

**STANDARD
& POOR'S**

S&P/CITIC CHINA A-SHARE INDICES

INDEX METHODOLOGY



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中信标普指数服务

July 2007

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Introduction

The S&P/CITIC indices are market capitalization-weighted and provide a complete product suite for exposure to Chinese companies and the Chinese markets. These indices include the S&P/CITIC 50, the S&P/CITIC 100, the S&P/CITIC 200, the S&P/CITIC 300, the S&P/CITIC Small Cap (collectively called the S&P/CITIC size indices) and the S&P/CITIC Composite index, all of which provide coverage of the A-Share market. The S&P/CITIC 50 and the S&P/CITIC 100 cover the largest and most liquid stocks from China's A-share market and are the basis for tradable products. The S&P/CITIC 200 represents the market's mid cap segment and together with the S&P/CITIC 100 aggregate to form the S&P/CITIC 300. The S&P/CITIC Small Cap is a 300 stock index which completes the series' investable size representation. The Composite index represents the entire A-Share market.

All indices are based on Standard & Poor's global index methodology, which provides consistency, transparency and liquidity. In addition, these indices are suitably tailored to local market conditions. The indices are developed by the joint venture of Standard & Poor's and CITIC Securities (S&P/CITIC Index Information Services Co., Ltd.) under the "S&P/CITIC Indices" brand. S&P/CITIC Indices serve as robust investment benchmarks for the entire Chinese stock market and a variety of sub-markets, and are widely used by Chinese and global investors.

Highlights

The S&P/CITIC 300 serves as a barometer for the China A-share market's performance. Index constituents are composed of 300 enterprises, with the largest float-adjusted market capitalization and liquidity, drawn from the entire universe of listed A-share companies in China. The S&P/CITIC 50 index 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 (ETFs). Index constituents are composed of the 50 largest blue chip enterprises among the constituents of the S&P/CITIC 300 index. The S&P/CITIC 100, the S&P/CITIC 200 and the S&P/CITIC Small Cap indices complete the A-Share index series by providing respective measurements for the large, mid and small cap market segments. The S&P/CITIC Composite index acts as the most comprehensive equity market benchmark for local and international investors in China. The index includes all A-share stocks listed on the Shanghai and Shenzhen Stock Exchanges and provides full sector breakdowns for those markets.

To ensure that these indices are consistent with international practices and standards, the Global Industry Classification Standard (GICS[®]), co-developed by Standard & Poor's and MSCI Barra and widely used by institutions as well as investors all over the world, is applied.

The S&P/CITIC index methodology is consistent with the S&P Global 1200 family of 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 these indices. By applying the same basic calculation methodology, this effectively ensures that the series of indices are comparable with S&P indices around the world.

Partnership

Standard and Poor's and CITIC Securities Co. Ltd. have formed a joint venture company called "S&P/CITIC Index Information Services" which has ownership of the S&P/CITIC index series and will maintain, market and license them on an ongoing basis.

Index Family

The S&P/CITIC China A-Share indices belong to a suite of indices branded under the joint venture S&P/CITIC Index Information Services. Along with the S&P/CITIC A-Share size indices and the S&P/CITIC Composite indices, other indices include the S&P/CITIC China 30, which contains Chinese companies listed in markets other than the Chinese mainland, and the S&P/CITIC Bond Index Series, which represents the Chinese mainland fixed income market.

Eligibility Criteria

Stocks are eligible for inclusion in the S&P/CITIC A-Share size indices if they meet the criteria for size, liquidity, profitability and sector representation. Only A-Share companies listed on the Shanghai and Shenzhen Stock Exchanges can be included in S&P/CITIC A-Share Indices. Stocks included in the S&P/CITIC 100 and the S&P/CITIC 200 aggregate to form the S&P/CITIC 300. The S&P/CITIC Small Cap index consists of 300 small cap stocks that are not members of the S&P/CITIC 300 Index. For the S&P/CITIC Composite index, all A-Share companies are eligible for inclusion. Stocks are added to this index effective the second day post listing and are removed effective the day they are delisted.

