

(Source:- HK Ex)

26 July 2002

Highlights of media reports on penny stocks and delisting

Date	Media	Highlights
26/7/2002	Majority of media	<ul style="list-style-type: none"> - HKEx consultation paper suggested Main Board stocks valued below \$0.50 for 30 consecutive days should be delisted. - Kwong Ki-chi said Nasdaq also had similar minimum share price requirement. - Kwong Ki-chi said there would be a 12-month transitional period for companies to raise their share price to the minimum level, and consolidating shares was one way. HKEx had no intention to establish a new board for delisted shares. - Karen Lee said there were 386 listed companies with share prices under \$0.50. Such companies would not be delisted if their share price bounced back to over \$0.5 and remained at over \$0.5 for the following 60 trading days. - The SFC research paper pointed out Hong Kong had a higher percentage of penny stocks than other cities.
	HKEJ	<ul style="list-style-type: none"> - Francis Leung regarded the requirement of consolidating shares valued below \$0.5 as a numeric game only. - K S Lo said investors would be more disadvantaged if penny stocks were delisted. - The SFC's Director of Corporate Finance Division, Laurence Li, said there was an urgent need to establish an effective delisting mechanism.

Date	Media	Highlights
26/7/2002 (Cont' d)	HKET	<ul style="list-style-type: none"> - Enron issue prompted the HK SAR Government and the SFC to pay attention to badly performing companies. - The HK Government was aware of market opinions over the past year about the maintenance of the listing status of penny stocks - People familiar to the situation said the minimum share price for a delisting mechanism had been discussed before among regulators <p>HK Stockbrokers Association's Wilfred Wong said whether the share price threshold should be fixed at \$0.5 was worth considering, and whether investors had the chance to exit the market should also be considered.</p>
		<ul style="list-style-type: none"> - PWC's partners wondered if the market would be misled about the quality of listed companies if the proposals affected more than half of listed companies. - Sun Hung Kai Securities' 譚秉松 said consolidation allowed penny stocks to escape being delisted. - Some minority shareholders worried that share prices would keep on falling even after the share consolidation. - Tang Sing Hing said it was inappropriate to regard \$0.50 as the divider because the most volatile stocks were those under \$0.1. - Tai Fook's Wong Chung Man agreed it would be better to set the price level at \$0.1. - Ricky Tam said although the US also had a delisting mechanism, they also had an OTC market. However, Hong Kong did not have an OTC market, putting investors at a disadvantaged position. - Some feared that the \$0.50 delisting mechanism would be abused. - Li Kam said consolidating shares would increase the cost of market and it was believed that this would affect the turnover of the local market. - K S Lo hold reservations about the proposal and thought delisting penny stocks would be more hurt for investors.

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26/7/2002 (Cont' d)	Apple Daily	<ul style="list-style-type: none"> - More than 100 penny-stocks would be delisted when the delisting mechanism is implemented in the first quarter next year. - Chim Pui-chung said setting the minimum share price at \$0.50 and banning listed companies from issuing new shares under the general mandate at less than \$0.50 would help to protect investors. - Cheung Wah-fung said \$0.50 was too high but requiring shares under \$0.10 to be consolidated was acceptable. He believed the new rule could reduce the opportunity of major shareholders to take advantage of minority shareholders.
	Ming Pao	<ul style="list-style-type: none"> - Securities participants generally agreed that \$0.50 was too high and would increase the difficulties of small brokers. - David Webb said the SFC should be responsible for the delisting mechanism proposal.
	Oriental Daily News	<ul style="list-style-type: none"> - An SFC survey showed that 107 listed companies had a share price below \$0.50, about 14 per cent of the total number of listed companies. The survey also pointed out that the ratio did not comply with international standards. - Wilfred Wong worried that it was difficult to sell shares of due to be delisted. - Executives of listed companies said companies needed time and capital to consolidate shares, as share prices would continue to drop after share consolidation. - The financial editorial criticised that the delisting mechanism as too harsh and described it as good thing turned bad.
	The Sun	<ul style="list-style-type: none"> - Some market participants expected that implementation of the delisting proposal would trigger a massive penny-stock consolidation and sell-off.
	Sing Tao	<ul style="list-style-type: none"> - Market participants likened the delisting mechanism to giving small investors the death penalty. If the delisting proposal is to be implemented, it would possibly trigger a massive penny-stock sell-off.

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26/7/2002 (Cont' d)	Sing Pao/Hong Kong Daily News	<ul style="list-style-type: none"> - Corporate finance participants said delisting mechanism could help tightening regulation, but it was too harsh on penny-stocks. A trend of share consolidation would emerge. - Professionals in Corporate Finance sector agreed that the delisting mechanism could strengthen regulations to listed companies. However, it was too harsh for delisting of penny stocks. It was expected there would be a lot of shares consolidation exercises.
	Hong Kong Commercial Daily	<ul style="list-style-type: none"> - Frederick Ma said the HK\$0.5 threshold should be determined by market participants and investors should not be too short-sighted. Ma said he did not agree that it was inappropriate for HKEx to have chosen to publish the Consultation Paper when market conditions at the time was poor, thereby increasing market uncertainty. - The editorial said investors' interests should be considered in introducing the delisting mechanism because small investors only selected low price shares. Besides, the new rules would scare off mainland investors if the coverage is too extensive.
	Ta Kung Pao	<ul style="list-style-type: none"> - Wu Man-ching said share prices did not reflect the performance of listed companies. - Trini Tsang said HK\$0.1 was a more appropriate threshold and HK\$0.5 was too high. - Frederick Ma said the consultation paper would help improve corporate governance standards. - The editorial said the consultation would have a negative effect on the market.
	SCMP	<ul style="list-style-type: none"> - Ernest Ip of PWC said the proposals were too harsh and they would cause a lot of listed companies to be delisted.