

Press Releases

26 July 2002

Falls in Low Priced Stocks in Hong Kong

In response to media enquiries, the Securities and Futures Commission would like to make the following statements:

1. We believe an effective delisting mechanism is good for the market as a whole and for the reputation of Hong Kong as an international financial centre.
2. The proposals announced by Hong Kong Exchanges and Clearing Limited on 25 July 2002 (the delisting proposals) are for public consultation. The market and investors may need more time to fully understand the proposals. No decision will be made until consultation has been completed. There will also be a long transitional period for stocks to meet the listing requirements or for their orderly exit if necessary.
3. HKEx says in its consultation document (paragraph 117) that transparent quantitative delisting rules would provide adequate "early warning" signals to investors and afford them sufficient time to act and make investment decisions. If the consultation responses show that the market feels there is a need for an alternative trading platform, the matter will be carefully considered.
4. The price of a stock is not necessarily in and of itself indicative of corporate quality. Shareholders of quality stocks, regardless of their prices, should have nothing to fear.
5. The low priced stocks today did not fall on heavy trading volume. Turnover of the top 30 losers was \$84.3 million, about 1% of market turnover. One of them accounted for \$51 million. Of the 30 stocks, 22 were below 10 cents at yesterday's close, and none above 25 cents. The loss of market capitalisation attributable to these 30 stocks amounted to about 0.06% of the total Hong Kong market capitalisation.
6. The SFC has been closely monitoring the brokers. They have not been materially affected by the fall in those low priced shares.
7. Investors are advised to exercise caution when trading in volatile stocks.