Stocks listed as “Special Treatment”. Companies in the A-Share market that have recorded losses for two consecutive years are listed under the “Special Treatment” (ST) status. Due to limitations on the transactions and trading price of ST shares on any specific trading day, all ST stocks are ineligible for inclusion in an S&P/CITIC A-Share size index. Once a stock is no longer classified as ST, it will be deemed eligible for index inclusion.

Stocks under trading influence. There may be certain A-Share stocks whose market prices and trading volume may be considered influenced. These stocks are ineligible for inclusion in the S&P/CITIC A-Share size indices. The S&P/CITIC Index Committee, in its sole discretion, will decide whether a stock is under the influence of various factors including the average number of shares held, types of shareholders, long-term price trend and other public information.

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

Eligibility Factors

Market Capitalization. Only stocks with the most representative float-adjusted market capitalization within their respective industry are included in the S&P/CITIC A-Share size indices.

A stock’s weight in an index is determined by the float-adjusted market capitalization of the stock. All government holdings and cross holdings (shares held by other constituents of the index) are removed from the float-adjusted market capital.

Please refer to the Investable Weight Factors section for more information on float adjustment.

Liquidity. Only listed A-share companies that are actively traded in the market will be included in the S&P/CITIC A-Share size indices. The key criteria for assessing liquidity are annual trading volume and the annual turnover rate of float-adjusted shares versus the market.

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

Sector Classification. Stocks are classified by the Global Industry Classification Standard (GICS[®]). GICS breaks the classifications into groups with similar primary business lines as determined by an analysis of the revenues and earnings stream of the company. The S&P/CITIC indices use GICS as the basis of industry classification. Industry classification of China's A-Share enterprises will be reviewed annually with data extracted mainly from annual and semiannual reports. Any change to the GICS classification of companies will be announced in advance of the change taking effect. When selecting stocks for inclusion in the S&P/CITIC indices, the Index Committee will attempt to ensure that each Industry Group is accurately represented according to the current distribution of industry weights in the market.

Financial Viability. Only companies with a track record of stable income and profitability are included in the S&P/CITIC A-Share size indices. In selecting constituent stocks from each representative industry, the Index Committee uses market capitalization as the primary selection criteria, and liquidity of the stock as the secondary consideration. However, the Index Committee will carefully analyze the financial position, operations, income and profitability of the company to screen out companies with unstable income and profit. Financial indicators used include earnings per share (EPS), return on assets (ROA) and debt to asset ratio.

Additions. An index addition generally is made only if a vacancy is created by an index deletion. The selection criteria for the addition of a new constituent stock is consistent with that of other constituents, namely size, liquidity, profitability and sector representation. With IPO stocks, the Index Committee will consider the inclusion of new listings during the regular index reviews using consistent guidelines of market capitalization, company fundamentals and expected trading volume. An exception is made for extraordinarily large offerings where the IPO stock's float-adjusted market capitalization ranks in the top ten of the index. These stocks will be included in the indices as soon as practical, with the exact date depending upon the announced date of share issuance and allowing for a reasonable time period for funds to adjust their portfolios.

Deletions. A guiding principle of index 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 S&P/CITIC indices.
- Reorganization: The Index Committee will analyze the reorganization plan of the company before deciding whether the reorganized company and/or any spin-offs should continue to stay in the indices.
- Other reasons: A company may no longer meet the eligibility criteria for index inclusion for reasons such as the inability of a stock to reflect the market due to a large change in size or liquidity. In addition, a company will be removed from the index, as soon as practical, if it is listed for closer supervision and marked as a Special Treatment (ST) stock by the exchanges. Stocks are labeled ST if the exchanges believe the stock has potential trading risk by having a distressed financial status or are showing abnormalities.

Index Construction

The S&P/CITIC A-share index series is calculated using a base-weighted aggregate methodology. That means the level of an index reflects the total 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 index 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 index values than one based on actual market values.

Index Calculations

Index calculations are based on stock prices taken from the Stock Exchanges of Shanghai and Shenzhen. The official daily index closes for both price and total return indices are based on closing prices on the mainland exchanges. Real-time quotes for the S&P/CITIC 50 and S&P/CITIC 300 will be provided and updated every 15 seconds through recognized international data vendors.

