



FTSE China A Style Index Series

v3.4



Contents

1.0	Introduction	3
2.0	Management Responsibilities	5
3.0	FTSE Russell Index Policies	6
4.0	Eligible Securities	8
5.0	Periodic Review of Constituents	14
6.0	Changes to Constituent Companies	17
7.0	Changes to Constituent Weightings	18
8.0	Industry Classification Benchmark System	19
9.0	Indexes Algorithm and Calculation Method	20
	Appendix A: Market & Stock Exchanges	22
	Appendix B: Eligible Markets and Exchange Rates	23
	Appendix C: Fundamental Data Definitions	24
	Appendix D: Further Information	26



Section 1

Introduction

1.0 Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE China A Style Index Series. Copies of the Ground Rules are available from FTSE Russell (see Appendix D) and www.ftserussell.com.

1.2 The FTSE China A Style Index Series is designed to represent the performance of the value and growth companies in the mainland Chinese market that is available to A share investors, and international investors via the Qualified Foreign Institutional Investor (QFII) scheme. The FTSE China A Style Index Series includes the following indexes:

1.2.1 FTSE China A 200 Value Index

This index is based on the FTSE China A 200 Index and is designed to reflect portfolios focusing on the price and value characteristics of securities, weighted towards those companies with identifiable value characteristics.

1.2.2 FTSE China A 600 Value Index

This index is based on the constituents of the FTSE China A 600 Index and is designed to reflect portfolios focusing on the price and value characteristics of securities, weighted towards those companies with identifiable value characteristics.

1.2.3 FTSE China A 200 Growth Index

This index is based on the FTSE China A 200 Index and is designed to reflect portfolios focusing on earnings and revenue growth, weighted towards those companies with identifiable growth characteristics.

1.2.4 FTSE China A 600 Growth Index

This index is based on the constituents of the FTSE China A 600 Index and is designed to reflect portfolios focusing on earnings and revenue growth, weighted towards those companies with identifiable growth characteristics.

1.3 FTSE Russell

FTSE Russell is a trading name of FTSE International Limited, Frank Russell Company, FTSE Global Debt Capital Markets Limited (and its subsidiaries FTSE Global Debt Capital Markets Inc. and MTSNext Limited), Mergent, Inc., FTSE Fixed Income LLC, The Yield Book Inc and Beyond Ratings.

1.4 **IOSCO**

- 1.4.1 FTSE Russell considers that the FTSE China Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013.
- 1.5 FTSE Russell hereby notifies users of the index series that it is possible that factors, including external factors beyond the control of FTSE Russell, may necessitate changes to, or the cessation, of the index series and therefore, any financial contracts or other financial instruments that reference the index series or investment funds which use the index series to measure their performance should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.
- 1.6 Index users who choose to follow this index or to buy products that claim to follow this index should assess the merits of the index's rules-based methodology and take independent investment advice before investing their own or client funds. No liability whether as a result of negligence or otherwise is accepted by FTSE Russell (or any person concerned with the preparation or publication of these Ground Rules) for any losses, damages, claims and expenses suffered by any person as a result of:
- any reliance on these Ground Rules, and/or
 - any errors or inaccuracies in these Ground Rules, and/or
 - any non-application or misapplication of the policies or procedures described in these Ground Rules, and/or
 - any errors or inaccuracies in the compilation of the Index or any constituent data.



Section 2

Management Responsibilities

2.0 Management Responsibilities

2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the Benchmark Administrator of the index series.¹

2.1.2 FTSE is responsible for the daily calculation, production and operation of the Index Series and will:

- maintain records of the index weightings of all constituents;
- make changes to the constituents and their weightings in accordance with the Ground Rules;
- carry out the periodic index reviews of the Index Series and apply the changes resulting from the reviews as required by the Ground Rules.;
- publish changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indexes.

2.2 Status of these Ground Rules

2.2.1 These Ground Rules set out the methodology and provide information about the publication of the FTSE China A Style Index Series.

2.3 Amendments to these Ground Rules

2.3.1 These Ground Rules shall be subject to regular review by FTSE Russell to ensure that they continue to best reflect the aims of the index series. Any proposals for significant amendments to these Ground Rules will be subject to consultation with FTSE Russell advisory committees and other stakeholders if appropriate. The feedback from these consultations will be considered by the FTSE Russell Product Governance Board before approval is granted.

2.3.2 As provided for in the Statement of Principles for FTSE Russell Equity Indexes, where FTSE Russell determines that the Ground Rules are silent or do not specifically and unambiguously apply to the subject matter of any decision, any decision shall be based as far as practical on the Statement of Principles. After making any such determination, FTSE Russell shall advise the market of its decision at the earliest opportunity. Any such treatment will not be considered as an exception or change to the Ground Rules, or to set a precedent for future action, but FTSE Russell will consider whether the Ground Rules should subsequently be updated to provide greater clarity.

