



INSIDE CLEAR TALK

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ClearTalk

Clear Talk is the information bulletin of Hong Kong Securities Clearing Company Limited. All contributions, enquiries, letters to the editor, and any other items of interest are most welcome and should be addressed to:

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Clear Talk is intended to provide a forum for discussing matters of concern to our readers. While it aims to provide information, the rights and obligations of participants are governed by the General Rules of CCASS and CCASS Operational Procedures. No responsibilities for any loss arising to any person relying upon the information contained in this publication shall be accepted by Hong Kong Securities Clearing Company Limited.



Hongkong Clearing launched the Electronic Initial Public Offering (EIPO) service for CCASS Participants on 17 May 1999. Broker, Custodian and Investor Participants can now apply for new shares of IPOs that accept the EIPO service through the CCASS Terminals and CCASS Phone System.

To give sponsors and market participants a better understanding of the benefits and operations of the EIPO service, HKSCC Registrars Limited, a wholly owned subsidiary of Hongkong Clearing, organised a seminar in March 1999. About 200 executives from financial advisors, investment banks and law firms attended the seminar.

Participants were given an overview of the workflow of the EIPO service and changes to the existing mechanism. Followings are some of the questions raised by them at the seminar:

Q: Is the EIPO system Year 2000 compliant?

A: Yes. The EIPO system is Year 2000 compliant.

Q: At present, most application forms are submitted during the last subscription hour. Can CCASS handle such a sudden upsurge in application instructions?



A: As the EIPO service is only available for CCASS Participants, Hongkong Clearing can get a good estimate of the service usage and keep the possibility of traffic jam (of EIPO instructions) to a minimum. In addition, Hongkong Clearing will increase the number of telephone lines as the number of Investor Participants increases and will consider the possibility of providing internet access to Investor Participants so that they can input their EIPO instructions through internet. Hongkong Clearing has also developed a contingency plan for the EIPO service.

Q: What would happen if the Participant has insufficient money in his designated bank to pay for the application?

A: If insufficient fund is maintained in an applicant's designated bank account, the bank would reject the payment and the receiving bank would be duly advised of the rejection. The share registrar would in turn be informed of the rejection and would arrange to remove the relevant application from balloting.



About 200 executives from financial advisors, investment banks and legal firms attended the EIPO seminar.

Q: In case there is more than one receiving bank for the IPO, which bank account will be credited with the money?

A: In case where there is more than one receiving bank, the subscription money will be credited to the share subscription account of the lead receiving bank.



Q: At present, brokers are not required to input the beneficiary's Hong Kong identity card (HKID) or business registration (BR) number in the application form. Why are they required to do so in the case of EIPO?

A: Under EIPO, the broker can still choose to input a nominee name, such as Account 1, as the beneficial owner. In the case where a personal name or corporate name is entered as the beneficial owner, then the broker is required to input the beneficiary's HKID or BR number. There are two purposes for this arrangement. First, this can avoid multiple applications.



(From left) Suzane Chan, General Counsel; Alan Lee, Executive Director of Operations Services Division; and Patrick Yau, Assistant Director of HKSCC Registrars, answer questions from the floor.

Second, if the broker inputs the investor's HKID or BR number in applying for the shares, the investor can check the number of shares successfully allotted in the newspaper (if the investor's



Participants are shown using a screenphone to input EIPO instructions at the demonstration counter at the seminar.

application is successful, the investor's HKID or BR number will be published in the newspaper).

How do CCASS Broker/Custodian Participants subscribe for shares via their CCASS Terminals?

Step 1: Make sure that the issuer of the relevant IPO accepts the EIPO service. Broker and Custodian Participants can check the availability of the EIPO service of a particular IPO by the 'Enquire Authorised EIPO Announcement' function through the CCASS Terminals or the application procedures published in the prospectus and newspaper advertisements.

Step 2: Input the stock code; share quantity applied for; name of the beneficial owner; Hong Kong identity card number of the beneficial owner or business registration number of the corporate beneficial owner, if the beneficial owner is in a personal name or a corporate name; and the broker seat number (optional) into the CCASS Terminal. Hongkong Clearing will charge \$5 for each electronic application instruction input.

Step 3: Authorise the application instructions inputted by an authoriser.

