



Guide to Chinese Share Classes

v1.4

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China incorporated companies listed in the People's Republic of China (PRC) can issue different classes of share depending on where they are listed and which investors are allowed to own them. The classes are A, B and H, which are all renminbi-denominated shares but traded in different currencies, depending on where they are listed.

China companies incorporated and listed outside PRC are generally referred to as 'Red Chips', 'P Chips', 'S Chips' or 'N Shares' depending on their ownership structure, revenue source and listing location. These types of shares may have different definitions among index providers or exchanges; please see below for FTSE Russell's definition. The eligibility of these share classes is reviewed annually in March.

Share Class	Country of Incorporation	Country of Listing	Trading Currency	Other Requirements	Available to mainland Chinese investors	Available to other investors
A Share	People's Republic of China (PRC)	China	CNY		Yes	Yes under QFII/RQFII/ Stock Connect programs
B Share	People's Republic of China (PRC)	China	USD (Shanghai) HKD (Shenzhen)	None as they are specific share classes issued by the company	Yes (if they have appropriate currency accounts)	Yes
H Share	People's Republic of China (PRC)	Hong Kong	HKD		Yes if QDII approved or under Stock Connect programs	Yes
Red Chip	Non-PRC	Hong Kong	HKD		See notes below	Yes if QDII approved or under Stock Connect programs
P Chip	Non-PRC	Hong Kong	HKD	Yes if QDII approved or under Stock Connect programs		Yes
S Chip	Non-PRC	Singapore	SGD	Yes if QDII approved		Yes
N Share	Non-PRC	United States	USD	Yes if QDII approved		Yes

A Share

A Shares are securities of Chinese incorporated companies that trade on either the Shanghai or Shenzhen stock exchanges. They are traded in Renminbi (Chinese Yuan). They can only be traded by residents of the

People's Republic of China or under the Qualified Foreign Institutional Investor (QFII), the Renminbi Qualified Foreign Institutional Investor (RQFII) rules, or via the Stock Connect programs.

B Share

B Shares are securities of Chinese incorporated companies that trade on either the Shanghai or Shenzhen stock exchanges. They are traded in US dollars on the Shanghai Stock Exchange and Hong Kong dollars on the Shenzhen Stock Exchange. They can be traded by non-residents of the People's Republic of China and also residents of the People's Republic of China with appropriate foreign currency dealing accounts.

H Share

H Shares are securities of companies incorporated in the People's Republic of China that trade on the Hong Kong Stock Exchange. They are traded in Hong Kong dollars. Like other securities trading on the Hong Kong Stock Exchange, there are no restrictions on who can trade H Shares.

Red Chip

A Red Chip is a company incorporated outside the People's Republic of China (PRC) that trades on the Hong Kong Stock Exchange and is substantially owned, directly or indirectly, by Mainland China state entities with the majority of its revenue or assets derived from Mainland China.

a) To be assessed as a Red Chip, a company must satisfy the following criteria:

- The company is incorporated outside the PRC; and
- The company is listed on the Hong Kong Stock Exchange; and
- Over 55 per cent of the revenue or assets of the company are derived from the PRC; and
- The company is controlled by Chinese state entities, i.e. the government, provinces or municipalities, through strategic holdings which, in aggregate, total more than 35 per cent.

b) An existing Red Chip which fails one or more of the following criteria will cease to be classified as a Red Chip:

- The company is no longer incorporated outside the PRC; or
- The company is no longer listed on the Hong Kong Stock Exchange; or
- The percentages of revenue and assets derived from the PRC have both fallen below 45 per cent; or
- The aggregate holding of Chinese state entities, i.e. the government, provinces or municipalities, through strategic holdings has fallen below 25 per cent.

P Chip

A P Chip is a company* controlled by Mainland Chinese companies or individuals, with the establishment and origin of the company in Mainland China. It must be incorporated outside the People's Republic of China (PRC) and traded on the Hong Kong Stock Exchange with a majority of its revenue or assets derived from Mainland China.

* Provided that the company does not satisfy FTSE Russell's Red Chip definition.

a) To be assessed as a P Chip, a company must satisfy the following criteria:

- The company is incorporated outside the PRC; and
- The company is listed on the Hong Kong Stock Exchange; and
- Over 55 per cent of the revenue or assets of the company are derived from the PRC; and

- The company is either controlled by mainland Chinese companies or individuals, or its establishment and origin are in Mainland China.
- b) An existing P Chip which fails one or more of the following criteria will cease to be classified as a P Chip:
- The company is no longer incorporated outside the PRC; or
 - The company is no longer listed on the Hong Kong Stock Exchange; or
 - The percentages of revenue and assets derived from the PRC have both fallen below 45 per cent; or
 - The company is acquired/a controlling stake is held by a non-mainland Chinese company or individual.
- c) In cases where the data could support an assignment as either a Red Chip or a P Chip, the company will be classified as a Red Chip.

S Chip

An S Chip is a company controlled by Mainland Chinese companies or individuals, with the establishment and origin of the company in mainland China. It must be incorporated outside the People's Republic of China (PRC) and traded on the Singapore Stock Exchange with a majority of its revenue or assets derived from Mainland China.

- a) To be assessed as an S Chip, a company must satisfy the following criteria:
- The company is incorporated outside the PRC; and
 - The company is listed on the Singapore Exchange; and
 - Over 55 per cent of the revenue or assets of the company are derived from the PRC; and
 - The company is either controlled by a Mainland Chinese state entity, company or individual, or its establishment and origin are in Mainland China.
- b) An existing S Chip which fails one or more of the following criteria will cease to be classified as a S Chip:
- The company is no longer incorporated outside the PRC; or
 - The company is no longer listed on the Singapore Exchange; or
 - The percentages of revenue and assets derived from the PRC have both fallen below 45 per cent; or
 - The company is acquired/a controlling stake is held by a non-Mainland Chinese state entity, company or individual.

N Share

N Shares are companies controlled by Mainland Chinese companies or individuals, with the establishment and origin of the company in Mainland China. It must be incorporated outside the People's Republic of China (PRC) and traded on the New York Stock Exchange, the NASDAQ exchange, or the NYSE American with a majority of its revenue or assets derived from Mainland China (only one year's revenue and asset data from the most recent annual report is considered. For the avoidance of doubt: this also applies to the Russell US Indexes – there will be no two year averaging of revenue and asset data for the purposes of evaluating whether a company should be designated an N share).

- a) To be assessed as an N Share, a company must satisfy the following criteria:
- The company is incorporated outside the PRC; and
 - The company is listed on the New York Stock Exchange, the NASDAQ exchange, or the NYSE American; and
 - Over 55 per cent of the revenue or assets of the company are derived from the PRC; and
 - The company is either controlled by a Mainland Chinese state entity, company or individual, or its establishment and origin are in Mainland China.

- b) An existing N Share which fails one or more of the following criteria will cease to be classified as an N share:
- The company is no longer incorporated outside the PRC; or
 - The company is no longer listed on the New York Stock Exchange, the NASDAQ exchange, or the NYSE American; or
 - The percentages of revenue and assets derived from the PRC have both fallen below 45 per cent; or
 - The company is acquired/a controlling stake is held by a non-Mainland Chinese state entity, company or individual.
- c) American Depositary Receipts (ADRs), where the underlying issue is listed, are ineligible for N Share classification. For example, an H Share with a depositary receipt listed on the New York Stock Exchange will not be classified as an N Share.

Further Information

For further information please visit www.ftserussell.com or e-mail info@ftserussell.com

Contact details can also be found on the website.

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