¹ The term administrator is used in this document in the same sense as it is defined in [Regulation \(EU\) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds](#) (the European Benchmark Regulation).



Section 3

FTSE Russell Index Policies

3.0 FTSE Russell Index Policies

These Ground Rules should be read in conjunction with the following policy documents which can be accessed using the links below:

3.1 Statement of Principles for FTSE Russell Equity Indexes (the Statement of Principles)

- 3.1.1 Indexes need to keep abreast of changing markets and the Ground Rules cannot anticipate every eventuality. Where the Rules do not fully cover a specific event or development, FTSE Russell will determine the appropriate treatment by reference to the Statement of Principles which summarises the ethos underlying FTSE Russell's approach to index construction. The Statement of Principles is reviewed annually and any changes proposed by FTSE Russell are presented to the FTSE Russell Policy Advisory Board for discussion before approval by the FTSE Russell Product Governance Board.

The Statement of Principles can be accessed using the following link:

[Statement of Principles.pdf](#)

3.2 Queries, Complaints and Appeals

- 3.2.1 A constituent or prospective constituent company (or professional advisor acting on behalf of the company), a national organisation or a group of no fewer than ten users of the Indexes from different organisations acting in their professional capacity may appeal against decisions taken by FTSE Russell.

FTSE Russell's complaints procedure can be accessed using the following link:

[Benchmark Determination Complaints Handling Policy.pdf](#)

FTSE Russell's Appeal Process can be accessed using the following link:

[Appeals Against Decisions.pdf](#)

3.3 Index Policy for Trading Halts and Market Closures

- 3.3.1 Guidance for the treatment of index changes in the event of trading halts or market closures can be found using the following link:

[Index Policy for Trading Halts and Market Closures.pdf](#)

3.4 **Index Policy in the Event Clients are Unable to Trade a Market**

3.4.1 Details of FTSE Russell's treatment can be accessed using the following link:

[Index Policy in the Event Clients are Unable to Trade a Market.pdf](#)

3.5 **Recalculation Policy and Guidelines**

3.5.1 The FTSE China A Style Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE China A Style Index Series are notified through appropriate media.

For further information refer to the FTSE Russell Recalculation Policy and Guidelines document which is available from the FTSE Russell website using the link below or by contacting info@ftserussell.com.

[Recalculation Policy and Guidelines Equity Indexes.pdf](#)

3.6 **Policy for Benchmark Methodology Changes**

3.6.1 Details of FTSE Russell's policy for making benchmark methodology changes can be accessed using the following link:

[Policy for Benchmark Methodology Changes.pdf](#)

Section 4

Eligible Securities

4.0 Eligible Securities

4.1 All China A share classes of equity in issue are eligible for inclusion in the FTSE China A Index Series subject to conforming with Rules 4.2 to 4.9 (see also Appendix A & B).

4.2 The entire quoted equity capital of a constituent company is included in the calculation of its market capitalisation, subject to the free float restrictions highlighted in Rule 4.4.1.

4.3 FTSE Russell calculates free float from the perspective of a portfolio shareholder. This allows FTSE Russell indexes to take into account the true opportunity set available to an investor.

4.3.1 In order to calculate the free float of a company its total A Shares will need to be derived. This is calculated by taking the entire quoted equity capital of a company and excluding its B and H Shares, or by using the following formula:



*if applicable

4.4 In order to calculate the free float of a company FTSE Russell will screen all publically available shareholder information, regardless of the size of holding, and identify them as either restricted or unrestricted holdings.

4.4.1 Free float restrictions include:

- Shares directly owned by State, Regional, Municipal and Local governments (excluding shares held by independently managed pension schemes for governments).
- Shares held by directors, senior executives and managers of the company, and by their family and direct relations, and by companies with which they are affiliated.
- Shares held within employee share plans.
- Shares held by public companies or by non-listed subsidiaries of public companies.
- All shares where the holder is subject to a lock-in clause (for the duration of that clause)*.
- All shares where the holder has a stated incentive to retain the shares (e.g. bonus shares paid if holding is retained for a set period of time).*
- Shares held by an investor, investment company or an investment fund for strategic reasons as evidenced by specific statements to that effect in publicly available announcements, has an

employee on the board of directors of a company, has a shareholder agreement, has successfully placed a current member to the board of directors, or has nominated a current member to the board of directors alongside a shareholder agreement with the company.

- Shares that are subject to on-going contractual agreements (such as swaps) where they would ordinarily be treated as restricted.
- Shares that are non-negotiable which are held by companies who have not converted following the A Share reform.
- Non-tradable A Shares subject to a lock-in (until the lock-in expires and the shares are freely tradable on the exchange).

