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Index Methodology

# MSCI China 50 Index Methodology

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## Section 1: Introduction

The MSCI China 50 Index is constructed based on the MSCI China Index (“the parent”). The MSCI China 50 Index aims to reflect the performance of the 50 largest securities of MSCI China Index based on free float-adjusted market capitalization. The MSCI China 50 Index is designed to serve as the basis for investment products such as exchange traded and OTC derivative contracts, exchange traded funds and other passive vehicles.

## Section 2: Index Construction Methodology

### 2.1: Applicable Universe

The applicable universe includes securities of type ‘H Shares’, ‘P Chips’ and ‘Red Chips’ from the existing constituents of the MSCI China Index and excludes securities of type ‘B shares’.

### 2.2: Determining the Constituents of the MSCI China 50 Index

The eligible securities are ranked in the decreasing order of free float-adjusted market capitalization. The top 50 securities are then selected for inclusion in the MSCI China 50 Index.

### 2.3: The 25/50 Rule

The MSCI 25/50 Index Methodology is applied on the MSCI China 50 Index after the step described in section 2.2 to determine the final weights of the constituents of the MSCI China 50 Index. The details of the MSCI 25/50 Index Methodology are available at [http://www.msci.com/products/indices/strategy/capped/twentyfive\\_fifty/](http://www.msci.com/products/indices/strategy/capped/twentyfive_fifty/)

## Section 3: Maintaining the MSCI China 50 Index

### 3.1: Quarterly Index Reviews

The composition of the MSCI China 50 Index is fully reviewed on a quarterly basis coinciding with the regular index reviews (Semi-Annual Index Reviews in May and November and Quarterly Index Reviews in February and August) of the MSCI Global Investable Market Indices. The pro forma MSCI China 50 Index is in general announced five business days before the effective date and the changes are implemented at the end of February, May, August and November.

At each Index Review, the number of securities in the MSCI China 50 Index will be restored to 50. Between two Index Reviews, the number of index constituents may differ from 50 due to deletions resulting from corporate events impacting existing constituents.

If a security that is scheduled to be added to or deleted from the MSCI China 50 Index is suspended from trading at the effective implementation date of the index review, MSCI will cancel the implementation.

### 3.2 Buffer Rules

To minimize index turnover, buffer rules are applied to the MSCI China 50 Index.

The eligible securities are ranked in the decreasing order of free float-adjusted market capitalization. New index constituents that satisfy all eligibility criteria and with a rank 35 or higher in the eligible universe will be added to the MSCI China 50 Index on a priority basis. Existing index constituents with a rank between 36 and 65 are then successively added till the number of constituents in the MSCI China 50 Index reaches 50. If the number of constituents is below 50 after this step, the remaining securities in the eligible universe with the next highest rank are added till the number of securities in the MSCI China 50 Index reaches 50.

### 3.4: Ongoing Event Related Changes

In general, the MSCI China 50 Index follows the event maintenance of the MSCI China Index. Details regarding the treatment of corporate events not covered below can be found in the MSCI Corporate Events Methodology Book, available at <http://www.msci.com/products/indices/size/methodology.html>

#### 3.4.1: IPOs and other early inclusions

IPOs and other early inclusions (for example, spun-off companies) will only be considered for inclusion in the MSCI China 50 Index at the next quarterly index review.

#### 3.4.2: Early Deletions of Existing Constituents

If a security is deleted from the underlying MSCI China Index due to corporate events, it will be automatically removed from the MSCI China 50 Index. Examples are securities of companies that are acquired, file for bankruptcy, companies that 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. When the number of securities in the MSCI China 50 Index falls below 50 due to corporate events, no additions or deletions will be made to restore the number of securities to 50 until the next index review.

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<sup>1</sup>As of June 30, 2011, based on eVestment, Lipper and Bloomberg data.