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# FTSE China A Index Series

v3.0

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## Section 1

# Introduction

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### 1.0 Introduction

1.1 This document sets out the Ground Rules for the construction and management of the FTSE China A Index Series. Copies of the Ground Rules are available from FTSE (see Appendix E) and [www.ftserussell.com](http://www.ftserussell.com).

1.2 The FTSE China A Index Series is designed to represent the performance of 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 Index Series includes the following indices:

#### 1.2.1 FTSE China A All-Share Index

This index will comprise of all companies within the top 98% of the eligible universe when ranked by full market capitalisation that meet the stated eligibility requirements.

#### 1.2.2 FTSE China A50 Index

This index comprises the 50 largest companies by full market capitalisation of the FTSE China A All-Share Index, and is a subset of the FTSE China A 200 Index.

#### 1.2.3 FTSE China A 200 Index

This index comprises the 200 largest companies by full market capitalisation of the FTSE China A All-Share Index.

#### 1.2.4 FTSE China A 400 Index

This index comprises the next 400 largest companies by full market capitalisation.

#### 1.2.5 FTSE China A 600 Index

This index combines the constituents of the FTSE China A 200 Index and FTSE China A 400 Index.

#### 1.2.6 FTSE China A Small Cap Index

This index will comprise of the companies within the top 98% of the eligible universe when ranked by full market capitalisation that meet the stated eligibility requirements, but excluding the companies in the FTSE China A 200 Index and FTSE China A 400 Index.

#### 1.2.7 FTSE China A Sector Indices

The FTSE China A Sector Indices are calculated on the FTSE China A 200 Index and FTSE China A 600 Index and are based on the Industry Classification Benchmark.

### 1.2.8 **FTSE China A High Yield 150 Index**

This index comprises the top 150 constituents of the FTSE China A 600 Index when ranked by dividend yield.

### 1.3 **FTSE Russell**

FTSE Russell is a trading name of FTSE International Limited (FTSE), Frank Russell Company (Russell), FTSE TMX Global Debt Capital Markets Inc. and FTSE TMX Global Debt Capital Markets Limited (together, "FTSE TMX") and MTSNext Limited. FTSE, Russell and FTSE TMX are each benchmark administrators of indexes. References to FTSE Russell should be interpreted as a reference to the relevant benchmark administrator for the relevant index.

### 1.4 **Statement of Principles for FTSE Russell market capitalisation weighted equity indexes (the Statement of Principles)**

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 FTSE Russell's Governance Board.

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

[Statement\\_of\\_Principles.pdf](#)

1.5 FTSE Russell considers that the FTSE China Index Series meets the IOSCO Principles for Financial Benchmarks as published in July 2013.

1.6 FTSE Russell hereby notifies users of the index series that it is possible that circumstances, including external events 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 should be able to withstand, or otherwise address the possibility of changes to, or cessation of, the index series.

1.7 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 members of the FTSE Russell Policy Advisory Board or FTSE Russell Asia Pacific Regional Advisory Committee (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

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## 2.0 Management Responsibilities

### 2.1 FTSE International Limited (FTSE)

2.1.1 FTSE is the Benchmark Administrator as defined by the IOSCO Principles for Financial Benchmarks published in July 2013.

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;
- publicise changes to the constituent weightings resulting from their ongoing maintenance and the periodic reviews;
- disseminate the indexes.

### 2.2 Recalculations

2.2.1 The FTSE China A Index Series are recalculated whenever errors or distortions occur that are deemed to be significant. Users of the FTSE China A 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](mailto:info@ftserussell.com).

[FTSE Russell Index Recalculation Policy and Guidelines.pdf](#)

### 2.3 Status of these Ground Rules

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

### 2.4 Amendments to these Ground Rules

2.4.1 These Ground Rules shall be subject to regular review (at least once a year) by FTSE Russell to ensure that they continue to meet the current and future requirements of investors and other index users. 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 Governance Board before approval is granted.

2.4.2 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 Rules should subsequently be updated to provide greater clarity.