Step 4: Ensure sufficient application fund is maintained at their designated bank accounts on the closing day. For each authorised application instruction, Hongkong Clearing will issue an electronic payment instruction (EPI) to debit application money from the Participant's designated bank account and credit it to the receiving bank's share subscription account. Hongkong Clearing will charge \$0.8 for each electronic payment instruction generated.

Step 5: On the day before the result announcement, the share registrar will deliver or transmit the results of the allotment to Hongkong Clearing at or before 10:00 am. Participants can enquire about their application results through the CCASS Terminals on the result announcement day. Shares will be recorded in the Participants' CCASS stock accounts at day end on the share posting day and refunds, if any, will be electronically credited to the Participants' designated bank accounts at day end on the refund day. Hongkong Clearing will charge \$0.8 for each EPI generated for the refund of the application subscription money to the partially successful and unsuccessful Participants.

Securities Rule amended to facilitate Stock Borrowing and Lending in CCASS

The introduction of Stock Borrowing and Lending (SBL) service in CCASS gained new impetus with the amendment to Rule 15 of the Securities (Dealers, Investment Advisers, Partnerships and Representatives) Rules in May 1999.

The amended Rule 15 does not apply to securities borrowing of Hong Kong stocks by a recognised clearing house. As a result, broker lenders under CCASS's SBL system are not required to enter into written agreements with Hongkong Clearing for the stock loan transactions and to demand collateral from the Company.

Meanwhile, Hongkong Clearing has organised eight seminars on 'Phase I of the SBL System' for CCASS Intermediary Participants including brokers and custodians, and other market practitioners. A total of 541 representatives from brokers, custodians, stock pledgees, the Stock Exchange and the Securities and Futures Commission attended the seminars. In phase I, Hongkong Clearing will close out all outstanding due/overdue CNS (Continuous Net Settlement) long positions, subject to availability of lendable stocks in the Stock Lending Accounts, from the end of T+2 by borrowing stocks from lenders immediately.

Under the CCASS Rules and Operational Procedures, CCASS Intermediary Participants will lend securities to Hongkong Clearing as principals. If the securities involved belong to a client, the CCASS Participant is required to enter into a Stock Borrowing and Lending Agreement (SBLA) with the client and file the SBLA with the Stamp Office in order to avoid stamp duty liability. Other applicable laws and Stock Exchange Rules should also be observed by the Participant.

All CCASS Intermediary Participants were invited to open a Stock Lending Account in CCASS and become stock lenders of the SBL system. As at 17 May 1999, when Hongkong Clearing launched Phase I of the SBL system, 37 Participants have already opened the Stock Lending Accounts.

On the first three days of the system's operations, Hongkong Clearing has conducted SBL transactions on five stocks, involving 44,200 shares valued at \$514,320.



CSRC Chairman Visits Hongkong Clearing



(From left) Zhou Zhengqing, John Chan and Stewart Shing

China Securities Regulatory Commission's (CSRC) Chairman, Zhou Zhengqing, led a delegation to visit Hongkong Clearing in May 1999. It was Mr Zhou's first tour to the territory to meet key players in the Hong Kong financial market.

Mr Zhou met with Hongkong Clearing's Chairman, Mr John Chan, and Chief Executive, Mr Stewart Shing, to discuss market developments in Hong Kong, including the merging of the two exchanges and three clearing houses, and risk management measures on clearing and settlement.





Visit by Senior PRC Government Officials

A delegation of 42 senior officials from the Peoples' Republic of China's Organization Department, State Bureau of Foreign Experts, and Xinhua News Agency Hongkong Branch, visited Hongkong Clearing in April 1999. The visit was part of a training course on "The Financial Industry Development and How to Prevent Financial Risk". Picture shows the officials picking out familiar names of state enterprises from the list of H shares during their visit to the CCASS Depository.

Hongkong Clearing relaxed the requirement for the appointment of a claimant broker or custodian to recover unclaimed entitlements on behalf of investors in early May 1999. Investors can now choose to appoint a Broker or Custodian Participant other than the withdrawing Participant. A withdrawing Participant refers to the participant who withdraws the shares from the CCASS Depository.

The amendment will make the procedures for unclaimed entitlements more flexible as there are some situations where the withdrawing Participants are unable to claim for their clients, an example being if the withdrawing Participant became insolvent or the proprietor of the withdrawing Participant has passed away.

