

Methodology

Introduction

The Dow Jones CBN China 600 IndexSM is a broad yet investable measure of securities available to domestic Chinese investors. The index represents the 600 largest A-shares traded on the Shanghai and Shenzhen stock exchanges as ranked by float-adjusted market capitalization. It was introduced in conjunction with China Business Network (CBN), a Shanghai-based media firm.

Index Universe

The selection universe for the Dow Jones CBN China 600 IndexSM consists of all companies whose Class A shares have been included in the Dow Jones China IndexSM, which covers approximately 95% of the float-adjusted market capitalization listed on the Shanghai and Shenzhen stock exchanges. Because the Dow Jones CBN China 600 IndexSM measures the performance of securities available to domestic Chinese investors, foreign-owned B shares and shares listed on the Hong Kong, New York, and other foreign stock exchanges are excluded. Unlisted share classes—including state-owned share classes, employee share classes, shares owned by foreign and domestic corporations (called “legal person” shares) and other share classes that are not eligible for trading on the domestic stock exchanges—are not included and are not used in determining a company’s size ranking.

Initial Stock Selection

- 1 Companies in the Dow Jones China IndexSM were ranked in descending order by Class A shares market capitalization to create an initial selection list.
- 2 The top 600 companies were selected as index components.

Index Review

The Dow Jones CBN China 600 IndexSM is reviewed quarterly, in March, June, September and December, using the Class A shares that have qualified for the Dow Jones China IndexSM. Class A shares outstanding for each company are updated during the quarterly Dow Jones China IndexSM reviews.

Due to the legal restrictions on who may own Class A shares, there are no share blocks that would require a float adjustment. Class A shares repurchased by the company are cancelled, those purchased by other state or corporate owners are converted to the appropriate non-traded share class, and Class A shares held by unaffiliated money management companies and domestic Chinese investment funds are, by definition, free float.

An initial public offering (IPO) is eligible for inclusion in the Dow Jones CBN China 600 IndexSM if it has met the requirements for inclusion in the Dow Jones China IndexSM as of the cutoff date for the index universe, which is the last business day of the month prior to the index review month.

Monthly Selection List

- 1 The Class A shares of the companies to be included in Dow Jones China IndexSM are ranked by market capitalization to create a selection list.
- 2 The largest 550 stocks on the selection list automatically qualify for the index.
- 3 Current index components ranked from 551st to 750th on the new list are selected, in descending market cap order, until the Index contains 600 stocks. Stocks ranked below 750th are removed from the Index.
- 4 If there are fewer than 600 stocks in the Index following application of the buffer rules in step 3, the largest remaining non-component companies on the selection list are added in descending market cap order until the index contains 600 components.
- 5 The index changes become effective after the close of trading on the last business day of March, June, September and December.

Index Maintenance

In addition to the quarterly reviews, the Dow Jones CBN China 600 IndexSM is reviewed on an ongoing basis. Changes in index composition and related weight adjustments are necessary whenever there are extraordinary events such as delistings, bankruptcies, mergers or takeovers involving index components. Changes in the index's components will be implemented at the same time as those changes are implemented in the Class A shares of the companies in the Dow Jones China Index. If a company is removed from the Dow Jones China IndexSM, it will be removed from the Dow Jones CBN China 600 IndexSM at the same time.

Watch List

A watch list consisting of the largest 750 Class A stocks by market capitalization in the Dow Jones China IndexSM is created after the close of trading on the last business day of each month. Noncomponent stocks on that list, in descending market cap order, will be added to the Index to replace companies removed due to corporate actions.

Spinoffs

Because the index must contain exactly 600 stocks, each spinoff is reviewed separately to determine which company, or companies, will remain in the index. In most cases, the parent will be the larger or largest company. However, often the accounting survivor of a spinoff is the smaller entity.

If all the companies involved in the spinoff would rank 550 or higher in the index using the current month's index watch list, both the parent and the spinoffs will be kept in the Dow Jones China 600. Each retained spinoff will replace the smallest component company on the Index watch list. If only one of the companies would rank in the top 550, it will be retained in the index and the other company will be excluded until it qualifies at a quarterly review. If only one company would rank in the top 750, it will be retained in the Index. If both companies would rank between 601st and 750th, the larger company will be retained in the index. If neither company would rank in the top 750, both will be excluded, and the parent company will be replaced by the largest non-component company on the watch list.

Mergers and Acquisitions

If two index components merge, the surviving company will remain in the index, and the acquired company will be replaced by the largest non-component company on the current watch list. If a non-component company acquires an index component, the acquiring company will be added to the index if it also meets all the requirements for index membership. If the acquiring company does not qualify for index membership, the top-ranked non-component on the selection list will be added to the index.

Sector Changes

Companies in the Dow Jones CBN China 600 IndexSM are classified under the Industry Classification Benchmark system into Industries, Super sectors, Sectors and Subsectors based on their revenues. If a company's classification changes due to a corporate action, such as a merger or a spinoff, the change in its ICB classifications will be implemented at the same time the corporate action is reflected in the index. If the change in classification is due to ICB's ongoing review of company revenue sources, the change will be implemented as part of the index's quarterly review and will take effect at the same time as the share changes.

Base Date and Base Value

Both the price and total-return versions of the Dow Jones CBN China 600 IndexSM have a base date of December 31, 2000, and base value of 20000 (12/31/2000 = 20000).

For more information on the CBN China 600 IndexSM,
email djindexsupport@dowjones.com or call 609-520-7249. Learn more at www.djindexes.com.

© Dow Jones & Company, Inc. 2008. All Rights Reserved. "Dow Jones", "Dow Jones Indexes" and all index names cited are service marks of Dow Jones & Company, Inc.