## 2.5 **Queries, Complaints and Appeals**

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 Indices 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:

[Queries and Complaints Policy.pdf](#)

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

[Appeals Against Decisions.pdf](#)



## Section 3

# Eligible Securities

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### 3.0 Eligible Securities

- 3.1 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 3.2 to 3.9 (see also Appendix A & Appendix B).
- 3.2 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 3.4.1.
- 3.3 FTSE Russell calculates free float from the perspective of a portfolio shareholder. This allows FTSE Russell indices to take into account the true opportunity set available to an investor.
- 3.3.1 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:

Total A Shares = Tradable A Shares + Non-Tradable A Shares + Non-negotiable Shares\*

\* if applicable

- 3.4 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.

- 3.4.1 Further details on free float restrictions can be accessed using the following link:

[Free Float Restrictions.pdf](#)

- 3.4.2 Initial Weighting

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

Prior to June 2017, free float is rounded up to the next highest whole percentage number.

#### A. Quarterly Updates

##### June Updates

In June, a constituent's free float will be updated regardless of size. No buffers are applied.

##### March, September and December Updates

At the March, September and December quarterly updates, a constituent with a free float greater than 15% will have its free float updated if it moves by more than 3 percentage points

above or below the existing free float. For example, Company A on a free float of 30% would trigger a change if its free float moved to above 33% or below 27%.

A constituent with a free float of 15% or below will be subject to a 1 percentage point threshold. For example, Company B on a free float of 8% would trigger a change if its free float moved to above 9% or below 7%.

Quarterly updates to free float will be applied after the close of business on the third Friday of March, June, September and December. The data cut-off for these quarterly changes will be the close of business on the third Wednesday of the month prior to the review month.

## B. Updates Arising from Corporate Events

Free float changes resulting from corporate events will not be subject to the buffers as detailed above and will be implemented in line with the event. Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide.

### 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

3.4.3 The table above shows the free float structure of a company, in particular the restricted shareholders, as highlighted in Rule 3.4.1. 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).

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

The following table outlines the treatment of companies that have a free float of 15% or less :

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 3.4.4.C.

- A company that has an free float of greater than 3% but equal or less than 15% will be eligible for index inclusion providing that its full market capitalisation is greater than CNY 17 billion.
- A constituent company that has an free float of greater than 3% but equal or less than 15% will remain in the index if its full market capitalisation is greater than CNY 10 billion.
- Constituent companies that have an free float of less than 3% will be deleted from the index series unless FTSE Russell decides to make an exception to the index rules. If FTSE Russell 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. The investability factor of these constituents is set to their 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
<b>Free float</b>	<b>5.64</b>

The table above shows the free float structure of a company, in particular the restricted shareholders, as highlighted in Rule 3.4.1. 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 3.4.4.A and 3.4.4.D).

3.4.5 Treatment of companies with foreign headroom less than 10%

FTSE Russell defines "foreign headroom" as the percentage of shares available to foreign investors as a proportion of the underlying investability weight to foreign investors.

- A. Where the headroom of an existing constituent falls below 10%, its investability weight will be equal to the lesser of the foreign ownership limit and the free float. The adjustment will be carried out in four steps, i.e. the next four consecutive quarterly reviews, in equal proportion. The reduction will not be reversed in the case that the foreign headroom rises above 10% eventually.

If the free float decreases to a level lower than the investability weight during the transition period, the free float change will be reflected in the next review. If the free float increases during the transition period, the investability weight will be kept at its existing level.

- B. Where the foreign headroom of the existing constituent falls below 10% at or after the fourth review, its investability weight will be reduced by 10% at the same quarterly review. The investability weight will continue to be reduced at subsequent quarterly reviews in increments of 10% until the headroom level increases above 10%. Should the investability weight fall to 15% or below under this process the company will be subject to treatment highlighted in Rule 3.4.4.
- C. The investability weight of an existing constituent which has been subject to headroom adjustments will have its most recent 10% adjustment reversed at quarterly reviews subject to the condition that either the company's foreign ownership is no longer flagged by the stock exchanges or when the headroom remaining rises to above 20.00%. The adjustment will continue until its investability weight reaches the investability weight for foreign investors.
- D. Foreign headroom will be reviewed on a quarterly basis coinciding with the regular index reviews.

- 3.5 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).

