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香港聯合交易所有限公司
(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

通告 CIRCULAR

Subject: **Update on the Expansion of Eligible Stocks under Stock Connect**

Enquiry: **Participant General Enquiry Hotline¹ (Tel: 2840 3626 E-mail: trd@hkex.com.hk)**

With reference to the Exchange Circular (Ref: [CT/162/22](#)) dated 19 December 2022 on the Expansion of Eligible Stocks under Stock Connect (the Expansion), China Connect Exchange Participants (CCEPs) and Trade-through Exchange Participants (TTEPs) are requested to note that subject to regulatory approval:

Eligibility criteria and review mechanism for eligible stocks for Northbound trading

Details of the eligibility criteria and review mechanism for Northbound stocks for the Expansion are set out in Appendix 1 and Appendix 2 respectively.

The inclusion of SSE/ SZSE listed stock(s) with differentiated voting rights (DVR stock) will be subject to additional eligibility criteria for Northbound trading. The existing arrangements, including but not limited to trading arrangements, settlement arrangements, fees and levies for eligible Northbound stocks, shall also apply to the eligible DVR stock(s) for Northbound trading.

The lists of stocks listed on Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) eligible for Northbound trading will be published on [HKEX website](#) and updated from time to time.

Eligible stocks for Southbound trading

The scope of eligible stocks for Southbound trading will be expanded to include stocks of international companies that are primary-listed in Hong Kong, and are 1) constituent stocks of the Hang Seng Composite LargeCap Index or Hang Seng Composite MidCap Index, or 2) constituent stocks of the Hang Seng Composite SmallCap Index (HSSI) with a market capitalization of HK\$5 billion or above.

It follows that the scope of eligible stocks for Southbound trading under Shanghai Connect will be expanded to include constituent stocks of the HSSI with a market capitalization of HK\$5 billion or above, which will be aligned with the existing scope of eligible stocks for Southbound trading under Shenzhen Connect.

¹ All calls to and from the Participant General Enquiry Hotline may be recorded. HKEX Privacy Policy Statement is available [here](#).

Sell-only stocks for Southbound trading

Currently, a constituent stock of the HSSI without corresponding A shares listed on SSE/SZSE which has been accepted as an eligible stock under Shenzhen Connect will be designated as a sell-only Southbound stock when its average month-end market capitalization in the 12 months prior to the periodic review of the index has fallen under HK\$5 billion, provided that it remains listed on the Exchange. After the Expansion, in order to minimise the changes of eligible stocks, such stock will only become a sell-only Southbound stock for both Shanghai Connect and Shenzhen Connect when its month-end average market capitalization in the 12 months prior to the periodic review of the index has fallen under HK\$4 billion, instead of HK\$5 billion.

Apart from the above, other eligibility criteria and the review mechanism related to Southbound stocks will remain unchanged.

Please note that details of the Expansion including the eligibility criteria and review mechanism of Northbound and Southbound stocks are subject to regulatory approval. The official launch will be announced separately.

Blanche Lui
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Appendix 1: Eligibility Criteria

Eligibility Criteria for Northbound Stocks under Shanghai Connect

I. Eligible stocks

1. A constituent stock of the SSE A Share Index that fulfils all of the following criteria at any Half-yearly Review, Monthly Review or DVR Stock² Review, as the case may be, will be accepted for Northbound trading:
 - a. the constituent stock must have a daily average market capitalization in the last six months of RMB5 billion or above;
 - b. the constituent stock must have a daily average turnover in the last six months of RMB30 million or above;
 - c. the constituent stock must not have been suspended for trading on any SSE Market on 50% or more of the total number of trading days of the SSE Market in the last six months; and
 - d. if the constituent stock is also a DVR stock, it must also fulfil all of the following additional criteria for its first time inclusion into Northbound trading at a DVR Stock Review:
 - i. the constituent stock must have been listed on SSE for no less than six months and twenty SSE trading days;
 - ii. the constituent stock must have a daily average market capitalization in the last 183 calendar days prior to the DVR Stock Review Data Cut-off Date (inclusive of the DVR Stock Review Data Cut-off Date) of RMB20 billion or above;
 - iii. the constituent stock must have an aggregated turnover in the last 183 calendar days prior to the DVR Stock Review Data Cut-off Date (inclusive of the DVR Stock Review Data Cut-off Date) of RMB6 billion or above; and
 - iv. neither the issuer of the DVR stock nor any beneficiary of special voting rights has been publicly censured by SSE since the listing of the DVR stock due to any breach of any requirements under the SSE Rules applicable to DVR stocks relating to, among others, corporate governance, information disclosure or investor protection safeguards;
2. A shares listed on SSE that are not accepted for Northbound trading by virtue of 1. above but which have corresponding H shares accepted for listing and trading on the Exchange

provided that:

- (i) they are not traded on SSE in currencies other than RMB; and
- (ii) they are not under risk alert³.

² A stock with Differentiated Voting Rights.