As share certificates withdrawn from CCASS Depository are registered in the name of HKSCC Nominees Limited, all benefits and entitlements will continue to be distributed to HKSCC Nominees unless the investors re-register the shares in their own names before the relevant book-close dates. If investors forget to re-register their shares before relevant book-close dates and want to recover dividends and other entitlements from HKSCC Nominees, they must request their brokers or custodians to make a claim on their behalf.

The document requirements for making a claim will remain unchanged. Investors, after re-registering the

shares in their own names, should prepare the following documents for making a claim to the claimant brokers or custodians:

- A letter to HKSCC Nominees authorising the claimant broker or custodian to claim the unclaimed entitlements;
- A copy of the Stock Withdrawal Receipt issued by Hongkong Clearing at the time of withdrawal;
- A copy of the purchase contract note;
- A copy/copies of the share certificate(s) withdrawn from the CCASS Depository;
- A copy/copies of the transfer deed(s); and
- A copy of the registrars' transfer receipts with certificate numbers printed thereon for re-registration of the shares.

(All of the above documents must be certified by the claimant broker or custodian.)

In addition to these documents, the claimant broker or custodian should prepare a letter of indemnity and a claim letter. A fee of \$200 per claim plus other relevant nominee service fees will be charged to the claimant broker or custodian.

However, to avoid paying the service fee and the time-consuming claim procedures, Participants should remind their clients to re-register the shares in their own names immediately upon withdrawal from the CCASS Depository.

Procedures for Unclaimed Entitlements

Made More Flexible



Second street-wide test **successfully completed**

The second session of Year 2000 (Y2K) compliance street-wide test was successfully completed in March 1999. No Y2K related problems were detected in CCASS.

The aggregate participation in the first and second sessions is 98 per cent of CCASS Participants (except Investor Participants) and Designated Banks. Enrolled organisations in the second

session of the street-wide test totalled 107 (including 82 brokers, six custodians, two stock pledgees and 17 Designated Banks). The remaining two per cent are those who use manual systems or whose businesses are inactive. Two Participants were noted with major exceptions and are required to participate in the third session of the street-wide test, which will be held in June 1999.

Like the first street-wide test, all key CCASS functions such as clearing and settlement of exchange and non-exchange trades, depository and nominee functions were tested in the second session. Full test results submitted by Participants were analysed and further reports were submitted to the Securities and Futures Commission (SFC) in early May 1999.

The SFC, the Stock Exchange and Hongkong Clearing all regard the Y2K issue a very serious matter. Regulatory measures and disciplinary action may be taken against CCASS Participants and Designated Banks who fail to ensure their systems are Y2K compliant by the key milestones set by the regulators. CCASS Participants and Designated Banks are also required to put in place proper contingency plans for their businesses.

Hongkong Clearing has been invited by the International Securities Services Association (ISSA) to chair its first Regional Forum Asia-Pacific until May 2000. The Forum will hold an ISSA Regional Conference in Hong Kong on 30 September 1999.

The Regional Conference aims to give members an opportunity to intensify personal contacts and to discuss issues of mutual interests. ISSA's members include brokers, custodians, depositories and stock exchanges.

The key topic of the Hong Kong Conference is "Convergence of Infrastructure of Exchanges: Impact on the local market and the entire region", which would be the subject of presentations, panel discussion and group discussions.

The Regional Conference for Europe will be held in Zurich on 2 July 1999 and the Regional Conference for Americas will be held in New York on 12 November 1999.



ISSA's Regional Forum Asia-Pacific - Hong Kong Conference

CCASS STATISTICS

The market picked up again in March and rose gradually in April 1999. At the end of March, the Hang Seng Index was 10,942. It moved in a continuing upward trend throughout April. At the end of April, it was 13,333. Its highest closing for April was 13,365 on the 27th.

Exchange Trades

In March, an average of 57,378 trades were processed daily in CCASS, involving 3.24 billion shares with a value of \$5.23 billion. In April, the daily average trades handled by CCASS increased to 99,950, involving 5.26 billion shares with a value of \$9.03 billion.

During the months of March and April, more than 99.99 per cent of Exchange trades were processed daily in CCASS.

Netting Efficiency of CNS Trades

In March, an average of 56,603 Exchange trades valued at \$4.92 billion went through CCASS daily for CNS. An average of 17.88 per cent of the novated contracts created were due for settlement daily.