- 3.6 Convertible preference shares and loan stocks are excluded until converted.
- 3.7 Companies whose business is that of holding equity and other investments (i.e. Investment Trusts) which are assumed by the Industry Classification Benchmark as Subsector equity investment instruments (8985) and Non-equity investment instruments which are assumed by the Industry Classification Benchmark as Subsector non-equity investment instruments (8995) will not be eligible for inclusion. For further details on the Industry Classification Benchmark (ICB), please visit the FTSE Russell website.
- 3.8 Securities designated “Special Treatment (ST or \*ST)” are not eligible for inclusion in the index. If a constituent is designated as ‘Special Treatment’ by the exchange, it will normally be deleted from the index in line with the next quarterly review and it will only be reconsidered for index inclusion after a period of 12 months from its deletion subject to it no longer being under surveillance. For the purposes of the index eligibility it will be treated as a new issue.

Securities that are assigned to the above segments after the review announcement date but before the 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.

- 3.9 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 will be included in the FTSE China A Index Series. FTSE Russell will determine which companies are included on an annual basis at its meeting held in March. The largest eligible companies ranked by full market capitalisation, i.e. before the application of any investability weightings, comprising 98% of all companies will be eligible for inclusion in the FTSE China A All-Share Index.
  - c) Liquidity - Each security will be tested for liquidity on an annual basis in March by calculation of its 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.

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. 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 Series.

- B. 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 Series.
  - C. 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\*. This rule will not apply to new issues added under the Fast Entry Rule (see Rule 6.2).
  - D. \*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 All-Share Index at a quarterly review will have their liquidity assessed on a pro-rata basis.
  - f) New issues, which do not qualify as early entrants as defined under Rule 6.3 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 3.9.c). The inclusion of early entries as defined under Rule 6.2 will not require a minimum trading record.



## Section 4

# Indices Algorithm and Calculation Method

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### 4.0 Indices Algorithm and Calculation Method

#### 4.1 Prices

4.1.1 The FTSE China A Index Series uses actual trade prices for securities with local stock exchange quotations. The foreign exchange rates received from Reuters at the closing time of the Indices (see Appendix B & Appendix C) are used to calculate the end of day index values in Renminbi (Chinese Yuan), Hong Kong dollars and US dollars.

4.1.2 The FTSE China A Index Series receives share prices in real time.

#### 4.2 Dividend Treatment

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

4.2.2 Total Return Indices are published at the end of each working day.

#### 4.3 Algorithm

4.3.1 The indices are calculated using the algorithm described below.

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

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.

- 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.



## Section 5

# Periodic Review of Constituents

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### 5.0 Periodic Review of Constituents

#### 5.1 Review Dates

- 5.1.1 The quarterly review of the FTSE China A50 Index, the FTSE China A 200 Index, the FTSE China A 400 Index and the FTSE China A 600 Index constituents takes place in March, June, September 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 March, June, September and December.
- 5.1.2 The annual review of the FTSE China A Small Cap Index, the FTSE China A All-Share Index, and FTSE China A High Yield Index constituents takes place in March. The constituents will be reviewed using data from the close of business on the Monday following the third Friday in February. 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 March.
- 5.1.3 Quarterly changes are published after the close of business on the Wednesday before the first Friday of March, June, September and December to give users of the index sufficient notification of the changes before their implementation.

#### 5.2 Rules for Addition and Deletion at the Quarterly and Annual Review

- 5.2.1 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 Index Series while ensuring that the Index continues to be representative of the market by including or excluding those companies which have risen or fallen significantly.
- 5.2.2 In determining the full market capitalisation of a company, all share classes are included, while only the eligible share classes are included in the index weighting. Please see Appendix A for the share class description.
- 5.2.3 A security will be inserted at the periodic review if it rises above the position stated below for the relevant index when the eligible securities for each FTSE China A Index are ranked by capitalisation.

FTSE China A50	-	Risen to 40th or above
FTSE China A 200	-	Risen to 160th or above
FTSE China A 400	-	Risen to 520th or above

5.2.4 A security will be deleted at the periodic review if it falls below the position stated below for the relevant index when the eligible securities for each FTSE China A Index are ranked by market capitalisation.

FTSE China A50	-	Fallen to 61st or below
FTSE China A 200	-	Fallen to 241st or below
FTSE China A 400	-	Fallen to 681st or below

5.2.5 Companies deleted from the FTSE China A 200 Index at the periodic review will normally be included in the FTSE China A 400 Index. Companies added to the FTSE China A 200 Index at the periodic review will be deleted from the FTSE China A 400 Index or the FTSE China A Small Cap Index.