* Free Float changes resulting from the expiry of a lock-in or incentive will be implemented at the next quarterly review subject to the lock-in or incentive expiry date occurring on or prior to the share and float change information cut-off date.

4.4.2 Free float restrictions where holding is 10% or greater:

- Shares that are held by Sovereign Wealth Funds.
- Shares held by founders, promoters, former directors, venture capital and private equity firms, private companies, individuals (including employees) and shares held by several holders acting in concert.

The shares will remain restricted until the holding falls below 10%

4.4.3 Free float restrictions where holding is 30% or greater

For clarity, portfolio holdings (such as pension fund, insurance fund or investment companies) are generally not considered as restricted. However where a single portfolio holding is 30% or greater it will be regarded as strategic and therefore restricted. The shares will remain restricted until the holding falls below 30%.

If in addition to the above restricted holdings, the company's shareholders are subject to legal restrictions, including foreign ownership restrictions, that are more restrictive, the legal restriction will be applied.

4.4.4 Nominee Accounts:

Shares disclosed as **being** held by a nominee account are typically regarded as **free** float. However if a restricted shareholder (as defined under sections 1-3) is identified as holding shares through a nominee account then that portion of shares will be restricted.

4.4.5 High shareholding concentration:

Where a company is the subject of a high shareholding concentration warning notice by a regulatory authority to the effect that the company is in the hands of a limited number of shareholders, the following rules apply:

- a) Companies that are the subject of a warning notice that has been issued within the two years prior to the free float cut-off date ahead of a forthcoming index review, and which has not subsequently been rescinded, are ineligible for index inclusion at that review. Existing index constituents that become subject to such a notice before the free float cut-off date will be deleted at the forthcoming review.
- b) Companies that are the subject of a warning notice after the free float cut-off date but before an index review effective date are assessed on a case-by-case basis which may generally result in scheduled index review additions, investability weight and shares in issue changes no longer being implemented at the forthcoming review.
- c) Companies that are the subject of a warning notice, which has not subsequently been rescinded, that was issued more than two years before the free float cut-off date ahead of a forthcoming index review, will only be considered for index eligibility at that review if FTSE

Russell determine that the company has published sufficient information to demonstrate that the concerns that led to the issue of the warning notice no longer apply.

- d) Where a company has been the subject of a warning notice, but that notice has either subsequently been rescinded or FTSE Russell has determined that the conditions described in sub-clause (b) above have been met, the company will be treated as a new issue for the purposes of determining index eligibility.

4.4.6 Free float weighting

Free float is calculated using available published information rounded to 12 decimal places. Companies with a free float of 3% or below are excluded from the index.

Free float example – determining the initial free float

Shareholder type	Shareholding %
Government controlled	26.65
Corporate Investment	5.52
Employee share incentive scheme	0.76
Director/Senior management holding	0.14
Free float	66.93

The table above shows the free float structure of a company, in particular the restricted shareholders, as highlighted in Rule 4.4.1. Almost 27% of the company's shares are in the control of the government with a further 5.5% held by a corporate investment. In total the company's restricted shareholders account for 33.07% of its shares. The free float of the company is 66.93% (100 - 33.07).

4.4.7 Treatment of companies with a free float of 15% or less

Companies that have a free float of 15% or less the following table outlines their treatment in the index series.

Company	Free Float Thresholds	Market Size Requirement
New index entrant	Greater than 3% but equal or less than 15%	Full market capitalisation is greater than CNY 17 billion
Existing index constituent	Greater than 3% but equal or less than 15%	Full market capitalisation is greater than CNY 10 billion
Existing index constituent	Less than or equal to 3% are excluded*	-

Note: * See Rule 4.4.5C

- A. Companies that have free float greater than 3% but less than or equal to 15% will be eligible for the Index providing their full market capitalisation is greater than CNY 17 billion at the time of the review.
- B. Constituent companies that have free float greater than 3%, but less than or equal to 15% will be deleted from the Index if their full market capitalisation is less than or equal to CNY 10 billion at the time of the review.
- C. Constituent companies that have free float of less than or equal to 3% will be deleted from the index series unless the committee decides to make an exception to the index rules. If the committee decides to make an exception to the index rules advanced notice will be provided.
- D. As the holdings of each shareholder can impact the free float, care is taken to ensure all the public available holdings are screened and then categorised as either restricted or unrestricted

free float. Companies will also have to pass the other eligibility criteria as stipulated in these ground rules.

