MSCI

Index Methodology

MSCI Overseas China Indexes Methodology

September 2011

Section 1: Introduction

Under the current Global Investable Market Indexes (GIMI) methodology, the MSCI China Investable Market Indexes include companies incorporated in the People's Republic of China (PRC) and listed in the form of H shares on the Hong Kong Stock Exchange, as well as B shares on the Shanghai Stock Exchange and Shenzhen Stock Exchange. It also includes Red-Chips and P-Chips which are not incorporated in the PRC and listed on the Hong Kong Stock Exchange.

Whilst the MSCI China Investable Market Indexes aim to capture the opportunity set of Chinese companies with securities listed in Hong Kong and the PRC, the MSCI Overseas China Indexes are designed as standalone free-float adjusted market capitalization indexes that reflect the performance of securities of US and Singapore-listed overseas Chinese companies. The MSCI Overseas China Indexes are constructed with similar size and liquidity requirements as the MSCI China Investable Market Indexes to ensure consistency between both index construction methodologies.

Section 2: Index construction

2.1. Defining the eligible equity universe

The MSCI Overseas China Indexes are free float-adjusted market capitalization indexes constructed using similar size and liquidity requirements as the MSCI China Investable Market Indexes under the MSCI GIMI methodology. Equity securities (including ADRs) of overseas Chinese companies listed on the NYSE Euronext - New York, NASDAQ, NYSE AMEX and Singapore Exchange and outside the MSCI China or MSCI China A equity universes are eligible for index inclusion.

Overseas Chinese companies are generally defined as companies that meet two out of three of the following criteria:

- The company's headquarter is located in PRC
- The company derives more than 50% of its revenue from the PRC[1]
- The company has more than 50% of its assets in the PRC[1]

In some exceptional cases, an additional analysis may be performed to ensure the company meeting the above criteria has a strong linkage to China. The outcome of this analysis may lead to some companies not being eligible for the MSCI Overseas China Indexes despite meeting two out of three of the criteria above.

US -listed companies resulting from reverse mergers[1] and Singapore-listed companies that are currently in the SGX's Watch List[2] are not eligible for index inlusion.

[1] Only revenue and asset attributed to PRC will be taken into account in this calculation. For cases where the distribution to PRC is bundled with other regions, only distribution to PRC and Hong Kong will be counted.

2.2. Determining the Investable Equity Universe

To be eligible for index inclusion, securities of companies must conform to the size and liquidity requirements applied to the MSCI China Indexes under the MSCI GIMI methodology at the time of index review [3]. Specifically, a security should fulfill the minimum full company market capitalization and free float-adjusted market capitalizationas requirements that are applied to the MSCI China Index. A security must have a Foreign Inclusion Factor (FIF) equal to or larger than 0.15. In addition, a security must have a 12-month ATVR of at least 15%, a 3-month Annualized Traded Value Ratio (ATVR) of at least 15% and a 3-month frequency of trading of at least 80% over the last 4 consecutive quarters. A minimum of three-month seasoning period will be applied to all newly issued securities.

2.3. Allocating companies into Size-Segment Index

The Investable Equity Universe is segmented into the following size-based indexes:

- Investable Market Index (IMI) (Standard + Small Cap)
- Standard Index (Large Cap + Mid Cap)
- Large Cap
- Mid Cap
- Small Cap

The MSCI Overseas China size-based indexes follow identical Size-Segment Cutoffs as the MSCI China size-based indexes. All securities with full company market capitalization equal to or larger than the Size-Segment Cutoff are pre-assigned to that size-segment index.

For a security that is pre-assigned to the Standard Size-Segment to be added to the MSCI Overseas China Standard Index, its free float-adjusted market capitalization must be at least 50% of the Size-Segment Cutoff for the MSCI China Index. For a security that is pre-assigned to the Small Cap Size-Segment to be added to the MSCI Overseas China Small Cap Index, its free float-adjusted market capitalization must be at least 50% of the Size-Segment Cutoff for the MSCI China Investable Market Index.

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[1] This criterion has been introduced to mitigate the risk of including index constituents that may not be in compliance with US accounting standards and regulatory filings

[2] Singapore-listed companies will be put on SGX's Watch List if they register both of these two conditions: 1) pre-tax losses for the three most recently completed consecutive financial years; and 2) an average daily market capitalization of less than S$40 million over the last 120 market days on which trading was not halted or suspended for the full day.