The daily average number of trades went through CCASS for CNS in April increased to 98,666 valued at \$8.29 billion. After novation and netting, 15.94 per cent of the novated contracts were due for settlement daily.

In March, novated contracts generated a daily average of \$9.84 billion in money obligations which were netted to \$3.04 billion. Daily average funds netting efficiency was 70.05 per cent. In April, \$16.57 billion a day in money obligations were netted to \$4.15 billion. Daily average funds netting efficiency was 74.74 per cent.

Settlement Efficiency of CNS Stock Positions

The daily average settlement efficiency rate of CNS stock positions for March was 99.54 per cent on the due day and 99.97 per cent on the settlement day following the due day. The corresponding figures for April were 99.37 per cent and 99.94 per cent.

Settlement Instructions (SIs)

In March, an average of 16,022 SIs were settled daily in CCASS, involving 3.53 billion shares with a market value of \$14.12 billion.

In April, the figures increased to 23,325 SIs, involving 4.73 billion shares with a value of \$22.15 billion.

Investor Settlement Instructions (ISIs)

In March, an average of 117 ISIs were settled daily in CCASS, involving 26.62 million shares with a market value of \$29.92 million.

In April, an average of 185 ISIs were settled daily in CCASS, involving 32.78 million shares with a market value of \$39.24 million.

Depository Transactions

In March, the CCASS Depository handled an average of 947 deposit and withdrawal transactions per business day. The number of share certificates processed daily amounted to 11,000. The corresponding figures for April were 2,247 transactions involving 27,000 share certificates per business day.

As at the end of April, 904 stocks had been admitted into CCASS for clearing and settlement. About 363.47 billion shares were under the custody of the CCASS Depository, representing 50.94 per cent of the total number of shares of the admitted stocks in issue. The total market value of the shares was \$1,012.30 billion, representing 29.33 per cent of the total market capitalisation of the admitted stocks.

Participants

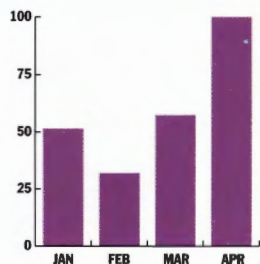
At the end of April, there were 2,625 CCASS Participants, comprising 491 Broker Participants, 60 Custodian Participants, seven Stock Pledgee Participants, one Clearing Agency Participant and 2,066 Investor Participants.

OPERATIONS HIGHLIGHTS (JAN-APR 99)

Average Daily Stock Exchange Trades Processed in CCASS

(including CNS trades, isolated trades and cross trades)

Quantity in thousands

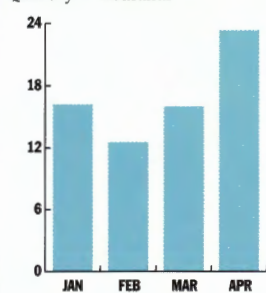


	Number of trades	% of total number of Exchange trades
Jan	51,445	99.99
Feb	31,871	99.99
Mar	57,378	99.99
Apr	99,950	99.99

Average Daily Settlement Instructions (SIs) Settled in CCASS

(both receiving and delivering SIs are counted)

Quantity in thousands

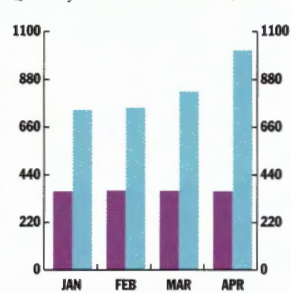


	Number of SIs	SIs by shares (billion)	SIs by value (\$ billion)
Jan	16,213	3.40	14.60
Feb	12,555	3.08	11.88
Mar	16,022	3.53	14.12
Apr	23,325	4.73	22.15

Securities under CCASS Custody

(balances at the end of each month)

Quantity in billions \$ billion

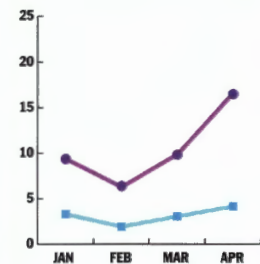


	Number of shares (billion)	Market value (\$ billion)
Jan	362.73	738.70
Feb	365.92	749.59
Mar	365.15	824.12
Apr	363.47	1,012.30

Average Daily Funds Netting Efficiency under CNS

(balances at the end of each month)

\$ billion



	Money obligations arising from novated contracts (\$ billion)	Money obligations after netting (\$ billion)	Funds netting efficiency (%)
Jan	9.36	3.30	65.62
Feb	6.27	1.92	68.92
Mar	9.84	3.04	70.05
Apr	16.57	4.15	74.74

Quick Quiz

1. How can CCASS Intermediary Participants give written instructions to Hongkong Clearing, for example, to deposit securities into their Stock Accounts in CCASS ?