Free float example – determining the free float of a company with a free float of 15% or less

Shareholder type	Shareholding %
Government authority	47.34
Government controlled	47.02
Free float	5.64

The table above shows the free float structure of a company, in particular the restricted shareholders, as highlighted in Rule 4.4.1. Over 47% of the company's shares are held by a government authority with a further 47% held by a government controlled company. In total the company's restricted shareholders account for 94.36% of its shares. The free float of the company is 5.64% (100 - 94.36). Providing its full market capitalisation is greater than CNY 17 billion it will be eligible for index inclusion (see Rules 4.4.5A and 4.4.5D).

- 4.5 Where a company's shares are issued partly, or nil, paid and the call dates are already determined and known, the market price will, for the purposes of calculating its market capitalisation, be adjusted so as to include all such calls (i.e. the fully paid price).
- 4.6 Convertible preference shares and loan stocks are excluded until converted.
- 4.7 Companies whose business is that of holding equity and other investments (i.e. Investment Trusts) which are classified by the Industry Classification Benchmark² as Subsector Equity Investment Instruments (8985) (New ICB Closed End Investments (30204000)) and non-equity investment instruments which are classified by the Industry Classification Benchmark as Subsector Non-equity investment instruments (8995) (New ICB Open End and Miscellaneous Investment Vehicles (30205000)) will not be eligible for inclusion. For further details on the Industry Classification Benchmark (ICB), please visit the FTSE Russell website.
- 4.8 Securities designated "Special Treatment (ST or *ST)" are not eligible for inclusion in the index.
- 4.9 Securities must be sufficiently liquid to be traded. The following criteria are used to ensure that illiquid securities are excluded:
 - A. Price - There must be an accurate and reliable price for the purposes of determining the market value of a company.
 - B. Size - All eligible companies in the FTSE China A 600 Index will be included in the FTSE China A Style Index Series.
 - C. Liquidity - Each security is tested for liquidity on an annual basis in March by calculation of its monthly median of daily trading volume.

For the annual test, liquidity will be calculated from the first business day of February of the previous year to the last business day of January in the current year. When calculating the median of daily trading volume of any security for a particular month, a minimum of 5 trading days in that month must exist, otherwise the month will be excluded from the test.

For each month, the daily trading volume for each security is calculated as a percentage of the shares in issue for that day adjusted by the free float at the review cut off date. These daily values are then ranked in descending order and the median is taken by selecting the value for the middle ranking day if there is an odd number of days and the mean of the middle two if there is an even number of days.

² FTSE indexes will migrate to the new ICB classification system in September 2020.

Daily totals with zero trades are included in the ranking; therefore a security that fails to trade for more than half of the days in a month will have a zero median trading volume for that month.

Any period of suspension will not be included in the test.

The liquidity test will be applied on a pro-rata basis where the testing period is less than 12 months.

A non-constituent which does not turnover at least 0.05% of their shares in issue (after the application of any free float weightings) based on their median daily trading volume per month in ten of the twelve months prior to a full market review, will not be eligible for inclusion in the Index.

- i. An existing constituent which does not turnover at least 0.04% of its shares in issue (after the application of any free float weightings) based on its median daily trading volume per month for at least eight of the twelve months prior to a full market review will be removed from the Index.
- ii. New issues which do not have a twelve month trading record must have a minimum three month trading record when reviewed. They must turnover at least 0.05% of their free float adjusted shares based on their median daily trading volume each month, on a pro-rata basis since listing*.

*When testing liquidity the free float weight as at the last date in the testing period will be used for the calculation for the whole of that period.

- D. At the sole discretion of FTSE Russell, the above percentage figures may be adjusted by up to 0.01% at the March review so that, in FTSE Russell's opinion, the index better reflects the liquid investable market of the region. This discretion may only be exercised across the whole market and may not be applied to individual securities.
- E. At the annual review, newly listed companies added to the FTSE China A Style Index Series at a quarterly review will have their liquidity assessed on a pro-rata basis.
- F. New issues will become eligible for inclusion at the next quarterly review of constituents providing they have, since the commencement of Official non-conditional trading, a minimum trading record of at least 3 trading months prior to the date of the review and turnover as defined under Rule 4.9C.
- G. Variable and best effort IPOs and direct listing IPOs will be considered for index inclusion at the next index review if, by the review cut-off date, a public disclosure* is available confirming either the actual number of shares sold during the offering or the post IPO shareholder structure. Index inclusion remains subject to meeting all other eligibility criteria. If the number of shares sold during the IPO, or the post IPO shareholder structure, remains unknown on the review cut-off date, the evaluation of the company will be deferred to a subsequent index review.

*A public disclosure is typically by way of a company filing, stock exchange notice or shareholding regulatory announcement.

