuracy or completeness of the report.

No portion of this publication may be reproduced in any format or by any means including electronically or mechanically, by photocopying, recording or by any information storage or retrieval system, or by any other form or manner whatsoever, without the prior written consent of Standard & Poor's.

Analytic services and products provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of each analytic process. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during each analytic process.