

## Offers or distributions of entitlement securities by listed issuers to Southbound Shareholders under Stock Connect

1. When listed issuers propose pre-emptive issues (including rights issues, open offers, bonus issues and scrip dividend schemes) or distributions in specie to shareholders, should they offer or distribute entitlement securities to Mainland investors holding the issuers' securities through Shanghai and Shenzhen Connect (Southbound Shareholders)?

Yes.

*MB Rule 13.36(1)(a)  
First released: November 2014; last updated: May 2024*

2. Are there additional PRC requirements for listed issuers to offer or distribute securities to Southbound Shareholders?

- (a) Rights issues and open offers

Yes. The China Securities and Regulatory Commission (**CSRC**) has issued the Announcement [2016] No. 21 "Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect". The document sets out the requirements for listed issuers offering securities to their Southbound Shareholders in rights issues / open offers.

Listed issuers should also note that under Shanghai and Shenzhen Connect, China Securities Depository and Clearing Corporation Limited (**ChinaClear**) will provide nominee services for Southbound Shareholders to (i) sell their nil-paid rights on the Exchange; and/or (ii) subscribe for their entitlement securities under the rights issues / open offers in accordance with relevant laws and regulations. However, it will not support excess applications by Southbound Shareholders through Shanghai and Shenzhen Connect<sup>1</sup>.

- (b) Bonus issues, scrip dividend schemes and distribution in species

No rules or guidance has been published by the CSRC.

*MB Rule 13.36(1)(a)  
First released: November 2014; last updated: May 2024*

<sup>1</sup> See Article 23 of ChinaClear's Implementing Rules for Registration, Depository and Clearing Services under Mainland-Hong Kong Stock Connect (**ChinaClear Stock Connect Implementing Rules**) 中國證券登記結算有限責任公司《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》

3. **MB Rule 13.36(2) states that an issuer may exclude overseas shareholders from a rights issue/open offer if, having made enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange, the directors of the issuer consider such exclusion to be necessary or expedient. Can Southbound Shareholders be excluded from participation in rights issues/open offers made by listed issuers?**

No. Based on the CSRC Announcement [2016] No. 21 “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” which sets out the procedure for the filing of rights issue/open offer prospectus documents of listed issuers, the Listing Division does not consider that listed issuers have grounds to exclude the Southbound Shareholders from participation in the rights issues/open offers.

MB Rule 2.03 sets out the general principle expected to be upheld by listed issuers, and requires that (i) all holders of listed securities should be treated fairly and equally; and (ii) all new issues of equity securities, or sales or transfers of treasury shares, by a listed issuer should first be offered to the existing shareholders by way of rights unless they have agreed otherwise. This rule seeks to secure for holders of securities equality of treatment. Accordingly, on the basis of MB Rule 13.36, a listed issuer failing to make its rights issue/open offer available to the Southbound Shareholders will not be granted an approval for the listing of the rights/open offer shares by the Listing Division under MB Rule 2A.06.

*MB Rules 2.03, 2A.06 and 13.36(2)(a)  
First released: November 2014; last updated: May-June 2024*

4. **What are the additional considerations for listed issuers if the securities to be offered or distributed to shareholders are not eligible for trading under Shanghai and Shenzhen Connect?**

The scope of securities eligible for southbound trading under the Shanghai and Shenzhen Connect (**Eligible Securities**) is set out in [https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc\\_lang=en](https://www.hkex.com.hk/Mutual-Market/Stock-Connect/Eligible-Stocks/View-All-Eligible-Securities?sc_lang=en)<sup>2</sup>.

Southbound Shareholders may receive different types of securities from listed issuers as entitlements under pre-emptive issues or distributions (e.g. warrants or convertible securities of the listed issuers, or shares of other entities):

- if the entitlement securities are not Eligible Securities but are listed on the Exchange, Southbound Shareholders may sell them on the Exchange through Shanghai and Shenzhen Connect, but they will not be allowed to buy such securities<sup>3</sup>; and

<sup>2</sup> The list contains securities eligible for both buy and sell through Shanghai and Shenzhen Connect.

<sup>3</sup> See Article 77 of SSE Stock Connect Pilot Provisions 《上海證券交易所滬港通試點辦法》, Article 76 of SZSE Stock Connect Implementation Rules 《深圳證券交易所深港通業務實施辦法》, and Article 24 of ChinaClear Stock Connect Implementation Rules

- if the entitlement securities are not listed on the Exchange, Southbound Shareholders will not be allowed to buy or sell the securities on the Exchange. HKSCC and ChinaClear will determine how to deal with the securities subscribed or received by Southbound Shareholders on an individual case basis<sup>3</sup>.

Listed issuers are reminded of their obligation to treat all shareholders fairly and equally when they propose to offer or distribute securities to shareholders. They should consider making the following arrangements<sup>4</sup>:

- providing all shareholders with an option to receive their entitlements in cash rather than securities; and
- if the entitlement securities are not to be listed, offering a means for the shareholders to dispose of these securities.

Listed issuers should also make clear disclosures in their corporate communications about actions their shareholders need to take in respect of the offered/distributed securities.

*MB Rule 2.03  
First released: November 2014; last updated: May 2024*

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<sup>4</sup> See the [Guide on distribution of dividends and other entitlements](#) published on the HKEX website.