4.10 Trading Screen

- 4.10.1 Existing and non-constituent securities which have not traded on 60 or more trading days during the past year (up to and including the review cut-off date), will not be eligible for index inclusion. Regular/ad-hoc market holidays, and unscheduled market closures will not count towards the total; otherwise, the reason(s) for a security's non-trading will not be considered. If a security does not

have a full year of trading, the 60 day period will be pro-rated according to the number of available trading days passed since its listing. Please note:

- All standard trading days will be incorporated within the calculation (Friday and Sundays as appropriate)
- Ad-hoc non-standard trading days will not be incorporated within the calculation (e.g. ad-hoc Saturday trading will not be considered)
- Where a pro-rata calculation is necessary, the number of available trading days on the underlying market during the previous year up to and including the review cut-off date will be used as the basis of the calculation. E.g. Market ABC has 253 available trading days for the annual period to the review cut-off date; therefore the security would not be eligible if for 23.7% (60/253) or more of its available trading days since listing, it did not trade.
- A security which has been removed from an index as a result of this screen will only be re-considered for inclusion after a period of 12 months from its deletion. For the purposes of index eligibility it will be treated as a new issue.



Section 5

Periodic Review of Constituents

5.0 Periodic Review of Constituents

The rules for inserting and deleting companies at the quarterly and annual reviews are designed to provide stability in the selection of constituents of the FTSE China A Style Index Series while ensuring that the Indexes continue to be representative of the market.

5.1 Review Dates

5.1.1 The semi-annual review of the FTSE China A Style Index Series takes place in June and December. The constituents will be reviewed using data from the close of business on the Monday following the third Friday in February, May, August and November. Where there is a market holiday in either China or Hong Kong on the Monday following the third Friday, the close of business on the last trading day prior to the Monday after the third Friday, where both markets are open, will be used.. Any constituent changes will be implemented after the close of business on the third Friday of June and December.

5.1.2 Changes to the FTSE China A Style Index Series at the March and September reviews will have their value and growth weightings assigned using data from Wind at the close of business on the Monday following the third Friday in February and August. Where there is a market holiday in either China or Hong Kong on the Monday following the third Friday, the close of business on the last trading day prior to the Monday after the third Friday, where both markets are open, will be used... This process can be found from Rules 6.2 to 6.6, but will only be carried out for new additions after taking into account deletions at the same review. Existing constituents of the FTSE China A Style Index Series will remain unchanged. Changes to the FTSE China A Style Index Series March and September reviews will be implemented simultaneously with the FTSE China A Index Series after the close of business on the third Friday in March and September.

5.1.3 Index changes resulting from index reviews are published as soon as practical.

5.2 Fundamental Data Items

5.2.1 At the semi annual review, and quarterly review for index additions, the following fundamental data items will be collated for each constituent in the FTSE China A All-Share Index:

Value Measures	Growth Measures
Book to Price	3 Year Historic Earnings Per Share Growth
Sales to Price	3 Year Historic Sales Growth
Dividend Yield	Return On Equity*(1 - Payout Ratio)
Cash Flow to Price	

5.3 Normalising Process and Style Rankings

5.3.1 The relevant fundamental data item is found for each constituent within the FTSE China A All-Share Index.

5.3.2 Each figure for each fundamental data item is then plotted onto an x-axis. Therefore the index will have seven x-axes (four value and three growth) corresponding to each data item.

5.3.3 The data on each x-axis is then truncated (see below). Outliers beyond the truncation limits remain outside of the truncation limit itself. No data item is discarded. The truncation levels for each fundamental data item are as follows:

Value Measures	Lower Level	Upper Level
Book to Price	-20	20
Sales to Price	-30	30
Dividend Yield	0	20
Cash Flow to Price	-200	200

Growth Measures	Lower Level	Upper Level
3 Year Historic Earnings Per Share Growth	-200	200
3 Year Historic Sales Growth	-70	70
Return On Equity* (1 - Payout Ratio)	-300	300

5.3.4 Following truncation, the data on each x-axis then has three standard deviations applied. Again, any outliers beyond three standard deviations remain outside of the three standard deviation limit. No data is discarded.

5.3.5 The x-axis is then ranked so that 0 appears at the value end of the axis and 100 at the growth end. For the four value data items, the value measure is then found by identifying where on the x-axis each constituent lies and allocating that number as the value measure for each of the four value data items. The growth measures for the three growth data items are found in the same way. Those constituents which remain outside the truncation and standard deviation limits are then allocated the style rankings (either 0 or 100) dependant on which end of the x-axis they are.

5.3.6 In order to find the value ranking for each constituent the four value measures for the constituent are added and divided by four.

5.3.7 In order to find the growth measures for each constituent the three growth measures for the constituent are added and divided by three.

5.3.8 If one or more of the value or growth measures are missing the value or growth measure will be divided by the requisite number of data items available.