5.2.6 Companies deleted from the FTSE China A 400 Index at the periodic review will normally be included in the FTSE China A Small Cap Index. Companies added to the FTSE China A 400 Index at the periodic review will normally be deleted from the FTSE China A Small Cap Index.

5.2.7 Changes made to the FTSE China A 200 Index and the FTSE China A 400 Index at the periodic review will be made automatically to the FTSE China A 600 Index.

5.2.8 A constant number of constituents will be maintained for the FTSE China A50 Index, the FTSE China A 200 Index, the FTSE China A 400 Index and the FTSE China A 600 Index. Where a greater number of companies qualify to be inserted in an index than those qualifying to be deleted (see Rules 5.2.3 and 5.2.4), the lowest ranking constituents presently included in the index will be deleted to ensure that an equal number of companies are inserted and deleted at the periodic review. Likewise, where a greater number of companies qualify to be deleted than those qualifying to be inserted (see Rules 5.2.3 and 5.2.4), the securities of the highest ranking companies which are presently not included in the index will be inserted to match the number of companies being deleted at the periodic review.

5.2.9 A constant number of constituents will not be maintained for the FTSE China A Small Cap Index and the FTSE China A All-Share Index. A full quarterly review will not be held for the FTSE China A Small Cap Index and the FTSE China A All-Share Index.

At the time of annual review, an existing constituent of the FTSE China A All-Share Index with a full market capitalisation ranked below 99% of eligible universe will be deleted from the index. A non-constituent of the FTSE China A All-Share Index whose full market capitalisation ranks above 97% of the eligible universe will be added into the index.

The exact size of the FTSE China A All-Share Index will be determined by FTSE Russell (see Rule 3.9.b)) annually in March and will become effective on the next trading day after the third Friday of the same month. Stocks which are deleted from FTSE China A Small Cap Index due to suspension, takeover, etc. (see Section 6.0) will not be replaced, nor will a constituent of these indices be removed to accommodate new issues or new companies arising from restructuring of constituents, etc.

5.2.10 Where a company is deleted after the periodic changes to the index have been announced but before the periodic changes have been implemented, the highest ranking company from the new Reserve List (see Rule 5.3), excluding current index constituents, will replace the deleted company.

5.2.11 FTSE China A High Yield 150 Index Review process is as follows,

A. At the review, all the constituents of the FTSE China A 600 Index with a dividend yield above 0 are ranked by the dividend yield in descending order.

- B. Only stocks with a 3 year continuous dividend payment record will be selected at the review.
- C. The selected stocks are tested for liquidity. A CNY 1 billion portfolio is used, each stock is allocated according to its weighting. The daily average traded market value of each stock in the past 12 months is collated. Only stocks that trade their investable index weight in less than one day are considered to have passed the liquidity test.
- D. Following the above tests, the resulting list of eligible stocks are considered for inclusion in the index. Current constituents that are on the list will remain in the index. Current constituents that are not on the list will be deleted. Then, the highest ranking non constituents on the list will be selected until the index is rebalanced to 150 constituents.

### 5.3 Reserve Lists

- 5.3.1 FTSE Russell is responsible for publishing the five highest ranking securities that are not constituents of the FTSE China A50 Index, ten highest ranking securities that are not constituents of the FTSE China A 200 Index and fifteen highest ranking securities that are not constituents of the FTSE China A 400 Index at the time of each quarterly review. These Reserve Lists will be used in the event that one or more constituents is deleted from the FTSE China A50 Index, the FTSE China A 200 Index or the FTSE China A 400 Index during the period up to the next quarterly review. Companies on the Reserve Lists will be constituents of the FTSE China A All-Share Index.
- 5.3.2 In the event that only 2 Reserve List stocks remain available for the FTSE China A50 Index, 5 Reserve List stocks remain available for the FTSE China A 200 Index or only 7 Reserve List stocks remain available for the FTSE China A 400 Index, FTSE Russell will publish an additional 3, 5 or 8 Reserve List stocks for each index respectively. The companies will be selected using the rankings determined at the previous quarterly review, but will be re-ranked using prices two days prior to the deletion of a constituent002E





