

Press release

LCQ18: Announcement of price-sensitive information of listed companies

Wednesday, November 20, 2013

Following is a question by the Hon Ma Fung-kwok and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (November 20):

Question:

The Government announced at around 5pm on October 15 this year the decision made by the Chief Executive in Council on applications for domestic free television programme service licences (free TV licences) by Hong Kong Television Network Limited, Fantastic Television Limited and Hong Kong Television Entertainment Company Limited. Yet, I have learnt that it had already been rumoured at noon on that day that the Government would announce the issuance of additional free TV licences, and the prices of the stocks of the aforesaid three applicants or their parent companies recorded significant volatility on the day when the application results were announced and on the following day. In this connection, will the Government inform this Council:

(a) whether the authorities have noticed the volatility of the aforesaid stocks; if they have, whether they have looked into the reasons for such volatility and assessed the situation; whether the authorities will take any follow-up action, including launching an investigation into the incident; if they will not, of the reasons for that;

(b) whether the authorities, before announcing the aforesaid decision on granting free TV licences, had taken any measure to prevent the news about that decision from affecting the prices of the stocks of the applicants or their parent companies; whether they had requested the applicants or their parent companies to apply for a trading halt on the day when the application results were announced; if they had not, of the reasons for that; and

(c) whether the authorities have mechanisms in place at present to require listed companies concerned to apply for a trading halt of their stocks before the announcement of any price-sensitive information, so as to maintain fairness in the market and prevent insider dealings; if they have, of the mechanisms; if not, the reasons for that, as well as the measures in place to protect the interests of the small investors?

Reply:

President,

My reply to the three parts of the question is set out below:

(a) To ensure fair enforcement of the law, and avoid affecting those who might be investigated and those who might assist in investigations, the Government and the Securities and Futures Commission (SFC) generally will not comment on the volatility of the stocks of individual listed companies. Likewise, the SFC will not comment on whether investigations in relation to individual listing companies are ongoing, nor disclose related details.

(b) The Commerce and Economic Development Bureau informed the applicants of the outcome of their respective applications for domestic free television programme service licences after the closure of the stock market on October 15, 2013 and thereafter held a press conference to announce the outcome of such applications.

(c) Trading halts are used to address both potential and actual market disorder. Hong Kong, similar to other jurisdictions, has arrangements in place for the exchange to implement trading halts to provide an orderly, informed and level-playing securities market.

As trading halts disrupt the proper functioning of the market, the Stock Exchange of Hong Kong's (SEHK) Listing Rules provide that they should only be made where necessary and in the interests of all parties. Also, the duration of any trading halt should be as short as possible. The SEHK would generally agree to a trading halt in the following circumstance if an issuer announcement cannot be made promptly:

i. an issuer has information which must be disclosed to avoid a false market in its securities where the SEHK is of the view that there is, or there is likely to be, a false market in an issuer's securities; or

ii. an issuer reasonably believes that there is inside information which must be disclosed under the Inside Information provisions of the Securities and Futures Ordinance (SFO);
or

iii. circumstances where an issuer reasonably believes or it is reasonably likely that confidentiality may have been lost in respect of inside information which:

* is the subject of an application to the SFC for a waiver; or

* falls within any of the exceptions to the obligation to disclose inside information under the Inside Information provisions in section 307D(2) of the SFO.

Ends