5.3.9 In order for the value ranking or growth ranking to be calculated in this way data on at least one value data item and one growth data item must be available for the constituent. If this is not the case the constituent will have both value and growth rankings applied from its subsector classification.

5.4 Allocation of Value Ranking (VR) and Growth Ranking (GR) by Subsector

5.4.1 The allocation of VR and GR by subsector only occurs when there is no data item available for value and no data item available for growth.

5.4.2 In this case both the VR and GR are calculated by taking the average of all of the value rankings and then the average of all of the growth rankings in the companies subsector in the underlying index as defined by the Industry Classification Benchmark System.

- 5.4.3 The universe to be used in calculating these averages is as follows:-
- A. The relevant sub sector in the FTSE China A 600 Index will be used provided there are at least two companies in the subsector, excluding the company to be calculated.
 - B. If there are less than two constituents in the sector of the FTSE China A 600 Index then the relevant sector of the FTSE China A All-Share Index will be used.
 - C. If there are less than two constituents in the relevant sector of the FTSE China A All-Share Index, the supersector will be used.

5.5 Determining Overall Style Ranking (OSR) for Each Company

- 5.5.1 After all constituents of the benchmark have had their Value and Growth Rankings calculated the two numbers are added and divided by two to give the Overall Style Ranking (OSR) for each constituent.

5.6 Selecting the Value and Growth Index Constituents

- 5.6.1 The companies in FTSE China A 600 Index are ranked according to their Overall Style Ranking (OSR) from the FTSE China A All-Share Index. High OSRs indicate growth at the top of the rankings and low OSRs indicate value at the bottom of the rankings.
- 5.6.2 Constituents with the highest growth characteristics (OSR tending towards 100) are selected one by one until their cumulative investable market capitalisation weight represents 35% of the investable market capitalisation of the FTSE China A 600 Index. These stocks are allocated to the Growth Index of the underlying Style Benchmark at a weight of 100%.
- 5.6.3 Constituents with the highest value characteristics (OSR tending towards 0) are selected one by one until their cumulative investable market capitalisation weight represents 35% of the investable market capitalisation of the FTSE China A 600 Index. These stocks are allocated to the Value Index of the Style Benchmark at a weight of 100%.
- 5.6.4 The constituents covering the middle 30% of the investable market capitalisation of the FTSE China A 600 Index will be allocated across both the Value and Growth Indexes according to the following bands:-

Investable Market Cap	Style Weighting
Between 55% and 64.99%	75% Growth / 25% Value
Between 45% and 54.99%	50% Growth / 50% Value
Between 35.01% and 44.99%	25% Growth / 75% Value

- 5.6.5 The methodology gives rise to certain companies' investable market capitalisation falling either side of a particular band. In these circumstances the constituents' style weight will be apportioned across the bands so as to ensure that its investable market capitalisation remains exactly the same as in the underlying benchmark.
- 5.6.6 By using this methodology the sum of the investable market capitalisations of the value and growth benchmarks will equal the investable market capitalisations of the underlying benchmark.



Section 6

Changes to Constituent Companies

6.0 Changes to Constituent Companies

6.1 Removal and Replacement

- 6.1.1 Constituent changes to the underlying FTSE China A Index Series that are effective outside of the review process are incorporated within the FTSE China A Style Index Series simultaneously, ensuring that the composition of the FTSE China A Index Series and the FTSE China A Style Index Series remains identical in terms of constituents and investable market capitalisation at all times.
- 6.1.2 For further information on the treatment of constituent changes intra review to the FTSE China A 200 and 600 Indexes please refer to the FTSE China A Index Series Ground Rules.

6.2 Mergers, Restructuring and Complex Takeovers

- 6.2.1 The effect of takeovers, mergers and demergers will be applied to the FTSE China A Style Index Series in exactly the same way as they are applied to the underlying FTSE China A Index Series.
- 6.2.2 In the case of a takeover the Value Ranking, Growth Ranking and Overall Style Ranking of the largest company by full market capitalisation will be applied to the company(ies) being taken over.
- 6.2.3 In the case of a merger, the Value Ranking, Growth Ranking and Overall Style Ranking of the largest company, as defined by the full market capitalisation of the companies subject to the merger, will be adopted by the newly merged company.
- 6.2.4 In the case of a demerger the Value Ranking, Growth Ranking and Overall Style Ranking of the demerged companies will remain the same as those of the unmerged company. The demerged companies will be treated as separate companies for VR, GR and OSR purposes at the next FTSE China A Style Index Series review.

6.3 Suspension of Dealing

- 6.3.1 If a constituent is suspended from the FTSE China A Index Series, the same treatment will be applied simultaneously to the FTSE China A Style Index Series.