2. How many business days of advance notice should CCASS Intermediary Participants give to Hongkong Clearing for updating their lists of Authorised Signatories?

3. Which department should CCASS Intermediary Participants submit their documents to change their lists of Authorised Signatories?

Answers on page 8.

CCASS NOTICE BOARD

Hongkong Clearing introduced the Stock Borrowing and Lending service on 17 May 1999.

CCASS Participants who act as stock lenders can recall their open-ended active lending position by inputting a recall request.



A lending position will be immediately settled by a stock return upon the input of the recall request if a replacement lender with sufficient lendable position is found. The lending position will then be updated from 'A-Active' to 'T - Fully Returned' status.

If a replacement lender is not immediately and successfully found, the lending position status will be updated to 'R - Recalled'. If the recall request is input

before 12:00 noon, it will be recognised as a recall of the current day. If the recall request is input on or after 12:00 noon, it will be recognised as a recall request of the next business day.

Participants can specify which Stock Account is to be used for receiving the returned stock and whether cash in lieu of stock will be elected if there is no stock return by five business days (except Saturday) following the recall date.

If the recall request cannot be settled by stock return by five business days following the recall date, and the stock lender opts for cash compensation, Hongkong Clearing, as the stock borrower, will compensate the stock lender with cash.

DIRECT STOCK ADMISSIONS

During the two months of March and April 1999, a total of 50 eligible new issues were admitted to CCASS of which 6 issues adopted Jumbo Certificate arrangement.

	Ordinary Shares	Preference Shares	Registered Warrants	Debts	Rights	Total
Eligible new issues listed on the Stock Exchange and admitted to CCASS	5	0	42	0	3	50
Issues adopted Jumbo Certificate arrangement	5	0	1	0	N/A	6

Quick Quiz

1. Each CCASS Intermediary Participant must provide Hongkong Clearing with a list of authorised persons as its Authorised Signatories to give written instructions to Hongkong Clearing in connection with any matters relating to its participation and operations in CCASS.

2. CCASS Intermediary Participants must inform Hongkong Clearing at least five business days in advance for updating their lists of Authorised Signatories.

3. CCASS Intermediary Participants should complete and submit the prescribed documents to the Participant Admission Department of Hongkong Clearing.

- Reaching out... • Applying for Shares by Phone
 - Exchange Fund Notes
- Preparations for the Millennium
- Corporate Representatives and Proxies
 - Five More Designated Banks

REACHING OUT...

Hongkong Clearing Promotes Investor Account Service at Broker's Offices

About 200 clients of Core Pacific – Yamaichi Securities (H.K.) Limited attended two seminars on Investor Account Service, given by Hongkong Clearing at its Tsuen Wan and North Point branches in March and April 1999.

The operations and benefits of the Investor Account Service were explained to investors in detail. Upcoming plans of the Service, including the implementation of Electronic Initial Public Offering subscription, settlement and tendering of Exchange Fund Notes via CCASS, access to Investor Accounts through the Internet and the move towards straight-through processing of securities transactions were also covered in the seminars.

Investors were particularly interested in the stock transfers and money settlement facility provided with the Service. Some investors even filled in the Investor Account Application Forms immediately after the seminars.

Other Broker or Custodian Participants who would like to organise similar seminars for their clients at their offices are welcome to contact our Corporate Communications Department at 2597 0876.



Picture shows Hongkong Clearing's executive explaining the operations of an Investor Account to investors at the North Point Branch of Core Pacific - Yamaichi Securities (H.K.) Limited.

APPLYING FOR SHARES BY PHONE

Effective 17 May 1999, Investor Participants can apply for new shares directly through the CCASS Phone System for Initial Public Offerings (IPOs) which accept electronic IPO applications. Investor Participants can check the availability of the electronic IPO service for a particular IPO through the enquiry function of the CCASS Phone System, or by reference to the application procedures published in the prospectus and newspaper advertisements.

