THE SHANGHAI, SHENZHEN AND HONG KONG STOCK EXCHANGES REACHED A CONSENSUS ON THE CONDITIONS FOR THE INCLUSION OF WVR COMPANIES IN THE SOUTHBOUND TRADING OF STOCK CONNECT AND COMMENCED THE REVISION OF THE RELEVANT RULES

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19 August 2019 | **Bonnie Yung**

The Stock Exchange of Hong Kong Limited ("SEHK") announced in December last year that the Shanghai, Shenzhen and Hong Kong Stock Exchanges had reached a consensus on the detailed plans of including Hong Kong listed companies with weighted voting rights ("WVR") structures in the Southbound Trading of Stock Connect.

It was expected that the relevant rules would come into effect in mid-2019. Finally, the Shanghai, Shenzhen and Hong Kong Stock Exchanges announced on 2 August this year that in order to further improve the interconnection mechanism, the three stock exchanges reached a consensus on the conditions for Hong Kong listed companies with WVR structures to be included in the Southbound Trading of Stock Connect.

As such, the Shanghai and Shenzhen Stock Exchanges revised the ***"Measures of the Shanghai Stock Exchange for the Implementation of the Shanghai-Hong Kong Stock Connect"*** and ***"Measures of the Shenzhen Stock Exchange for the Implementation of the Shenzhen-Hong Kong Stock Connect"*** respectively and conducted public market consultations.

The relevant amendments specify that the stocks of companies listed on the SEHK with WVR structures (except for the H shares of A+H listed companies) have to satisfy not only the existing conditions for the inclusion of their shares in the Southbound Trading of Stock Connect,

but also the following conditions at the time of their initial inclusion in the same:

(i) having been listed for six months and been traded in the Hong Kong stock market for 20 trading days;

(ii) reaching the daily average market capitalization of no less than HKD 20 billion and the total volume of transactions on the Hong Kong stock market of no less than HKD 6 billion during the 183-day period prior to the date of assessment (inclusive); and

(iii) compliance conditions, i.e. after the stock listing, the issuer and the WVR beneficiaries must not have been publicly condemned by the SEHK, been publicly sanctioned in any other ways or triggered the termination of WVR as a result of any violations of the regulations on corporate governance, information disclosure and investor protection measures.

The next step for the Shanghai and Shenzhen Stock Exchanges is to further revise and improve the relevant business regulations based on the opinions of various parties in the market, and officially publish such regulations to the market after fulfilling relevant decision-making and approval procedures.

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