Section 7

Changes to Constituent Weightings

7.0 Changes to Constituent Weightings

- 7.1 For the purposes of computing the FTSE China A Style Index Series and to prevent a large number of insignificant weighting changes it will apply the same treatment as the FTSE China A Index Series, whereby the number of shares in issue for each constituent security is amended only when the total shares in issue held within the index system changes by more than 1% on a cumulative basis.
- 7.2 If a corporate action is applied to a constituent of the index which involves a change in the number of shares in issue, the change in shares will be applied simultaneously with the corporate action.
- 7.3 Changes of shares in issue not arising from corporate actions, amounting to less than 10% of the number of shares in issue but more than 1% will be made quarterly after the close of trading on the third Friday of March, June, September and December. The cut-off for these changes will be the close of business on the third Wednesday of the month prior to the review month.
- 7.4 If the cumulative unapplied changes in the number of shares in issue is 10% or greater of the total index shares in issue or it represents at least USD 2 billion of a company's total market capitalisation, the change is implemented between quarters. A minimum of 4 days notice will be given to users of the index. WM/Reuters Closing Spot Rates™ at 16.00 UK time are used to convert the market capitalisation into USD. The USD 2 billion threshold may be adjusted annually in December.
- 7.5 All adjustments are made before the start of the index calculations on the day concerned, unless market conditions prevent this.

7.6 Changes in Free Float

The FTSE China A Style Index Series will be periodically reviewed for changes in free float. These reviews will coincide with the quarterly reviews FTSE China A Index Series. Implementation of any changes will happen at close of trading on the third Friday in March, June, September and December.

A constituent's free float will also be reviewed and adjusted if necessary:

- by identifying information which necessitates a change in free float weighting;
- following a corporate event; or
- expiry of a lock-in clause.

If a corporate event includes a corporate action which affects the index, any change in free float will be implemented at the same time as the corporate action.



Section 8

Industry Classification Benchmark System

8.0 Industry Classification Benchmark System³

8.1 Industry Classification Structure

- 8.1.1 The FTSE China A Style Index Series constituents are classified into Industries, Supersectors, Sectors and Subsectors, as defined by the Industry Classification Benchmark (ICB).
- 8.1.2 Details of the Industry Classification Benchmark are available from FTSE Russell and published on the FTSE Russell website (www.ftserussell.com) and can be accessed using the following link: [Industry Classification Benchmark](#)

³ FTSE indexes will migrate to the new ICB classification system in September 2020.



Section 9

Indexes Algorithm and Calculation Method

9.0 Indexes Algorithm and Calculation Method

9.1 Prices

9.1.1 The FTSE China A Style Index Series uses actual trade prices for securities with local stock exchange quotations. The foreign exchange rates received from Thomson Reuters at the closing time of the Indexes (see Appendix B) are used to calculate the end of day index values.

9.2 Dividend Treatment

9.2.1 Cash dividends are included in the total return calculations of the FTSE China A Style Index Series based on their ex-dividend dates.

9.2.2 Total Return Indexes are published at the end of each working day.

9.3 Fundamental Data

9.3.1 The fundamental data items that are used in the FTSE China A Style Index Series are currently provided by WIND, a Chinese domestic data vendor. Full details of the value and growth measures that are used in the Style Ranking calculation can be found in Section 5 and Appendix C.

9.4 Algorithm

9.4.1 The indexes are calculated using the algorithm described below.

$$\sum_{i=1}^N \frac{(p_i \times e_i \times s_i \times f_i \times w_i)}{d}$$

Where,

- $i=1,2,\dots,N$
- N is the number of securities in the index.
- p_i is the latest trade price of the component security (or the price at the close of the Index on the previous day).
- e_i is the exchange rate required to convert the security's currency into the index's base currency.
- s_i is the number of shares in issue used by FTSE Russell for the security, as defined in these Ground Rules.
- f_i is the Investability Weighting Factor to be applied to a security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. This factor is published by FTSE Russell for each security in the underlying index.
- w_i is the Style Weighting to be applied to a security in the index.
- d is the divisor, a figure that represents the total issued share capital of the index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the index.



Appendix A: Market & Stock Exchanges

- 1.0 The FTSE China A Style Index Series consists of A share classes of equity that trade on the Shanghai and Shenzhen stock exchanges. In determining the full market capitalisation of a company for ranking purposes, all share classes are included, while only the eligible share classes are included in the index weighting.
- 2.0 **Share descriptions**
- 2.1 For a description of Chinese share classes please see the “Guide to Chinese Share Classes” document which can be accessed using the following link:
[Guide to Chinese Share Classes.pdf](#)
- 2.1 The definitions these share classes are reviewed annually in September effective on the same day as the Global Equity Index Series.