Investor Participants can input the

number of shares they wish to apply through the CCASS Phone System and save the time in getting, filling and returning application forms. They can also use the on-line enquiry function to enquire about the application details and allotment results.

The application money will be electronically debited from Investor Participants' designated bank accounts at day-end on the closing day and refunded to partially successful or unsuccessful Participants' designated bank accounts at day-end on the refund

day. Shares allotted will also be credited to Participants' CCASS stock accounts at day-end on the share posting day, that is, the despatch day for share certificates.

Fees for the electronic IPO service are charged at \$5 per electronic application instruction and \$0.8 per payment instruction generated. The subscription hours for the service are as follows:

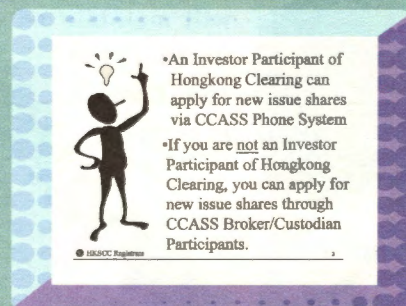
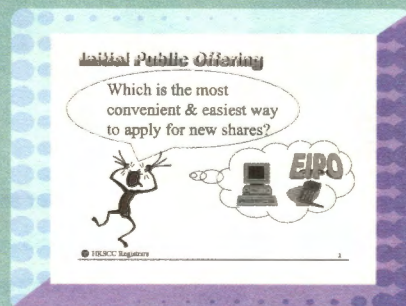
Within the application period

Mon - Fri (9:00 am to 7:00 pm)

Sat (9:00 am to 3:00 pm)

On application closing day

9:00 am to 12:00 noon



TENDERING AND SETTLEMENT OF EXCHANGE FUND NOTES VIA CCASS

Investor Participants will be able to tender for and settle Exchange Fund Notes (EFN) through CCASS, the Central Clearing And Settlement System, when EFN is listed on the Stock Exchange.

At present, trading of EFN is conducted among professional players over the counters and settled via the Central Moneymarkets Unit (CMU) of the Hong Kong Monetary Authority. A second market for EFN, the Exchange EFN market, will be launched in August 1999 with the listing of EFN on the Exchange. As with the Professional EFN market, the Exchange EFN market will be completely scripless. Trading will be handled by the current Automatic Order Matching And Execution System (AMS) of the Exchange, and settlement will be processed by CCASS.

Trading and Settlement

Like other listed securities, trading of EFN will be handled by CCASS Broker Participants. Yet an Investor Participant will be able to safekeep the EFN in his Investor Account. Hongkong Clearing will provide the book-entry transfer facilities by means of Investor Settlement Instruction (ISI) for effecting EFN transfers between Investor Accounts and Broker Participants' stock accounts. The Company will also facilitate the money settlement of ISI transactions for EFN by generating Electronic Payment Instructions or the CHATS Payment Instructions.

Settlement between brokers will be executed on a trade-for-trade basis. The settlement period will remain at T+2 (two business days after the trade day) to allow sufficient time for brokers and their clients to complete delivery and payment. Accrued interest for settlement calculation and interest payment will also be handled by CCASS. For Investor Participants, the settlement procedure of EFN is very similar to that of stocks.

Tendering

As a recognised dealer and a member of the CMU, Hongkong Clearing will maintain an account with the CMU. Investor

Participants can participate in the tendering for new EFN issues directly via CCASS.

Tender instructions for EFN by Investor Participants should be made between two to four days before HKMA's tender day (t), by inputting instructions via the CCASS Phone System. Tenders should be in multiples of \$50,000, which is the minimum denomination size of EFN and which forms a board lot for trading on the Exchange. A board lot will contain 500 units, each worth \$100.

CCASS will collect tender monies of all tender instructions at day-end of t-2, i.e. two days before the tender day. Tender monies are confirmed good fund before day-end of t-1. Tender instruction files are transmitted to CMU at 9:00 am on t day and CCASS will receive the tender result from CMU at about noon on the same day. For unsuccessful and partially successful tender instructions, tender monies will also be refunded at day-end of t day by Direct Credit Instructions.

Allocated EFN will be posted to Participants' stock accounts at day-end of t+1 and the EFN will normally be listed on the Exchange on t+2.

