

HKEx Announces Stock Connect Program to Open to WVR Companies

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In an important development for the Hong Kong securities market, the Hong Kong Stock Exchange (HKEx) announced¹ that it has reached an agreement with the Shanghai and Shenzhen Stock Exchanges to permit companies with dual-class share structures listed in Hong Kong — referred to as weighted voting rights (WVRs) companies — to be traded by Mainland-based investors through the Stock Connect program. This will be welcome news to the two WVR companies currently listed in Hong Kong — Xiaomi Corporation and Meituan Dianping — as well as other aspiring WVR listing applicants.

Skadden advised both Xiaomi and Meituan Dianping on their groundbreaking HKEx IPOs in 2018.

HKEx is working on detailed rules to implement the agreement, and these rules should be announced to the market for implementation by mid-2019.

The Stock Connect program enables Mainland-based investors to trade directly in certain HKEx-listed securities (southbound trading), while also permitting Hong Kong-based investors to trade directly in certain Shanghai and Shenzhen Stock Exchange-listed securities (northbound trading).

To qualify for southbound trading, the company must be a constituent of the Hang Seng Composite Index. Hang Seng Indexes Company Limited, the company responsible for formulating the Hang Seng indexes, already had announced that “Greater China” WVR companies, including those with either a primary or secondary HKEx listing, are eligible for inclusion in the Hang Seng Composite Index. The forthcoming rules following this latest HKEx announcement will be the final step in opening these companies to Mainland investors through Stock Connect.

¹ See announcement [here](#).

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