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 S&P Index Mathematics document for details on index-level calculations.

Restatements

The S&P/CITIC Index Committee's preference is to avoid index restatements. However, in situations where it is deemed necessary, the Index Committee may consider restating an index. Each situation will be considered as it occurs. All restatements will be announced via email to index data clients.

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, which 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.

Rebalancing

The Index Committee reviews the S&P/CITIC A-Share size index constituents semi-annually. Any index constituent changes will be implemented after the market closes on the last business day of the third week of June and December (usually on a Friday unless a market holiday occurs on that day). A public announcement for index changes will be made 10 days prior to the effective date of the adjustment.

The Index Committee reviews the eligible universe of stocks on a quarterly basis. The Committee may decide to adjust constituent stock selections in relation to changes in market conditions resulting from issuance of new shares, mergers between enterprises and other corporate actions. In principle, information is disseminated to the public on the temporary adjustment of constituent stock selection 5 days before the effective date of the adjustment. The S&P/CITIC Index Committee will take every care to try and minimize constituent stock changes.

Frequency. Semi-annually, implemented after market close in the third week of June and December (usually on a Friday unless a market holiday occurs on that day).

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% will be implemented at the following quarterly rebalancing that is scheduled on the third Friday of March, June, September and December. Similarly, Investable Weight Factor (IWF) changes of 5% or over resulting from a major shareholder's change in holdings are applied immediately. Changes of less than this are applied at annual reviews.

Corporate Actions

Maintaining the S&P/CITIC indices 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. Any change in the index divisor also affects corresponding sub-indices and divisors. Each sub-index is maintained in the same manner as the headline 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 A-Share indices are calculated in Chinese RMB (Yuan).

Base Date

The base period of S&P/CITIC 50, the S&P/CITIC 100, the S&P/CITIC 200, the S&P/CITIC 300 and the S&P/CITIC Small Cap indices is February 27, 2004. The base value is 1000 for all of the indices except for the S&P/CITIC 300 which is 1065.87. The S&P/CITIC Composite index has a base date of June 16, 2006 and a value of 1005.28.

Investable Weight Factor (IWF)

A stock's weight in an index is determined by the float-adjusted market capital of the stock. All government holdings and cross holdings (shares held by other constituents of the index) are removed from the float-adjusted market capital, by means of the IWF.

The IWF of a stock is calculated using the following formula:

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

The lists below outline the definition of float-adjusted shares.

Shares excluded from float-adjusted market capital calculation

Government. Shares of stocks in China's A-Share market held by the government or its subsidiaries/agencies, including state-owned shares or legal person shares.

Enterprise. Shares held by strategic investors, which include legal persons, companies or groups of strategic investors in the A-Share market. Shares held by strategic investors totaling more than 10% of the outstanding A-shares in circulation will be excluded from the float-adjusted calculation of the stock.

Member of the Directorate and Senior Management Personnel. This category refers to shares held by members of the directorate and senior management and their family members or relatives, as well as shares held by the company's founders or founder families.

Enterprise Employees. Stocks held by enterprise employee include such channels as employee pension plan, annuities for employees or management staff.

Banks. Chinese banks are expressly forbidden from holding shares of listed companies.

Shares included in float-adjusted market capital calculation

Individual. Shares held by individuals, excluding those held by members of the directorate and senior management personnel, and their family members or relatives, and excluding those shares held by individuals whose holdings are explicitly considered as strategic investments.

Investment funds and unit trusts. Shares held by investment funds, open-ended funds and unit trusts, including passive index funds and shares held by ETFs.

Securities Company. Shares held by brokerages and other non-strategic investors for the purposes of underwriting, trading and clearing of trades.

Annuity Fund. Shares of annuity funds, except shares of companies held by their own annuity.

Insurance Company. In principle, shares held by insurance companies are included in the float-adjusted circulation, unless the holdings are deemed strategic in nature.

Social Security Fund. Shares held by all types of social security funds, but excluding shares held by those social security funds that exert significant management influence on the company.