For every authorised or cancelled tender instruction input, CCASS will charge an Investor Participant \$5. In addition, a brokerage fee of 0.1% of the tender monies will be collected by CCASS on behalf of brokers or the Exchange.

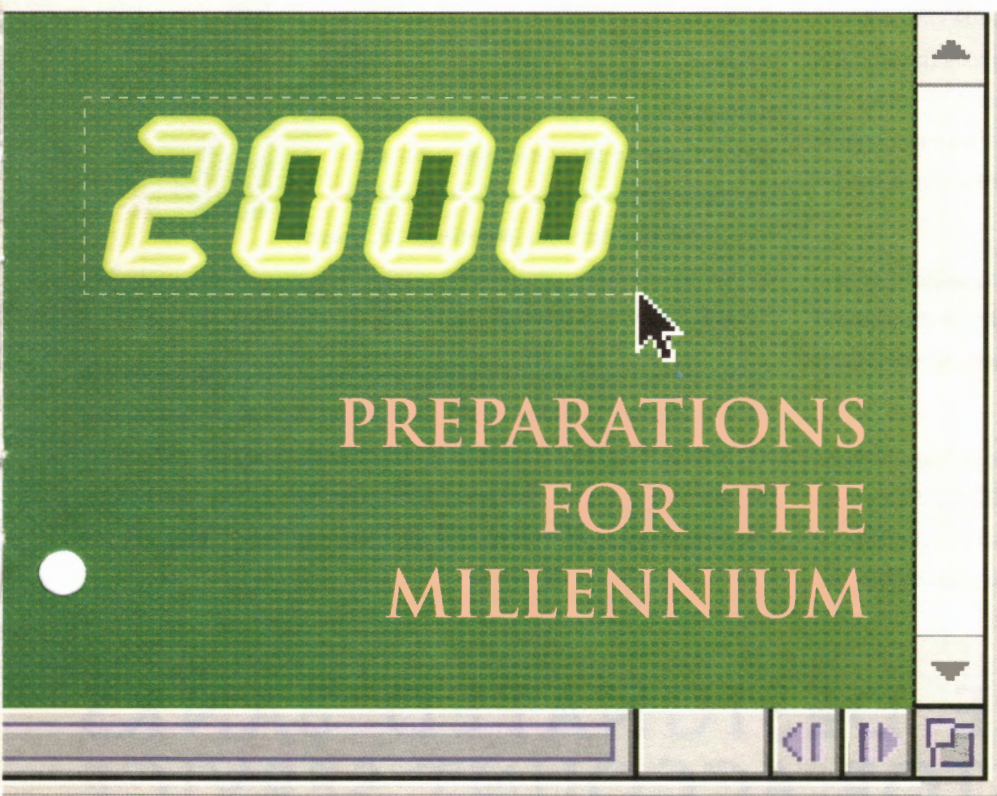
For example, if an Investor Participant wants to bid for two board lots (1,000 units) of an EFN at the price of \$99.5 per unit, he will have to pay the following:

Tender monies:	$\$99.5 \times 1,000 \text{ units} =$	\$99,500
CCASS service fee:	$\$5 \times 1 \text{ instruction} =$	\$5
Brokerage fee:	$\$99,500 \times 0.1\% =$	\$99.5
Total:		\$99,604.5

EXCHANGE FUND NOTES TENDER PROCESSING SCHEDULE

t-4 Day	t-3 Day	t-2 Day	t-1 Day	t (Tender)Day	t+1 Day	t+2 Day
<p>Announcement of new EFN issue by CMU in the morning</p> <p>Commencement of tender instruction input by Investor Participants via CCASS Phone System (2:00 pm - 7:00 pm)</p>	<p>Tender instruction input by Investor Participants via CCASS Phone System continues (9:00 am - 7:00 pm)</p>	<p>Closing of tender instruction input (3:45 pm)</p> <p>Collection of tender monies by CCASS (After 3:45 pm)</p>	<p>Modification and cancellation of tender instructions by Investor Participants via CCASS Phone System (9:00 am - 3:45 pm)</p>	<p>Submission of tender instructions to CMU by CCASS (9:00 am)</p> <p>Announcement of preliminary allotment result by CMU (About 12:00 noon)</p>	<p>Actual allotment by CCASS after receipt of allotment result from CMU (After 7:00pm)</p>	<p>Listing and trading of EEN on the Exchange</p>

Note: Tender instruction input on Saturday : 9:00 am - 3:00 pm
 Modification and cancellation of tender instructions on Saturday : 9:00 am - 1:00 pm
 CMU = Central Moneymarkets Unit



year "2000" or year "1900" when the Year 2000 (Y2K) arrives. This may result in computer systems' inability to operate normally.

