



Guide to Chinese Share Classes

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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	People's Republic of China (PRC)	China	CNY	None as they are specific share classes issued by the company	Yes	Yes under QFII/RQFII/ Stock Connect programs
B	People's Republic of China (PRC)	China	USD (Shanghai) HKD (Shenzhen)		Yes (if they have appropriate currency accounts)	Yes
H	People's Republic of China (PRC)	Hong Kong	HKD		Yes if QDII approved	Yes
Red Chip	Non-PRC	Hong Kong	HKD	See notes below	Yes if QDII approved	Yes
P Chip	Non-PRC	Hong Kong	HKD		Yes if QDII approved	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 Shares

"A" shares are securities of Chinese incorporated companies that trade on either the Shanghai or Shenzhen stock exchanges. They are quoted 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 schemes.

B Shares

“B” shares are securities of Chinese incorporated companies that trade on either the Shanghai or Shenzhen stock exchanges. They are quoted 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 Shares

“H” shares are securities of companies incorporated in the People’s Republic of China that trade on the Hong Kong Stock Exchange. They are quoted and 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 a company that 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, has fallen below 25 per cent.

P Chip

A “P Chip” is a company* controlled by mainland 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 controlled by mainland individuals**.

** If the shareholder background cannot be determined with publicly available information, FTSE Russell will assess the P Chip status of a company with the help of other criteria including:

1. Whether the establishment and origin of the company are in Mainland China; and

2. Whether the company's headquarters 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 no longer controlled by mainland individuals.
- 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 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 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 a Mainland Chinese entity, company or individual **.

** If the shareholder background cannot be determined with publicly available information, FTSE Russell will assess the S Chip status of a company with the help of other criteria including:

1. Whether the establishment and origin of the company are in Mainland China; and
 2. Whether the company's headquarters 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 Stock Exchange; or
 - The percentages of revenue and assets derived from the PRC have both fallen below 45 per cent; or
 - The company is no longer controlled by a mainland Chinese entity, company or individual.

N Shares

"N" shares are companies controlled by mainland 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 MKT with a majority of its revenue or assets derived from Mainland China.

- 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 MKT; and
 - Over 55 per cent of the revenue or assets of the company are derived from the PRC; and
 - The company is controlled by a Mainland Chinese entity, company or individual **.

** If the shareholder background cannot be determined with publicly available information, FTSE Russell will assess the N share status of a company with the help of other criteria including:

1. Whether the establishment and origin of the company are in Mainland China; and

- 2.** Whether the company's headquarters 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 MKT; or
 - The percentages of revenue and assets derived from the PRC have both fallen below 45 per cent; or
 - The company is no longer controlled by a Mainland Chinese entity, company or individual.
- c) American Depositary Receipts (ADRs), where the underlying issue is listed, are ineligible for N share classification. For example, an A 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

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