[3] As for the May 2011 Semi-Annual Index Review, the minimum full company market capitalization and free float-adjusted market capitalization requirements are USD 140 million and USD 70 million respectively.

Section 3: Index maintenance

3.1. Index Review

The MSCI Overseas China Indexes are reviewed on a quarterly basis. The composition of the MSCI Overseas China Indexes is fully reviewed once a year at the November Semi-Annual Index Review (SAIR). During the May SAIR, there would be migrations of current Investable Market Index constituents, and newly issued securities since the last SAIR are also considered for inclusion subject to meeting all eligibility requirements. For the February and August Quarterly Index Review (QIRs), there would only be migrations of current Investable Market Index constituents and no new security will be considered for index inclusion.

Changes for the SAIRs are implemented as of the close of the last business day of May and November, whilst changes for the QIRs are implemented as of the close of the last business day of February and August. The results of the index reviews are announced 9 business days in advance of their effective implementation dates.

3.1.1. November and May Semi-Annual Index Reviews

During November SAIRs, existing constituents will be evaluated for their compliance with the definition of Overseas Chinese Companies. Existing constituents may remain in the eligible equity universe as long as they meet any two out of three of the following criteria:

- The company's headquarter is located in PRC
- The company derives more than 33% of its revenue from PRC
- The company allocates more than 33% of its assets in PRC

In addition, existing constituents must satisfy the following minimum liquidity criteria to remain in the index:

- The 12-month ATVR of at least 10%
- The 3-month ATVR of at least 5%
- The 3-month Frequency of Trading of at least 70%

During the May SAIR, there would be migrations of current Investable Market Index constituents. Newly issued securities since the last SAIR are also considered for inclusion subject to meeting all eligibility requirements as outlined in Section 2. However, existing constituents will not be evaluated for their compliance with the definition of Overseas Chinese Companies.

3.1.2. February and August Quarterly Index Reviews

For the February and August QIRs, there would only be migrations of current Investable Market Index constituents and no new security will be considered for index inclusion. Existing constituents will not be evaluated for their compliance with the definition of Overseas Chinese Companies.

Existing constituents will be evaluated for index inclusion under the same investability requirements as outlined in section 3.1.1.

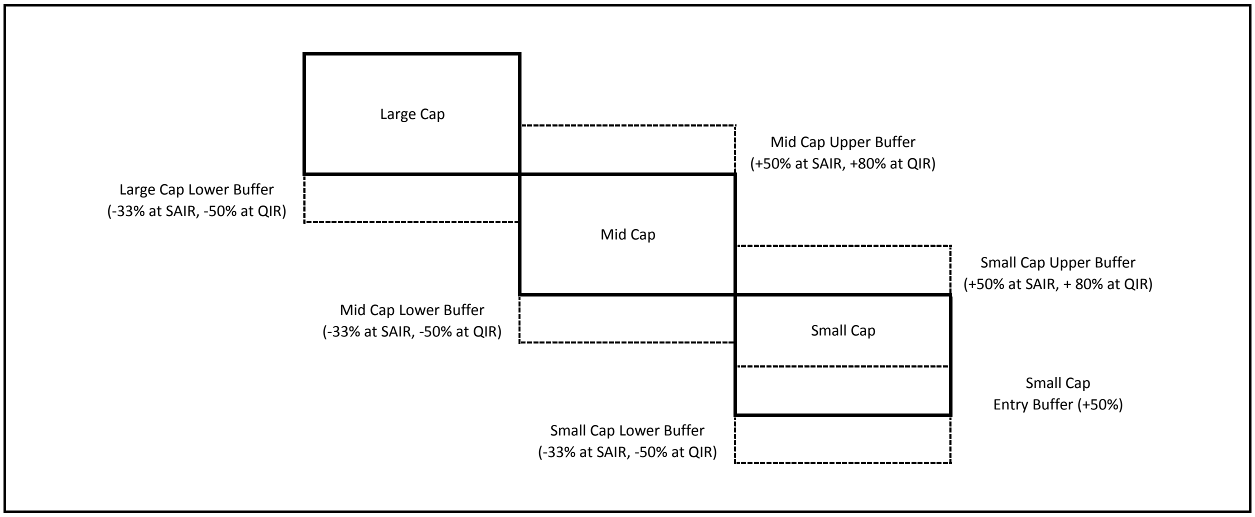
3.1.3. Buffer Rules

In order to better reflect the investment processes of managers, allow for timely representation of market developments when securities move far away from size-segment thresholds, and help control index turnover, buffer zones are used to control the migration of companies between Size-Segment Indexes during SAIRs and QIRs.