CCASS is essentially Y2K compliant by design. Our system uses four-digit years for all dates internally and in all external data file interfaces. However, Hongkong Clearing still has to ensure the systems which interface with CCASS are also Y2K compliant. Thus, Hongkong Clearing and other major business partners, such as The Stock Exchange of Hong Kong (SEHK), SEHK Options Clearing House, The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Interbank Clearing Limited (HKICL), and CCASS Participants, participated in two street-wide tests this year. Ninety eight per cent of CCASS Participants (including broker, custodian and stock pledgee) joined the tests and no Y2K related problems were detected in CCASS. The third session of the street-wide test will be conducted in June 1999.

Many investors must have heard about the millennium bug. In the early years when computers were being developed, computer capacity and memory space were very limited and costly. In order to save memory space and the cost of computer systems, when programmers input data, they used to record years using the last two digits of the year only. Thus, Year 1999 were recorded as "99" instead of "1999".

As computer systems only use two digits to record four-digit years, they may not be able to conclude whether the digit "00" represents

In addition, to ensure that telecommunication services are not disrupted during the century rollover, SEHK, Hong Kong Futures Exchange, Hongkong Telecom and Hongkong Clearing have successfully conducted Y2K testings on the critical network service facilities in February 1999.

Hongkong Clearing is coordinating with its major business partners including SEHK and HKICL on the contingency plan for century rollover. The Company will also conduct drill tests in the second quarter of 1999.

APPOINTMENT OF CORPORATE REPRESENTATIVES AND PROXIES

Hongkong Clearing implemented the "Appointment of Corporate Representatives and Proxies (CRP)" service on 17 May 1999. The CRP service allows beneficial owners of shares held in CCASS to attend and vote at the general meetings of listed companies either as an authorised representative or a proxy appointed by HKSCC Nominees Limited.

Participants should note that the rights of the authorised representative or proxy of HKSCC Nominees to speak, vote and demand poll at the general meetings will be subject to the provisions of the constitutive documents of the listed issues and the applicable laws. Normally, Hongkong Clearing will only provide the CRP service to those general meetings that allow the authorised representative or proxy of HKSCC Nominees to vote at the meetings.

Individual and Joint Individual Investor Participants who wish to attend the meeting themselves can input their requests through the CCASS Phone System by following the instructions given by the interactive voice system when they dial 2979 7888. Only one account holder from each Joint Individual Investor Account can attend a particular meeting.

As for Corporate Investor Participants, each Corporate Investor Participant can nominate one representative to attend the general meetings of listed companies by filling and submitting the prescribed form in person to the Investor Service Centre.

The new service will operate side by side with the existing service so that Investor Participants may still instruct HKSCC Nominees through the CCASS Phone System to vote on their behalf by inputting the voting instructions in respect of their shareholdings.



CCASS Intermediary Participants such as brokers and custodians can also nominate their clients, who are beneficial owners of shares held in CCASS, to attend the general meetings of listed companies as authorised representatives or proxies appointed by HKSCC Nominees through the CCASS Terminals.

They may also indicate their voting preference which the proxy will act in accordance with or, if this is not specified, the appointment will entitle the proxy to vote at his discretion. They should ensure that the voting instruction and CRP instruction do not exceed their shareholdings as of voting end date for meetings which are not subject to a book-close period.

FIVE MORE DESIGNATED BANKS FOR INVESTOR ACCOUNT SERVICE

From 17 May 1999, five more banks have become Designated Banks for Investor Account Service. They are **Bank of China, Hua Chiao Commercial Bank Ltd, Kincheng Banking Corporation, Sin Hua Bank Ltd and The China and South Sea Bank Ltd.**

The new additions bring to 37 the number of CCASS Designated Banks providing money settlement services for Investor Participants, of which 20 support Realtime Delivery versus Payment (RDP) service.

The five additional banks only provide Direct Debit Instruction, Direct Credit Instruction and Electronic Payment Instruction services, but not CHATS (Clearing House Automated Transfer System) payment services for RDP settlement.