³ In relation to A shares listed on SSE, means the relevant shares are placed under "risk alert" by SSE including shares of "ST companies", "*ST companies" and shares subject to the delisting process or the listing of which has been suspended by SSE under relevant SSE Rules.

II. Eligible stocks for sell-only

An eligible stock, whether or not it is a DVR stock, which has subsequently met any of the following criteria will be designated as a sell-only stock provided that it remains listed on SSE and will be restricted from buying:

1. any constituent stock of SSE A Share Index that does not have corresponding H shares accepted for listing and trading on the Exchange, but it is subsequently determined at any Half-yearly Review that any of the following conditions has occurred:
 - a. its daily average market capitalization in the last six months has fallen under RMB4 billion;
 - b. its daily average turnover in the last six months has fallen under RMB20 million; or
 - c. it has been suspended for trading on a SSE Market on 50% or more of the total number of trading days of the SSE Market in the last six months;
2. any constituent stock of SSE A Share Index that has corresponding H shares accepted for listing and trading on the Exchange, but the H shares of which have been delisted from the Exchange, and based on its market capitalization, turnover and the number of trading days with trading suspension at any subsequent Half-yearly Review, cannot fulfil the eligibility criteria applicable to a constituent stock;
3. has been placed under risk alert;
4. any constituent stock of SSE A Share Index that does not have corresponding H shares accepted for listing and trading on the Exchange, has subsequently ceased to be a constituent stock of the SSE A Share Index; or
5. has corresponding H shares accepted for listing and trading on the Exchange, but the H shares of which have been delisted from the Exchange, and it is not a constituent stock of the SSE A Share Index.

Notwithstanding Sections I and II above, if the constituent stock is listed within the last six months, the daily average market capitalization, daily average turnover and number of trading days with trading suspension in the period since listing shall be considered instead to determine its eligibility.

For the purpose of considering the eligibility of a constituent stock, “last six months” means the six months prior to the Half-yearly Review Data Cut-off Date, the Monthly Review Data Cut-off Date or the DVR Stock Review Data Cut-off Date (each aforementioned date inclusive of the relevant data cut-off date), as the case may be. For details relating to the Half-yearly Review Data Cut-off Date, the Monthly Review Data Cut-off Date and the DVR Stock Review Data Cut-off Date, please refer to the review mechanism set out below in Appendix 2.

Eligibility Criteria for Northbound Stocks under Shenzhen Connect

I. Eligible stocks

1. SZSE-listed A shares that is a constituent stock of the SZSE Composite Index and fulfils all of the following criteria at any Half-yearly Review, Monthly Review or DVR Stock Review, as the case may be, will be accepted for Northbound trading:
 - a. the constituent stock must have a daily average market capitalization in the last six months of RMB5 billion or above;
 - b. the constituent stock must have a daily average turnover in the last six months of RMB30 million or above;
 - c. the constituent stock must not have been suspended for trading on any SZSE Market on 50% or more of the total number of trading days of the SZSE Market in the last six months; and
 - d. if the constituent stock is also a DVR stock, it must also fulfil all of the following additional criteria for its first time inclusion into Northbound trading at a DVR Stock Review:
 - i. the constituent stock must have been listed on SZSE for no less than six months and twenty SZSE trading days;
 - ii. the constituent stock must have a daily average market capitalization in the last 183 calendar days prior to the DVR Stock Review Data Cut-off Date (inclusive of the DVR Stock Review Data Cut-off Date) of RMB20 billion or above;
 - iii. the constituent stock must have an aggregated turnover in the last 183 calendar days prior to the DVR Stock Review Data Cut-off Date (inclusive of the DVR Stock Review Data Cut-off Date) of RMB6 billion or above; and
 - iv. neither the issuer of the DVR stock nor any beneficiary of special voting rights has been publicly censured by SZSE since the listing of the DVR stock due to any breach of any requirements under the SZSE Rules applicable to DVR stocks relating to, among others, corporate governance, information disclosure or investor protection safeguards;
2. A shares listed on SZSE that are not accepted for Northbound trading by virtue of 1. above but which have corresponding H shares accepted for listing and trading on the Exchange

provided that:

- (i) they are not traded on SZSE in currencies other than RMB; and
- (ii) they are not under risk alert⁴.

⁴ In relation to A shares listed on SZSE, means the relevant shares are placed under "risk alert" by SZSE including shares of "ST companies", "*ST companies" and shares subject to the delisting process or the listing of which has been suspended by SZSE under relevant SZSE Rules.

