



Guide to Chinese Share Classes

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Companies incorporated in mainland China and listed in mainland China or Hong Kong can issue different classes of shares 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 that trade in different currencies, depending on where they are listed.

Chinese companies incorporated and listed outside mainland China 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; FTSE Russell's definitions for the types of Chinese securities in question are outlined below.

Within the FTSE indices, the eligibility of these share classes is reviewed annually in September. For the purposes of the annual Russell US index reconstitution in June, China share class designations will be evaluated based on information available up to the reconstitution rank date.

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

A Share

A Shares are securities of companies incorporated in mainland China that trade on either the Shanghai or Shenzhen stock exchanges and trade in Renminbi (Chinese Yuan). A Shares can only be traded by residents of the People's Republic of China (PRC), or via the Qualified Foreign Institutional Investor (QFII), the Renminbi Qualified Foreign Institutional Investor (RQFII) rules or Stock Connect programs.

B Share

B Shares are securities of companies incorporated in mainland China 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 (PRC) and also residents of the PRC with appropriate foreign currency dealing accounts.

H Share

H Shares are securities of companies incorporated in mainland 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 to who can trade H Shares.

Red Chip

A Red Chip is a company incorporated outside of mainland China that trades on the Hong Kong Stock Exchange. Red Chips derive the majority of revenue or assets from the PRC and are substantially owned, directly or indirectly, by mainland China state entities.

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

- The company is incorporated outside of mainland China; 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 actual controller of the company (if available) is a Chinese state entity; or
- The company is controlled by Chinese state entities, i.e. the government, provinces or municipalities, through strategic holdings which, in aggregate, total more than 30 per cent of its voting rights (when there is no actual controller reported).

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

- The company is no longer incorporated outside of mainland China; 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 actual controller of the company (if available) is not a Chinese state entity; and
- The aggregate holding of Chinese state entities, i.e. the government, provinces or municipalities, through strategic holdings is less than 25 per cent of its voting rights (when there is no actual controller reported).

[#] Please refer to the revenue and asset guidelines section for further information.

P Chip

A P Chip is a company* incorporated outside of mainland China that trades on the Hong Kong Stock Exchange and has its headquarters or establishment in mainland China with a majority of its revenue or assets derived from the PRC.

* 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 of mainland China; 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's establishment and origin demonstrate strong connections to the PRC by satisfying at least one of the criteria below:
 - The company headquarters or its establishment is in mainland China; or
 - The company whose headquarters is in Hong Kong, Macau, or Taiwan and derives more than 90 per cent of its revenue from the PRC
- b) An existing P Chip that fails one or more of the following criteria will cease to be classified as a P Chip:
- The company is no longer incorporated outside of mainland China; 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 headquarters is no longer in mainland China; or
 - The company whose headquarters is in Hong Kong, Macau or Taiwan and derives less than 80 per cent of its revenue deriving from the PRC; or
 - The company now meets the definition of a Red Chip (see above).
- c) In cases where the data could support an either a Red Chip or a P Chip assignment, the company will be classified as a Red Chip.

Please refer to the revenue and asset guidelines section for further information.

S Chip

An S Chip is a company incorporated outside mainland China that trades on the Singapore Stock Exchange and has its headquarters or establishment in mainland China, with the majority of its revenue or assets derived from the PRC.

- a) To be assessed as an S Chip, a company must satisfy the following criteria:
- The company is incorporated outside of mainland China; and
 - The company is listed on the Singapore Stock Exchange; and
 - Over 55 per cent of the revenue or assets# of the company are derived from the PRC; and
 - The company's establishment and origin demonstrate strong connections to the PRC by satisfying one of the criteria below:
 - The company headquarters or its establishment is in mainland China.
 - The company whose headquarters is in Hong Kong, Macau or Taiwan and derives more than 90 per cent of its revenue from the PRC.
- b) An existing S Chip that fails one or more of the following criteria will cease to be classified as an S Chip if:
- The company is no longer incorporated outside mainland China; or
 - The company is no longer listed on the Singapore Stock Exchange; or
 - The percentages of revenue and assets# derived from the PRC have both fallen below 45 per cent; or

- The company headquarters is no longer in mainland China; or
- The company whose headquarter is in Hong Kong, Macau, or Taiwan and derives less than 80 per cent of its revenue from the PRC.

Please refer to the revenue and asset guidelines section for further information.

N Share

An N Share is a company incorporated outside of mainland China that trades on the New York Stock Exchange, the NASDAQ Exchange or the NYSE American. An N Share will have its headquarters or establishment in mainland China, with the majority of its revenue or assets derived from the PRC (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 Indices – 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 of mainland China; 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's establishment and origin demonstrate strong connections to the PRC by satisfying one of the criteria below:
 - The company headquarters or its establishment is in mainland China; or
 - The company whose headquarters is in Hong Kong, Macau or Taiwan and derives more than 90 per cent of its revenue from the PRC.

b) An existing N Share which fails one or more of the following criteria will cease to be classified as an N share if:

- The company is no longer incorporated outside mainland China; 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 headquarters is no longer in mainland China; or
- The company whose headquarters is in Hong Kong, Macau, or Taiwan and has derives less than 80 per cent of its revenue from the PRC

Please refer to the revenue and asset guidelines section for further information.

Revenue and Asset Guidelines

The revenue and asset screens used when determining Red Chips, P Chips, S Chips and N Shares also incorporate and apply the following guidelines:

- Revenue is defined as 'sales and other operating revenues prior to other income or cash items';
- Assets are defined as 'non-current (long lived) assets'. All other assets are discounted from the evaluation;
- Revenue and asset data are taken from the most recent company filings prior to the annual share classes review in September. The data cut-off date for the revenue/asset data used in the annual review is the last business day in June;

- For the purposes of the annual Russell US index reconstitution, revenue and asset data available up to the reconstitution rank date will be taken into account when evaluating whether a company should be considered an N share for the purposes of evaluating potential Russell US index inclusion.
- Geographic breakdowns of revenues and assets will supersede any written statements, but where breakdowns are not available:
 - Statements and language such as “all or virtually all of the company’s revenues reside in PRC” or “all or virtually all of the assets are derived within PRC”, will be viewed as definitive statements and pass the revenue and asset screens.
 - Statements and language such as “majority of the company’s revenues reside in PRC” will be viewed as non-definitive statements as FTSE Russell cannot confirm that a company’s revenues or assets would have passed the relevant thresholds.
- A China share class company that had previously passed the revenue and asset screens but whose filings no longer provide geographic breakdowns will continue to meet the relevant thresholds unless there is clear disclosure confirming that the required thresholds are no longer achieved.

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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