



Hong Kong Exchanges and Clearing Limited

香港交易及結算所有限公司

Hong Kong Exchanges and Clearing Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 388)

The Board of Hong Kong Exchanges and Clearing Limited (“HKEx”) has approved a review of its fees and a package of fee changes (“Fee Proposals”). Pursuant to Section 76 of the Securities and Futures Ordinance (“SFO”), the Fee Proposals are subject to approval of the Securities and Futures Commission (“SFC”).

At the meeting held today, the Board approved a review of fees and charges to satisfy a requirement of the SFC, and in addition, approved the Fee Proposals. The Fee Proposals will be submitted to the SFC for its approval under Section 76 of the SFO. The Fee Proposals mainly involve changes in fees of the clearing houses, and will be implemented in stages.

The following is a summary of the proposed phase 1 changes under the Fee Proposals –

- (a) to reduce the scrip fee of Hong Kong Securities Clearing Company Limited (“HKSCC”) by 40% for all issues upon commencement of dematerialisation of share certificates planned for 2006 subject to the completion of the legislative process and amendments to the Listing Rules and the General Rules of CCASS. The current scrip fee is HK\$1.5 per board lot (for collection on book close dates and corporate action effective dates) and HK\$0.75 per board lot (for collection on deemed book close dates and dates upon termination of participation in CCASS) on net increases in aggregate holdings of registered securities since the date on which the fee was last collected;
- (b) to increase the minimum Stock Settlement fees for Exchange Trades and Settlement Instructions (“SI”) transactions from HK\$2.00 to HK\$3.00;
- (c) to replace the custody fee, the dividend and debt securities interest collection service fee and the corporate action service fee with a single custody fee at 0.01% per annum of the value of the securities deposited by CCASS Participants into CCASS, with a cap of HK\$300,000 per month; and
- (d) to abolish the HK\$1 SI input fee.

The abolition of the remaining 60% of scrip fee will occur in phase 2 of the Fee Proposals, which is planned to take effect alongside with the dematerialisation of issuer certificates in CCASS on a per listed issue basis. A new deposit fee of HK\$10.00 per physical certificate deposited into CCASS would also be introduced during phase 2.

Other than the above fee changes, HKEx proposes changes to the following fees and charges as soon as practicable subject to the approval of the SFC of the changes and related amendments to the relevant rules and regulations –

- (a) to abolish the interest retention rate of 1.2% for HKFE Clearing Corporation Limited (“HKCC”), and that of 2% for The SEHK Options Clearing House Limited (“SEOCH”) on margin deposits, and rebate interest to Participants at the prevailing bank savings deposit rate on their cash margin deposits. However, Participants will be charged the negative interest if the bank savings deposit rate is negative; and
- (b) to reduce the accommodation charges levied by HKCC and SEOCH from 1.2% and 2% respectively to 0.5% on utilised non-cash collateral.

Based on the level of activities in 2003, and the assumption of full implementation of the Fee Proposals, the overall financial impact of the Fee Proposals on HKEx would be a decrease in revenue of approximately HK\$48 million on a yearly basis.

The Board notes that the part of the Fee Proposals relating to HKSCC, which are subject to the approval of the SFC, are based on the enactment in future of legislation to facilitate the dematerialisation of share certificates and the eventual implementation of the scripless project. Assuming the eventual full implementation of the Fee Proposals, the financial impact on HKEx will also be dependent upon many factors, including but not limited to, interest rates, trading and settlement activities, share deposit activity, share custody and related activities, and futures and options markets activities and use of cash versus non-cash collateral.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
LEE Yeh Kwong, Charles
Chairman

Hong Kong, 16 March 2005

As at the date of this announcement, the Board of Directors of HKEx comprises 12 independent non-executive Directors, namely Mr LEE Yeh Kwong, Charles (Chairman), Mr FAN Hung Ling, Henry, Mr FONG Hup, Mr FRESHWATER, Timothy George, Dr KWOK Chi Piu, Bill, Mr LEE Jor Hung, Dannis, Mr LEE Kwan Ho, Vincent Marshall, Mr LEONG Ka Chai, Dr LO Ka Shui, Mr STRICKLAND, John Estmond, Mr WEBB, David Michael, Mr WONG Sai Hung, Oscar, and one executive Director, Mr CHOW Man Yiu, Paul, who is also the Chief Executive.

Please also refer to the published version of this announcement in South China Morning Post.