An existing constituent is generally allowed to remain in its current size-segment even if its full market capitalization falls below (above) the Size-Segment Cutoff that defines the lower (upper) boundary of its segment, as long as its company full market capitalization falls within a buffer zone below (above) the Size-Segment Cutoff. In addition, its free float-adjusted market capitalization is at least two-thirds of 50% of the Size-Segment Cutoff for securities allocated to the Standard Index or the Small Cap Index. The buffer zones at SAIRs are defined with boundaries at -33% and +50% of the Size-Segment Cutoff between two size-segments for SAIR and -50% and +80% of the Size-Segment Cutoff between two size-segments for QIRs.

In addition, a Small Cap Entry Buffer Zone is used for the entry in the Small Cap Indexes of non current constituents. It is defined with a boundary at +50% the Market Size-Segment Cutoff for the Investable Market Index.

Buffers at index reviews



3.2. Ongoing Event-Related Maintenance

Ongoing event-related changes to the indexes are the result of mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events. They can also result from capital reorganizations in the form of rights issues, bonus issues, public placements and other similar corporate actions that take place on a continuing basis. These changes generally are reflected in the indexes at the time of the event.

There will be no early additions in between index reviews[1]. Any IPOs and other newly listed securities would be considered for inclusion during the next SAIR.

The Size-Segment classification of a security is reviewed simultaneously with the event, if the market capitalization change implied by the event, including potential update in the number of shares for the security, is deemed significant. A significant market capitalization change is defined as an increase of 50% or greater, or a decrease of 33% or more, relative to the company's full market capitalization before the event. The Size-Segment classification review will be based on the Interim Size-Segment Cutoffs used for the MSCI China Indexes.

Existing constituents that are placed on the SGX's Watch List, delist from a stock exchange, or companies that file for bankruptcy or file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future will be removed from the MSCI Overseas China Indexes as soon as practicable.

[1] With the exceptions for "detached" securities created when the spun-off security does not trade on the ex-date of the spin-off

Appendix

The MSCI Overseas China Indexes are constructed using similar size and liquidity requirements as the MSCI China Indexes under the MSCI GIMI methodology. The table below highlights the main differences between the two index series.

	MSCI China Index	MSCI Overseas China Index
Coverage	Include China listed B Shares, Include HK listed H Shares, P Chip and Red Chip	Include US-listed Chinese ADRs and common shares Include Singapore-listed Chinese common shares Exclude securities covered by MSCI China Index and MSCI China A Index Exclude US-listed reverse mergers companies Exclude Singapore-listed companies on SGX's Watch List
Eligible securities	Defining Equity Universe through analysis of the whole GIMI equity universe Defining Investable Equity Universe through size and liquidity requirements P Chip definition to meet a majority of these criteria: PRC individual, 80% revenue and 60% assets	Overseas Chinese companies are generally defined as companies who meet two out of three of the following criteria: - The company's headquarter is located in PRC - The company derives more than 50% of its revenue from PRC - The company allocates more than 50% of its assets in PRC

Investability requirements	GIMI methodology	Investability requirements are set to be the same as required by MSCI China Index except
		• all securities with Foreign Inclusion Factor (FIFs) less than 0.15 are excluded
		• no additional liquidity requirement ie there is no further requirements for
		   • Market Relative ATVR
		   • minimum Frequency of Trading of 90%

Constructing the index	Allocation of securities based on the Segment Number of Companies that takes into account of MSCI China equity universe compared to the Developed Market equity universe	Size-Segment Cutoffs are taken from MSCI China Index Companies are allocated to relevant size segments by comparing full company market capitalization against the Size Segment Cutoff
Maintaining - rebalancing	May and November SAIRs – objective is to systematically reassess the various dimensions of the Equity Universe for all markets on a fixed semi annual timetable. February and August QIRs – objective is to reflect significant market driven changes that were not captured in the index at the time of their actual occurrence but are significant enough to be reflected before the next SAIR.	November SAIRs – the whole equity universe is reevaluated for their definition of overseas Chinese companies May SAIRs – only newly issued securities are evaluated for their definition of overseas Chinese companies February/August QIRs – migration of existing index constituents only
Events maintenance	As per GIMI methodology	No early entry for IPOs

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