Trustees. Shares held by a trust, including banks as trustees.

The components of float-adjusted market capital are subject to changes 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% of the company's shares outstanding the index will be adjusted as soon as practical, with the appropriate public announcements being made. All float adjustments less than 5% will be implemented at the following quarterly rebalancing which is scheduled on the final trading day (usually on a Friday, unless a market holiday occurs on that day) of the third week of March, June, September and December.

Index Data

Total Return Indices

Total returns for the S&P/CITIC indices are 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. The S&P/CITIC indices use the ex-dividend date, rather than the payment date, to determine the total daily dividends, 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 indices will be determined based on the details of the corporate action.

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. A representative appointed by Standard & Poor's chairs the Index Committee. Meetings are held on a quarterly basis, as well as on an as-needed basis should unusual corporate events warrant.

Advisory Panel

Investors use equity indices to measure market activity and returns, to support investment products like Exchange-Traded Funds (ETFs) and to manage risk through futures, options and other hedging vehicles. The success of an index depends on both its methodology and analytical underpinnings and on how well it meets investors' needs. Further, markets change and, as a result, investors' needs may change as well. Standard & Poor's and CITIC believe that on-going consultation and discussion with major investors is important to assuring the continued accuracy and usefulness of the S&P/CITIC indices.

Standard & Poor's and CITIC Securities established an advisory panel of 20 to 25 leading institutional investors to advise them on major developments in the China securities markets related to the S&P/CITIC indices. The panel meets annually, usually shortly before the Chinese New Year. While Standard & Poor's and CITICS prepare the agenda, each meeting includes time for members to raise issues of particular importance or concern.

Standard & Poor's and CITICS invite the members to join the panel; membership is voluntary and members are not compensated for their service. Typically members are senior officials of leading investment institutions or exchanges. Standard & Poor's and CITICS chair the panel jointly.

Index Policy

Announcements

Quarterly rebalancing and the annual Investable Weight Factor (IWF) review announcements will generally be made five working days before the effective date.

Other announcements regarding changes to index constituents, including active corporate events and Global Industry Classification Standard (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.

Announcements of constituent changes from the bi-annual review will generally be made 10 days ahead of the change.

Market sensitive announcements, including the additions or deletions of stocks in indices, are normally made when markets are closed. In general, announcements regarding the S&P/CITIC indices are made at 03:45 PM Beijing Time. The related news release will be dispatched to all major media in China and will also be issued to international news agencies, and posted to Standard & Poor's Web site at www.indices.standardandpoors.com.

Holiday Schedule

The S&P/CITIC indices follow national holidays in China as recognized by the Shanghai Stock and Shenzhen Stock Exchanges.

For more details, please refer to the Shanghai Stock Exchange's Web site at www.sse.com.cn and Shenzhen Stock Exchange's Web site at www.szse.cn.

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

The real-time calculation of the S&P/CITIC 50 and S&P/CITIC 300 is based on prices traded on the Shanghai and Shenzhen Stock Exchanges. Upon receipt of the opening price data the real-time index calculation commences. The indices are recalculated every 15 seconds until the receipt of the markets' closing prices.

Index Dissemination

Real-time indices are calculated for the S&P/CITIC 50 and S&P/CITIC 300 as soon as the China A-share market opens at 09:30 AM Beijing Time. The indices are disseminated every 15 seconds and calculated until 10 minutes past the last exchange goes down at 03:00 PM Beijing Time, to allow for last-minute revisions by the stock exchanges.

Tickers

The S&P/CITIC A-share index series is available via the following vendors:

Index	Bloomberg	Reuters	CITIC Securities
S&P/CITIC 50	CSSP50	.SPCITIC50	816050
S&P/CITIC 300	CSSP300	.SPCITIC300	816000
S&P/CITIC 100	CSP100	.SPC100	818100
S&P/CITIC 200	CSP200	.SPC200	818200
S&P/CITIC Small Cap	CSPSC	.SPCSC	818300

FTP

End of day index data for the S&P/CITIC index series are available via FTP on subscription.

For further information, please refer to Standard & Poor's Web site at www.indices.standardandpoors.com.

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