

Tighten rules on trading of non-tradable shares

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In order to implement the "Guiding suggestions on transfer of non-tradable shares of listed companies", Shenzhen Stock Exchange (SZSE) recently managed to curb the trading of previously non-tradable shares to ensure the proper running of the securities market.

SZSE amended the "Detailed rules on transaction restrictions" by changing the term "transaction restriction not exceeding 15 trading days" into "transaction restriction not exceeding 3 months, and for serious cases the duration will be extended. The amended rules have been officially promulgated today.

SZSE also issued the "Notice on regulation to sales of non-tradable shares" which requires members to enhance the learning and propaganda of the guiding suggestions and the rules and to fully understand the situation of non-tradable shares.

Effective measures should be taken in the over-the-counter transaction system to monitor illegal trading of non-tradable shares. Yesterday, SZSE sent the list of 806 companies who hold more than 1 percent of non-tradable shares to its member companies for reference and implementation.

SZSE also launched "Announcement on urging shareholders to comply with the 'Guiding suggestions on transfer of listed companies 'non-tradable shares'" requiring listed companies to alert and encourage its shareholders to learn the guiding suggestion.

Shareholders of non-tradable shares should be guided to sell shares through bulk transaction system and there are totally 9 shareholders from 5 listed companies traded their shares through the system.

Operation introduction of the "Guiding suggestions" should be framed to specify the requirements for investors and relevant regulatory measures to members, listed companies and shareholders.

Principals from SZSE expressed that strict punishment will be imposed on illegitimate trading of non-tradable shares. For shareholder who had such deeds, no application for new trading of non-tradable shares will be accepted within certain duration;

Principals, who are responsible for illegitimate transactions and have been instated in listed companies, will be publicly announced to be inappropriate for the position. The extended transaction restriction period will be six months to one year.

China Securities Regulatory Commission (CSRC) will probe into such cases, capital accounts will be frozen, exceeded shares should be bought back and illegitimate benefit should be turned in.

The principal also revealed that SZSE today unveiled the punishment decision to Fujian Henglian Stock Co., Ltd with relevant proceedings following the transaction restriction imposed on Fujian Henglian Stock Co., Ltd. on May 6, 2008. Such actions will be kept in credit report and CSRC will undertake further investigation on the case. Fujian Henglian Stock Co., Ltd. publicly made apology and promised not to sell any shares of Guanfu Modern Household Wares (SZSE: 002102) before 31 December 2008.