## Section 6

# Changes to Constituent Companies

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### 6.0 Changes to Constituent Companies

#### 6.1 Removal and Replacement

- 6.1.1 If a constituent ceases to be an eligible constituent of the FTSE China A Index Series, is delisted, or ceases to have a firm quotation, or is subject to a takeover or has ceased to be a viable constituent as defined by the Ground Rules, it will be removed from the list of constituents and, in the case of the FTSE China A50 Index, the FTSE China A 200 Index and the FTSE China A 400 Index, be replaced by the highest ranking company by full market capitalisation eligible in the appropriate Reserve List (see Rule 5.3) as at the close of the index calculation two days prior to the deletion.
- 6.1.2 Where the company to be removed is a constituent of the FTSE China A50 Index, the replacement company will be the highest ranking company on the FTSE China A50 Index Reserve List. In the case of a constituent removed from the FTSE China A 200 Index, the replacement company will be the highest ranking company on the FTSE China A 200 Index Reserve List, and a constituent removed from the FTSE China A 400 Index will be replaced by the highest ranking company on the FTSE China A 400 Index Reserve List. A company removed from the FTSE China A Small Cap Index will not be replaced.
- 6.1.3 Changes made to the FTSE China A 200 Index and FTSE China A 400 Index will be made automatically to the FTSE China A 600 Index. Changes to the FTSE China A 600 Index and the FTSE China A Small Cap Index will be made automatically to the FTSE China A All-Share Index.
- 6.1.4 The removal and replacement are effected simultaneously, before the start of the index calculation on the day following the day on which the event justifying removal was announced. Announcements made after the close of the index calculation are normally deemed to be made on the following business day.
- 6.1.5 A company deleted following a takeover, with a remaining free float of 15% or less, will not be reconsidered for index inclusion until completion of a 6 months trading record.

#### 6.2 New Issues

- 6.2.1 Where a company, whether an existing constituent or not, undertakes an Initial Public Offering of a new equity security, that security will be eligible for fast entry inclusion if its full market capitalisation amounts to 0.5% or more of the full capitalisation of the FTSE China A All-Share Index, before the application of individual constituent investability weightings. It will be included as a constituent of the FTSE China A50 Index and therefore the FTSE China A 200 Index, the FTSE China A 600 Index and the FTSE China A All-Share Index. The addition of a new security to the indexes will be

implemented after the close of business on the fifth day of trading. In the event of the fifth day of trading being in close proximity to an index review, FTSE Russell may use its discretion to include a fast entrant at the index review date following advance notice. The security which is the lowest ranking constituent of the indices in the FTSE China A50 Index, the FTSE China A 200 Index, and the FTSE China A 400 Index will be selected for removal and related indices adjusted in accordance with Rules 6.1.2 and 6.1.3.

- 6.2.2 Newly issued securities which do not qualify for early entry under Rule 6.2.1 but which meet the criteria for eligible securities set out in Section 3.0 will be eligible for inclusion in the next quarterly review if large enough to become constituents either of the FTSE China A50 Index, the FTSE China A 200 Index or the FTSE China A 400 Index.

Newly issued securities of smaller companies will also be eligible for inclusion in the FTSE China A Small Cap Index, but only if their full market capitalisations represent 0.15% or more of the full capitalisation of that Index (before the application of individual constituent investability weightings), as at the quarterly Review Date, subject to compliance with Section 3.0. New issues of smaller companies which represent less than 0.15% of the full capitalisation of the FTSE China A Small Cap Index will be eligible for inclusion in the indices at the next Annual Review subject to the securities meeting the eligibility criteria set out in Section 3.0.

- 6.2.3 A China “B” share company that for the first time issues “A” shares onto the Shanghai or Shenzhen Stock Exchange will, for the FTSE China A Index Series, be considered a new issue and will be eligible for entry into the FTSE China A Index Series under Rule 6.2.1.
- 6.2.4 If FTSE Russell decides to include a new issue as a constituent security other than as part of the normal periodic review procedure, this decision must be publicly announced at the earliest practicable time.

