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## FTSE Xinhua Bluechip Value 100 Index Ground Rules

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### 1.0 INTRODUCTION

- 1.1 The FTSE Xinhua Bluechip Value 100 Index is designed to represent the performance of the 100 value constituents of the FTSE Xinhua 200 Index.
- 1.2 The FTSE Xinhua Bluechip Value 100 Index includes companies that trade on the Shanghai and Shenzhen stock exchanges.
- 1.3 FTSE Xinhua Bluechip Value 100 Index is published in RenMinBi (CNY) for real time calculation every minute and RenMinBi (CNY), Hong Kong dollar and US dollar for end of day index values.
- 1.4 Total Return Indices are published at the end of each working day. The Total Return Indices are based on ex dividend adjustments.
- 1.5 This methodology is to be read in conjunction with the FTSE Xinhua A Index Series Rules which are available at [www.xinhuaftse.com](http://www.xinhuaftse.com).

### 2.0 SEMI-ANNUAL REVIEW

#### 2.1 Review Universe

- 2.1.1 At review the universe will comprise of constituents from the FTSE Xinhua 600 Index.

#### 2.2 Semi-annual Review (data cut-off date)

- 2.2.1 The semi-annual review will use data based on the close of trading on the next trading day following the third Friday in December and June inline with the FTSE Xinhua A Index Series.

#### 2.3 Semi-annual Review (implementation date)

- 2.3.1 The semi-annual reviews will be implemented inline with the FTSE Xinhua A Index Series on the next trading day following the third Friday in January and July.

#### 2.4 Review Process

- 2.4.1 For each company in the FTSE Xinhua 600 Index the following four value measures are determined (please see Appendix A for further details): -

- Book to Price
- Sales to Price
- Dividend Yield
- Cash Flow to Price

2.4.2 The FTSE Xinhua 600 Index constituents are grouped into their associated Industry Classification Benchmark (ICB) Super Sector. For further details on the Industry Classification Benchmark please visit [www.ftse.com/icb](http://www.ftse.com/icb).

2.4.3 The following standardisation process is carried out for each company within its associated ICB Super Sector:

For the value measure  $X_i$ ,

$$\text{STANDARDISED } (X_i) = \frac{(X_i - \bar{X})}{\sigma(X)}$$

Where:

- $X_i$  = the X value measure of stock i;  
 $\bar{X}$  = the mean indicator X figure of the super sector in which the stock i is classified;  
 $\sigma(X)$  = the standard deviation of X figure for the super sector in which stock i is Classified.

2.4.4 Constituents that have a negative book value are not included in the standardisation process.

2.4.5 A value score for each company is calculated by summing the four standardised value measures.

2.4.6 After determining the value score for each company in the FTSE Xinhua 600 Index the constituents of the FTSE Xinhua A 200 Index are selected as the constituents pool of FTSE Xinhua Bluechip Value 100 Index.

2.4.7 According to the review result of the FTSE Xinhua 200 Index, constituents are ranked by their market capitalization in descending order, and the top 30 stocks will be treated as eligible in the FTSE Xinhua Bluechip Value 100 Index.

2.4.8 Rank the companies in the constituents pool by value score and then group the companies in the constituents pool by ICB super sector. Select the top value score rank company of same super sector as eligible in the FTSE Xinhua Bluechip Value 100 Index, until the number of eligible stock in the same super sector= INT(the stock number of the same super sector/2).

2.4.9 After the step 4.2.7 & 4.2.8, if the number of eligible companies is less than 100, then rank the ineligible stocks in the constituents pool by value score in descending order, treat the top stock as eligible in FTSE Xinhua Bluechip Value 100 Index, until the number of FTSE Xinhua Bluechip Value 100 Index constituents equals to 100.

2.4.10 After the step 4.2.7 & 4.2.8, if the number of eligible companies is more than 100, then rank the eligible stocks by reviewed market capitalisation in descending order, delete the bottom stocks, until the number of FTSE Xinhua Bluechip Value 100 Index constituents equals to 100.