II. Eligible stocks for sell-only

An eligible stock, whether or not it is a DVR stock, which has subsequently met any of the following criteria will be designated as a sell-only stock provided that it remains listed on SZSE and will be restricted from buying:

1. any SZSE-listed A shares that is a constituent stock of SZSE Composite Index that does not have corresponding H shares accepted for listing and trading on the Exchange, but it is subsequently determined at any Half-yearly Review that any of the following conditions has occurred:
 - a. its daily average market capitalization in the last six months has fallen under RMB4 billion;
 - b. its daily average turnover in the last six months has fallen under RMB20 million; or
 - c. it has been suspended for trading on a SZSE Market on 50% or more of the total number of trading days of the SZSE Market in the last six months;
2. any constituent stock of the SZSE Composite Index that has corresponding H shares accepted for listing and trading on the Exchange, but the H shares of which have been delisted from the Exchange, and based on its market capitalization, turnover and the number of trading days with trading suspension at any subsequent Half-yearly Review, cannot fulfil the eligibility applicable to a constituent stock;
3. has been placed under risk alert;
4. any constituent stock of the SZSE Composite Index that does not have corresponding H shares accepted for listing and trading on the Exchange, has subsequently ceased to be a constituent stock of the SZSE Composite Index; or
5. has corresponding H shares accepted for listing and trading on the Exchange, but the H shares of which have been delisted from the Exchange, and it is not a constituent stock of the SZSE Composite Index.

Notwithstanding Sections I and II above, if the constituent stock is listed within the last six months, the daily average market capitalization, daily average turnover and number of trading days with trading suspension in the period since listing shall be considered instead to determine its eligibility.

For the purpose of considering the eligibility of a constituent stock, “last six months” means the six months prior to the Half-yearly Review Data Cut-off Date, the Monthly Review Data Cut-off Date or the DVR Stock Review Data Cut-off Date (each aforementioned date inclusive of the relevant data cut-off date), as the case may be. For details relating to the Half-yearly Review Data Cut-off Date, the Monthly Review Data Cut-off Date and the DVR Stock Review Data Cut-off Date, please refer to the review mechanism set out below in Appendix 2.

Appendix 2: Review Mechanism

Review Mechanism for Inclusion of Eligible Stocks for Northbound Trading

Further details regarding determining the eligibility of a constituent stock of the SSE A Share Index or the SZSE Composite Index at the launch of the Expansion will be announced to the market in due course, subject to regulatory approval.

For ongoing reviews subsequent to the launch of the Expansion, the examination of eligibility criteria for Northbound stocks will be conducted from time to time, including at each Half-yearly Review, Monthly Review and DVR Stock Review (as applicable) to be conducted by the relevant stock exchange set out below. In addition, SSE/SZSE-listed A shares will be included or excluded as eligible stocks based on the timing at which the relevant A shares and H shares are listed on or delisted from SSE, SZSE or SEHK, and the timing at which the relevant A shares are placed under risk alert or released from risk alert (as applicable).

Half-yearly Review

Data Cut-off Date:	31 May	30 November
Announcement Date:	Second Friday of June (or the next trading day if it is not a trading day)	Second Friday of December (or the next trading day if it is not a trading day)
Effective Date:	Second Monday after the Announcement Date (or the next CSC trading day if it is not a CSC trading day) ^{Note (a)}	
<i>Note (a): If there are corresponding H shares listed or to be listed on the Exchange, the A shares will only be accepted after the price stabilisation period of the relevant H shares has ended or expired.</i>		

Monthly Review

Data Cut-off Date:	Last calendar day of each calendar month except May and November	
Announcement Date:	Second Friday of the calendar month following the Data Cut-off Date (or the next trading day if it is not a trading day) ^{Note (b)}	
Effective Date:	Second Monday after the Announcement Date (or the next CSC trading day if it is not a CSC trading day) ^{Note (c)}	
<i>Note (b): If Chinese New Year, Labour Day or National Day public holiday falls in the month in accordance with the trading calendar of SSE or SZSE, the Announcement Date will be the Friday of the first week with no public holiday following the Data Cut-off Date.</i>		
<i>Note (c): If there are corresponding H shares listed or to be listed on the Exchange, the A shares will only be accepted after the price stabilisation period of the relevant H shares has ended or expired.</i>		

For the avoidance of doubt, the Monthly Review is only for the purpose of including new stocks for Northbound trading that is (i) a new constituent stock of the SSE A Share Index or SZSE Composite Index or (ii) a stock released from risk alert in the calendar month of the Data Cut-off Date but not for the purpose of reviewing whether a stock eligible for Northbound trading should be designated as a sell-only stock.

Review Mechanism for First Time Inclusion of DVR Stocks for Northbound Trading

DVR Stock Review

Data Cut-off Date:	(1) Last trading day of the period of six months and nineteen trading days for which the DVR stock has been listed on SSE or SZSE; or (2) If the DVR stock fails to meet the criteria of becoming an eligible stock as set out in Appendix 1 at (1) above, the following Half-yearly Review Data Cut-off Date
Announcement Date:	First trading day following the Data Cut-off Date if the Data Cut-off Date is the date described in (1) above or the Half-yearly Review Announcement Date if the Data Cut-off Date is the date described in (2) above
Effective Date:	First trading day following the Announcement Date if the Data Cut-off Date is the date described in (1) above or the Half-yearly Review Effective Date if the Data Cut-off Date is the date described in (2) above