## Section 7

# Changes to Constituent Weightings

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### 7.0 Changes to Constituent Weightings

#### 7.1 Changes in Free Float

The FTSE China A 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

# Corporate Actions and Events

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### 8.0 Corporate Actions and Events

8.1 Full details of changes to constituent companies due to corporate actions and events can be accessed in the Corporate Actions and Events Guide using the following link:

[http://www.ftse.com/products/downloads/Corporate\\_Actions\\_and\\_Events\\_Guide.pdf](http://www.ftse.com/products/downloads/Corporate_Actions_and_Events_Guide.pdf)

A Corporate 'Action' is an action on shareholders with a prescribed ex date. The share price will be subject to an adjustment on the ex date. These include the following:

- Capital Repayments
- Rights Issues/Entitlement Offers
- Stock Conversion
- Splits (sub-division) / Reverse splits (consolidation)
- Scrip issues (Capitalisation or Bonus Issue)

A Corporate 'Event' is a reaction to company news (event) that may impact the index depending on the index rules. For example, a company announces a strategic shareholder is offering to sell their shares (secondary share offer) – this could result in a free float weighting change in the index. Where an index adjustment is required FTSE will provide notice advising of the timing of the change.

### 8.2 Shares in Issue

Changes to the number of shares in issue for constituent securities are covered in the Corporate Actions and Events Guide.

### 8.3 Mergers, Restructuring and Complex Takeovers

8.3.1 If the effect of a merger or takeover is that one constituent in the FTSE China A50 Index, the FTSE China A 200 Index or the FTSE China A 400 Index is absorbed by another constituent, the resulting company will remain a constituent of the appropriate index, and a vacancy will be created. This vacancy will be filled by selecting the highest ranking security in the appropriate Reserve List (see Rule 5.3) as at the close of the index calculation two days prior to the deletion and related indices adjusted in accordance with Rules 6.1.2 and 6.1.3.

8.3.2 If a constituent company in the FTSE China A50 Index, the FTSE China A 200 Index or the FTSE China A 400 Index is taken over by a non-constituent company, the original constituent will be removed and replaced by the company resulting from the takeover if eligible. If not eligible, the replacement will be selected according to Rule 6.2.1.

- 8.3.3 If a constituent company is split so as to form two or more companies, then the resulting companies will be eligible for inclusion as index constituents in the appropriate FTSE China A Indices based on their respective full market capitalisations i.e. before the application of any investability weightings and if they qualify in all other respects, e.g. a FTSE China A50 Index constituent split into two companies may result in one or both of these companies remaining in the FTSE China A50 Index. The smallest FTSE China A50 Index constituent will be removed from the FTSE China A50 Index, but will remain in the FTSE China A 200 Index, providing it ranks higher than the lowest ranking constituent of the FTSE China A 200 Index. If a FTSE China A 200 constituent splits into two companies this may result in one or both of these companies remaining in the FTSE China A 200 Index. Where both of these companies remain in the FTSE China A 200 Index, the smallest FTSE China A 200 Index constituent will become a constituent of the FTSE China A 400 Index and the lowest ranking constituent in the FTSE China A 400 Index will, in turn, become a constituent of the FTSE China A Small Cap Index. Companies resulting from a split that are smaller than the lowest ranking FTSE China A 400 Index constituent, will become a constituent of the FTSE China A Small Cap Index if their respective full market capitalisations are equal or greater than 0.1% of the full market value of the FTSE China A Small Cap Index i.e. before the application of any investability weightings.
- 8.3.4 Index constituent changes resulting from the split will be determined based on market values at close on day one of trading and applied using market values at close on day two of trading, following the split becoming effective. Consequently the FTSE China A50 Index, the FTSE China A 200 Index and the FTSE China A 400 Index may have more than 50, 200 or 400 companies (respectively) for 2 days.
- 8.4 **Suspended Companies**
- 8.4.1 Suspension of dealing rules can be found within the Corporate Actions and Events Guide.
- 8.4.2 Where the company to be removed is a constituent of the FTSE China A50 Index, the replacement company will be the highest ranking company on the FTSE China A50 Index Reserve List. In the case of a constituent removed from the FTSE China A 200 Index, the replacement company will be the highest ranking company on the FTSE China A 200 Index Reserve List, and a constituent removed from the FTSE China A 400 Index will be replaced by the highest ranking company on the FTSE China A 400 Index Reserve List. A company removed from the FTSE China A Small Cap Index will not be replaced.
- 8.5 **Constituent Changes to the FTSE China A High Yield 150 Index**
- 8.5.1 When a constituent in the FTSE China A High Yield 150 Index is deleted due to corporate events, or as a result of the FTSE China A 600 Index quarterly review, the constituent will not be replaced by another stock. This means the index may not always have 150 constituents. The index will be rebalanced to 150 constituents at the annual review in March.



