

## China Allows Access to Dual-class Securities Listed in Hong Kong via Southbound Stock Connect

October 2019

On 18 October 2019, the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE) announced rule changes (the **Rule Changes**) which will permit investors in China to trade shares of qualifying issuers (**Qualifying Issuers**) listed on The Stock Exchange of Hong Kong Limited (HKSE) with weighted voting rights (WVR) via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (the **Stock Connects**).

Discussions for the inclusion of issuers listed on the HKSE with a WVR structure have been ongoing since the HKSE changed its Listing Rules in April 2018 to permit the listing of WVR issuers. The Rule Changes came on the back of a consultation by the SSE and SZSE in August 2019 following a consensus reached among the three stock exchanges in December 2018.

Qualifying Issuers must meet the following eligibility criteria to be admitted for trading under the Stock Connects:

- be a constituent of the Hang Seng Composite Large-Cap Index or Hang Seng Composite Mid-Cap Index;
- have been listed on the HKSE for at least six months plus 20 trading days;
- have an average daily market capitalisation of at least HK\$20 billion in the 183 trading days before and including the day on which the SSE / SZSE assesses the issuer's eligibility (the **Assessment Date**);
- have a total trading volume of at least HK\$6 billion in the 183 days before and including the Assessment Date; and
- the issuer and its WVR beneficiaries (i.e. directors of the issuer) must also not have been publicly accused or been sanctioned by the HKSE for violating the HKSE's regulations on corporate governance, information disclosure or investor protection measures for companies with WVR structures.

### The Rule Changes will become effective on 28 October 2019.

For a summary of the key requirements for listing a company with a WVR structure, please refer to our [Client Legal Update](#) published in May 2018.

Copies of the announcement from each of the SSE and SZSE regarding the Rule Changes can be found [here](#) and [here](#).

Should you require any further information regarding the content of this client briefing, please do not hesitate to contact the authors or your usual Slaughter and May contact.



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