

FTSE VALUE-STOCKS CHINA INDEX

The FTSE Value-Stocks China Index offers investors an exciting new opportunity to access quality value stocks in the China market through a unique, transparent, and rules-based value strategy. This value-based equity index combines FTSE’s globally recognised index expertise with Value Partners’ proven track record in disciplined value investing. The value-based methodology is designed by Value Partners Index Services Limited and the index is calculated and maintained by FTSE Group, capturing the performance of 25 quality value stocks amongst liquid and tradable Chinese companies listed on the Stock Exchange of Hong Kong (SEHK) including:

H Shares - “H” Shares are securities of companies incorporated in the People’s Republic of China (“PRC”) and nominated by the PRC Central Government for listing and trading on the SEHK.

“Red chips” - Red chip companies are incorporated outside of the PRC that trade on the SEHK. A Red chip is a company that has at least 30 per cent of its shares in aggregate held directly or indirectly by mainland Chinese entities, and at least 50 per cent of their sales revenue or operating assets derived from mainland China.

“P chips” - “P” chip companies are defined as companies that trade on the SEHK with at least 50 per cent of their sales revenue or operating assets derived from mainland China.

FTSE VALUE-STOCKS CHINA INDEX SCREENING METHODOLOGY



FTSE VALUE-STOCKS CHINA INDEX FIVE-YEAR PERFORMANCE (HKD TOTAL RETURN)



Source: FTSE Group, data as at 29 October 2010

FEATURES

- Identifies quality and overlooked China value stocks listed in the Hong Kong market
- Avoid value traps – focuses on quality so that highly leveraged and thin profit companies are avoided
- Contrarian – excludes stocks with consensus analyst “buy” calls which have notoriously lagged behind market movements
- Stock attributes are not substitutable. For example, stocks with low P/E but with poor return on equity and low dividend yield are not preferable to real value investors. This unique value screening methodology requires index constituents to pass all factor criteria
- Stocks are capped at 15% to avoid overconcentration in any one stock
- The index is designed for the basis of ETFs and other derivatives
- Capital and Total Return Indices are available
- The index is calculated in accordance with the Industry Classification Benchmark (ICB), a global standard developed in partnership between FTSE Group and Dow Jones Indexes
- Stocks are free-float weighted to ensure that only the investable opportunity set is included within the indices
- Stocks are liquidity screened to ensure that the indices are tradable
- Regular index reviews are conducted to ensure that a continuous and accurate representation of the market is maintained

FTSE VALUE-STOCKS CHINA INDEX PERFORMANCE AND VOLATILITY TABLE (HKD TOTAL RETURN)

	PERFORMANCE								VOLATILITY *		
	3M (%)	6M (%)	YTD (%)	12M (%)	3YR (%)	5YR (%)	3YR (%pa)	5YR (%pa)	1YR Vol (%pa)	3YR Vol (%pa)	5YR Vol (%pa)
FTSE Value-Stocks China Index	12.1	12.6	12.9	16.3	-10.7	285.0	-3.7	30.9	22.8	45.0	39.0
FTSE China 25 Index	9.3	9.1	6.5	6.7	-31.3	162.5	-11.8	21.3	23.3	44.5	38.1

* Based on annualised daily total returns.

Source: FTSE Group, data as at 29 October 2010

FTSE VALUE-STOCKS CHINA INDEX TOP 10 CONSTITUENTS

Rank	Constituent Name	ICB Supersector	Net Mkt Cap (HKDm)*	Index Weight (%)
1	CNOOC (Red Chip)	Oil & Gas	286,955	15.99
2	Bank of China (H)	Banks	264,550	14.32
3	Petrochina (H)	Oil & Gas	199,596	13.98
4	China Mobile (Red Chip)	Telecommunications	474,159	12.86
5	China Petroleum & Chemical (H)	Oil & Gas	122,665	9.80
6	Bank of Communications (H)	Banks	67,398	5.39
7	China Citic Bank (H)	Banks	52,367	4.18
8	Dongfeng Motor Group (H)	Automobiles & Parts	43,425	3.47
9	China Communications Construction (H)	Construction & Materials	32,956	2.63
10	Jiangxi Copper (H)	Basic Resources	29,970	2.39
	Totals		1,574,040	85.02

* free-float adjusted market cap before 15% capping
Source: FTSE Group, data as at 29 October 2010

FTSE VALUE-STOCKS CHINA INDEX SUPERSECTOR BREAKDOWN

ICB Code	ICB Supersector	No. of Constituents	Net Mkt Cap (HKDm)*	Index Weight (%)
0500	Oil & Gas	3	609,216	39.77
8300	Banks	3	384,315	23.89
6500	Telecommunications	1	474,159	12.86
3300	Automobiles & Parts	3	65,724	5.25
8600	Real Estate	6	60,203	4.81
2700	Industrial Goods & Services	3	45,366	3.62
2300	Construction & Materials	1	32,956	2.63
1300	Chemicals	2	30,608	2.45
1700	Basic Resources	1	29,970	2.39
3500	Food & Beverage	1	21,135	1.69
9500	Technology	1	7,826	0.63
	Totals	25	1,761,477	100.00

* free-float adjusted market cap before 15% capping
Source: FTSE Group, data as at 29 October 2010

FTSE VALUE-STOCKS CHINA INDEX PORTFOLIO CHARACTERISTICS

	FTSE Value-Stocks China Index	FTSE China 25 Index
Number of Constituents	25	25
Net Market Cap (HKDm)*	1,761,477	3,487,700
Dividend Yield (%)	2.82	2.25
Constituent Sizes (HKDm)*		
Average	70,459	139,508
Largest	474,159	498,136
Smallest	6,077	23,329
Median	19,089	67,398
Weight of Largest Constituent (%)	15.99	9.80
Top 10 Constituents (%)	85.02	60.51

* free-float adjusted market cap before capping
Source: FTSE Group, data as at 29 October 2010

INFORMATION
Index Universe

FTSE Global All Cap Index

Index Launch

8 July 2009

Base Date

29 October 2004

Base Value

1000

Investability Screen

Free float adjusted and liquidity screened

Index Calculation

Real-time and end-of-day indices available.

Real-time Index calculated every 15 seconds

End-of-Day Distribution

Indices available at 20:00 China local time (12:00 hours London time GMT or 13:00 hours BST) via FTP and email

Currency

HKD

Review Dates

Semi-annually in May and November

Index Rules

Available at www.ftse.com/valuechina

Vendor Codes

Bloomberg: GPVP002

Reuters: .FTGPVP002

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