Appendix B: Eligible Markets and Exchange Rates

Markets eligible for the FTSE China A Style Index Series and sources of trading volume data used in accordance with Rule 4.9C:

Region	Country	Exchange Locations	Market Sections
Asia / Pacific	China (the People's Republic of) (China)	Shanghai	Main Board
		Shenzhen	Main Board, Small and Medium Enterprise Board

Foreign Exchange Rates

The FTSE China A Style Index Series is calculated in Renminbi (Chinese Yuan) for the end of day index values.

The foreign exchange rates received from Thomson Reuters at the closing time of the Index are used to calculate the final Index levels and are termed the “closing FTSE China A Index Series foreign exchange rates”.



Appendix C: Fundamental Data Definitions

The source of data used in the following fundamental data definitions is Worldscope, in line with the procedure for the FTSE China A Style Index Series. The shares in issue figures and share prices are sourced from FTSE Russell.

Value Measures

Book to Price

Book to Price is a company's common/ordinary equity capital at the most recent fiscal year end divided by the company's full market capitalisation at the review date. If an A line company has an H or B line, the market cap of the other line will be aggregated with that of the A line market cap to derive the company's full market capitalisation. Common/ordinary equity is generally as reported.

Sales to Price

Sales to Price is a company's most recent annual sales value divided by the company's full market capitalisation at the review date. The Sales figure used is the Major Business Revenue (主营业务收入) in the Profit and Loss Account of the company's annual report taken from WIND.

Dividend Yield

Dividend Yield reflects the dividend declared per share and/or paid for the security in question for the most recent fiscal year, divided by the share price. It is based on the "gross" dividend of a security. Dividend per share (红利比) as published by the company is used, taken from WIND.

Cash Flow to Price

Cash Flow to Price is generally a company's most recent Cash Flow for the year divided by the full market capitalisation of the company at the review date. The Cash Flow used is Net operating Cash flow (经营活动产生的现金流量净额), taken from WIND.

Growth Measures

3 Year Historic Sales Growth

3 Year Historic Sales Growth reflects the average of the company's three most recent consecutive absolute net sales or revenue annual growth rate. Sales values are for the 12 months to the company's fiscal year end and are generally as reported by the company. The Sales used in this item is the same as that used in the Value Measure for Sales.

3 year Historic EPS Growth

3 Year Historic EPS Growth is the average of the company's three most recent consecutive absolute EPS annual growth rate. The most recent EPS value should be less than 18 months old. Annual earnings per share (EPS) is for the 12 months to fiscal year end. EPS is the readily available ratio of the company, taken from new Lido.

Return on Equity * (1 - Payout Ratio)

Return on Equity is Earnings per Share (EPS) for the most recent fiscal year divided by the previous year's book value per share. Payout ratio is Dividend per Share (DPS) divided by EPS. Values are again for the 12 months to the most recent fiscal year end. (More detailed EPS, Book Value and dividend per share definitions can be found under the "3 Year historic EPS growth", "Book to Price", "Dividend Yield" headings respectively).



Appendix D: Further Information

A Glossary of Terms used in FTSE Russell's Ground Rule documents can be found using the following link:
[Glossary.pdf](#)

Further information on the FTSE China A Style Index Series is available from FTSE Russell.

For contact details please visit the FTSE Russell website or contact FTSE Russell client services at
info@ftserussell.com.

Website: www.ftserussell.com

© 2020 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) MTSNext Limited ("MTSNext"), (5) Mergent, Inc. ("Mergent"), (6) FTSE Fixed Income LLC ("FTSE FI"), (7) The Yield Book Inc ("YB") and (8) Beyond Ratings S.A.S. ("BR"). All rights reserved.

The FTSE China A Style Index Series is calculated by or on behalf of FTSE International Limited or its affiliate, agent or partner. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, MTSNext, Mergent, FTSE FI, YB and BR. "FTSE®", "Russell®", "FTSE Russell®", "MTS®", "FTSE4Good®", "ICB®", "Mergent®", "The Yield Book®", "Beyond Ratings®" and all other trademarks and service marks used herein (whether registered or unregistered) are trade marks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, MTSNext, or FTSE Canada, Mergent, FTSE FI, YB or BR.

All information is provided for information purposes only. Every effort is made to ensure that all information given in this publication is accurate, but no responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for any errors or for any loss from use of this publication or any of the information or data contained herein.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE China A Style Index Series or the fitness or suitability of the Index Series for any particular purpose to which it might be put.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group index data and the use of their data to create financial products require a licence with FTSE, Russell, FTSE Canada, MTSNext, Mergent, FTSE FI, YB, BR and/or their respective licensors.