## Section 9

# Industry Classification Benchmark System

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### 9.0 Industry Classification Benchmark System

#### 9.1 Industry Classification Structure

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

#### 9.2 Industry Classification Changes

- 9.2.1 Changes to the classification of a company within the FTSE China A Index Series are determined by the Industry Classification Benchmark Advisory Committee.
- 9.2.2 Where a significant change takes place in a company's structure as a result of a corporate event (such as a merger or demerger), its ICB classification may be reassessed.
- 9.2.3 Adjustments resulting from a change in a company's industry classification under Rule 9.2.2 are implemented simultaneously any relevant constituent changes are implemented in the Index.
- 9.2.4 Periodic changes to the industry classification will be effective on the Monday after the third Friday of March, June, September and December. The cut-off date for the receipt of data or other justification relating to any such change is the second Friday of February, May, August and November.

Further details can be found in the Industry Classification Benchmark Ground Rules: [ICB\\_Rules.pdf](#)



## Appendix A: Markets & Stock Exchanges

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- 1.0 The FTSE China A 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](#)
- 2.2 The definitions these share classes are reviewed annually in March effective on the same day as the Global Equity Index Series.



## Appendix B: Eligible Markets, Exchanges & Exchange Rates

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Markets eligible for the FTSE China A Index Series and sources of trading volume data used in accordance with Rule 3.9(c):

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

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### Foreign Exchange Rates

The FTSE China A Index Series is calculated in Renminbi (Chinese Yuan) for real time calculations, and is calculated in Renminbi (Chinese Yuan), Hong Kong dollars and US dollars for end of day index values.

The foreign exchange rates received from Reuters at the closing time of the Index (15:00, local time – see Appendix C) are used to calculate the final Index levels and are termed the “closing FTSE China A Index Series foreign exchange rates”.





## Appendix C: Index & Market Opening and Closing Hours

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Index	Open	Close
FTSE China A50 Index	09:30	15:00
FTSE China A 200 Index	09:30	15:00
FTSE China A 200 Sector Indices	09:30	15:00
FTSE China A 400 Index	09:30	15:00
FTSE China A 600 Index	09:30	15:00
FTSE China A 600 Sector Indices	09:30	15:00
FTSE China A Small Cap Index	09:30	15:00
FTSE China A All-Share Index	09:30	15:00
FTSE China A High Yield 150 Index	09:30	15:00
Stock Market Trading Times:		
Shanghai	09:30 13:00	11:30 15:00
Shenzhen	09:30 13:00	11:30 15:00

All times are Local China Time

The FTSE China A Index Series is calculated on public holidays whenever at least one exchange is trading. The Indices will not be calculated on 1 January.



## Appendix D: Status of Indexes

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The FTSE China A Index Series is calculated in real time. The FTSE China A50 Index is published on an intra-second streaming basis. The remaining FTSE China A Indices, except the FTSE China A High Yield 150 Index that is calculated and published at the end of each working day, are published every minute. The indices may exist in the following states:

A) **Firm**

The indices are being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period (see Appendix C).

The Official Closing Indices for the FTSE China A Index Series are the last index values calculated at the end of the firm period.

B) **Closed**

When the index has ceased all calculations for the day, the message '**CLOSED**' is displayed against the index value.

C) **Held**

During the firm period, an index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message '**HELD**' is displayed against the last index value calculated.

D) **Indicative**

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when an index is being calculated, the index will be declared indicative. The message '**IND**' will be displayed against the index value.

The official opening and closing hours of the FTSE China A Index Series are set out in Appendix C. Variations to the official hours of the indices are published by FTSE Russell as appropriate.

The FTSE China A Index Series are calculated on public holidays whenever at least one exchange is trading. The Indices will not be calculated on 1 January.



## Appendix E: Further Information

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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 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](mailto:info@ftserussell.com).

**Website:** [www.ftserussell.com](http://www.ftserussell.com)

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