### **3.0 INTRA-REVIEW CHANGES**

#### **3.1 Additions**

- 3.1.1 If, in the view of the FTSE Xinhua Index Committee, a new issue qualifies for inclusion into the FTSE Xinhua 200 Index as an early entry, it will also be included in the FTSE Xinhua Bluechip Value 100 Index. The new issue will be included in the FTSE Xinhua Bluechip Value 100 Index after the close of business on the fifth day of official trading. Please note this may result in more than 100 companies being included in the FTSE Xinhua Bluechip Value 100 Index.
- 3.1.2 New issues which do not qualify for early entry will be determined for inclusion at the next semi-annual review.

#### **3.2 Deletions**

- 3.2.1 If a constituent is deleted from the FTSE Xinhua 600 Index it will also be deleted from the FTSE Xinhua Bluechip Value 100 Index. Please note this may result in less than 100 companies being included in the FTSE Xinhua Bluechip Value 100 Index.

#### **3.3 Mergers, Restructuring and Complex Takeovers**

- 3.3.1 If a current constituent of the FTSE Xinhua Bluechip Value 100 Index is acquired by a non-constituent that is a member of the FTSE Xinhua 200 Index, the new entity will be eligible to remain a constituent of the Index. If the non-constituent is not a member of the FTSE Xinhua 200 Index, the new entity will be deleted. Please note this may result in less than 100 companies being included in the FTSE Xinhua Bluechip Value 100 Index.
- 3.3.2 Where two index constituents merge, or one index constituent is acquired by another constituent the new entity will be eligible to remain a constituent of the Index. Please note this may result in less than 100 companies being included in the FTSE Xinhua Bluechip Value 100 Index.
- 3.3.3 If an Index constituent has a complex reorganisation or demerger, the newly spun-off company will remain eligible for inclusion into the index as long as it remains a constituent in the FTSE Xinhua 600 Index.

## APPENDIX A

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### Fundamental Data Definitions

The Xinhua Bluechip Value 100 Index January review will take into account the latest semi-annual and annual report data where applicable. The July review will take into account data from the annual report of the last reported year.

#### Book to Price

Book to Price is a company's common/ordinary equity capital divided by the company's full market capitalisation at the review date. If an A line company has an H or B line, the market cap of the other line will be aggregated with that of the A line market cap to derive the company's full market capitalisation. Common/ordinary equity is generally as reported.

#### Sales to Price

Sales to Price is a company's annual sales value divided by the company's full market capitalisation at the review date. The Sales figure used is the Major Business Revenue (主营业务收入) in the Profit and Loss Account of the company's annual report.

#### Dividend Yield

Dividend Yield reflects the dividend declared per share and/or paid for the security in question, divided by the share price. It is based on the "gross" dividend of a security. Dividend per share (红利比) as published by the company is used.

#### Cash Flow to Price

Cash Flow to Price is generally a company's Cash Flow for the year divided by the full market capitalisation of the company at the review date. The Cash Flow used is Cash Flow from Operation (经营活动产生的现金流量净额).

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**APPENDIX B**


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**Calculation method of FTSE Xinhua Bluechip Value 100 Index**

The indices are calculated using the algorithm described below.

$$\sum \frac{((p_1^n \cdot e_1^n) \cdot s_1^n \cdot f_1^n)}{d}$$

$$n = 1, 2, 3, \dots, N$$

N	=	Number	The number of securities in the Index.
P	=	Price	The latest trade price of the component security (or the price at the close of the Index on the previous day)
e	=	Exchange Rate	The exchange rate required to convert the security's home currency into the index's base currency.
s	=	Shares in Issue	The number of shares in issue used by FTSE Xinhua for the security, as defined in the FTSE Xinhua China A Ground Rules.
f	=	Free Float Factor	The factor to be applied to each security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. The free float factor for each security is published by FTSE Xinhua.
d	=	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.

**APPENDIX C**

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**Index Opening and Closing Hours**

	<b>OPEN</b>	<b>CLOSE</b>
FTSE Xinhua Bluechip Value 100 Index	09:30	15:15

All times are Local China Time

The FTSE Xinhua Bluechip Value 100 Index is calculated on public holidays whenever at least the Shanghai or Shenzhen Stock Exchange is trading. The Index will not be calculated on 1<sup>st</sup> January.

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## APPENDIX D

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### CONTACTING XINHUA FTSE

Further information on the FTSE Xinhua Bluechip Value 100 Index is available from FTSE/Xinhua Index Limited, who will also welcome comments on these Ground Rules.

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