

(Expressed in Hong Kong dollars)

I. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (SSAP) 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed consolidated interim accounts should be read in conjunction with the 2000 annual accounts.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

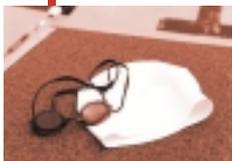
- SSAP 9 (revised) : Events after the balance sheet date
- SSAP 26 : Segment reporting
- SSAP 28 : Provisions, contingent liabilities and contingent assets

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below:

(a) SSAP 9 (revised): Events after the balance sheet date

Under SSAP 9 (revised), dividends proposed or declared after the balance sheet date are no longer recognised as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated accordingly.

As detailed in note 18, opening retained earnings at 1 January 2001 have increased by \$260,166,000 which is the reversal of the provision for the 2000 proposed final dividend previously recorded as a liability as at 31 December 2000. A corresponding decrease in current liabilities by \$260,166,000 has been reflected in the comparative 31 December 2000 balance sheet.



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

Changes to headings used in the previously reported 31 December 2000 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

(b) SSAP 26: Segment reporting

In note 3 to these condensed consolidated interim accounts, the segment income and results and the 2000 comparative information have been presented in accordance with SSAP 26. Business segments have been used as the primary reporting format as all business activities are conducted in Hong Kong.

(c) SSAP 28: Provisions, contingent liabilities and contingent assets

Under SSAP 28, estimated costs of reinstating leased premises to their original conditions have to be recognised as a provision. The corresponding amounts are capitalised as leasehold improvements and amortised to the profit and loss account over the remaining life of the leases. This change in accounting policy has been applied retrospectively and the comparatives presented have been restated to conform to the changed policy. Consequently, as detailed in note 18, opening retained earnings at 1 January 2000 have decreased by \$15,012,000 which represents the accumulated amortisation of reinstatement costs in prior years, and the comparative 31 December 2000 balance sheet has been restated by the following amounts:

- cost of fixed assets increased by \$34,517,000 (note 8);
- accumulated amortisation increased by \$18,991,000 (note 8);
- provision under current liabilities increased by \$8,360,000 (note 14);
- provision under non-current liabilities increased by \$26,157,000 (note 14); and
- retained earnings decreased by \$15,012,000 (note 18).

Following the adoption of SSAP 28, as detailed in note 10, \$19,060,000 of amounts reserved for successful claims in the Compensation Fund Reserve Account have been reversed and transferred to the Compensation Fund Reserve Account reserve in the comparative 31 December 2000 balance sheet as they did not meet the recognition and measurement criteria for a liability prescribed in the new standard since neither a legal nor a constructive obligation existed and the amount payable to the Compensation Fund, if any, could not be reliably quantified.

2. Turnover

Turnover comprises transaction levy, trading tariff and trading fees from securities and options traded on The Stock Exchange of Hong Kong Limited (Stock Exchange) and derivatives contracts traded on Hong Kong Futures Exchange Limited (Futures Exchange), Stock Exchange listing fees, clearing and settlement fees, depository, custody and nominee services fees, income from sale of information, interest income and other income, which are **disclosed as Income** in the condensed consolidated profit and loss account.

3. Segment Information

The Group's income is derived solely from business activities in Hong Kong. An analysis of the Group's income and results for the period by business segments is as follows:

	Six months ended 30 June 2001 (unaudited)					
	\$'000					
	Cash Market	Derivatives Market	Clearing Business	Others	Elimination	Group
Income						
External	489,762	74,415	227,748	–	–	791,925
Inter-segment	5,117	–	79	–	(5,196)	–
Interest and other income						
– segment	2,761	63,674	32,276	–	–	98,711
– unallocated	–	–	–	110,571	–	110,571
	<u>497,640</u>	<u>138,089</u>	<u>260,103</u>	<u>110,571</u>	<u>(5,196)</u>	<u>1,001,207</u>
Segment results	<u>304,366</u>	<u>65,274</u>	<u>145,390</u>	<u>110,571</u>	<u>(3,017)</u>	622,584
Unallocated costs						(218,326)
Profit before taxation						404,258
Taxation						(38,705)
Profit attributable to shareholders						<u>365,553</u>



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

3. Segment Information (continued)

Six months ended 30 June 2000 (unaudited)

\$'000

	Cash Market	Derivatives Market	Clearing Business	Others	Elimination	Group
Income						
External	608,757	60,993	311,913	–	–	981,663
Inter-segment	–	–	–	–	–	–
Interest and other income						
– segment	10,765	75,245	30,438	–	–	116,448
– unallocated	–	–	–	128,583	–	128,583
	<u>619,522</u>	<u>136,238</u>	<u>342,351</u>	<u>128,583</u>	<u>–</u>	<u>1,226,694</u>
Segment results	<u>470,897</u>	<u>35,866</u>	<u>218,119</u>	<u>128,583</u>	<u>–</u>	853,465
Unallocated costs						(226,639)
Profit before taxation						626,826
Taxation						(72,428)
Profit attributable to shareholders						<u>554,398</u>

The Cash Market business mainly refers to the operations of the Stock Exchange, which covers all products traded on the cash market platforms, such as equities, debt securities, unit trusts, warrants and rights. Currently, the Group operates two cash market platforms, the Main Board and the Growth Enterprise Market. The major sources of income of the business are transaction levy, trading tariff, listing fees and income from sale of information.

The Derivatives Market business mainly refers to the derivatives products traded on the Futures Exchange and the Stock Exchange, which includes the provision and maintenance of trading platforms for a range of derivatives products, such as equity, currency and interest rate futures and options. Its income mainly comes from the trading fees imposed and the interest income on the margin funds received.

3. Segment Information (continued)

The Clearing business refers mainly to the operations of Hong Kong Securities Clearing Company Limited (HKSCC), which is responsible for clearing, settlement and custodian activities and the related risk management of cash market activities. Its income is derived primarily from the fees charged on providing clearing, settlement, depository and nominee services.

Other income and unallocated costs represent transactions and overheads which are not directly attributable to the above-mentioned business segments.

4. Transaction Levy, Trading Tariff and Trading Fees

	Unaudited	
	Six months ended 30 Jun	
	2001	2000
	\$'000	\$'000
Transaction levy, trading tariff and trading fees are derived from:		
Securities and options traded on the Stock Exchange	145,571	284,072
Derivatives contracts traded on the Futures Exchange	48,152	41,928
	<u>193,723</u>	<u>326,000</u>



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

5. Interest Income

	Unaudited	
	Six months ended 30 Jun	
	2001	2000
	\$'000	\$'000
Interest income from bank deposits and non-trading securities	253,754	330,143
Interest expense payable to Participants on margin funds received and cash collateral	(54,286)	(101,363)
	<u>199,468</u>	<u>228,780</u>

6. Taxation

Taxation in the condensed consolidated profit and loss account represents:

	Unaudited	
	Six months ended 30 Jun	
	2001	2000
	\$'000	\$'000
Provision for Hong Kong Profits Tax for the period	37,119	73,091
Overprovision in respect of prior years	—	(4,247)
	<u>37,119</u>	<u>68,844</u>
Deferred taxation	1,586	3,584
	<u>38,705</u>	<u>72,428</u>

Hong Kong Profits Tax has been provided for at 16 per cent (2000: 16 per cent) on the estimated assessable profits for the period.

7. Earnings Per Share

The calculation of basic earnings per share is based on profit attributable to shareholders of \$365,553,000 (2000: \$554,398,000) and on the assumption that the 1,040,664,846 shares were in issue as set out in note 15 throughout the six-month periods ended 30 June 2001 and 30 June 2000.

The share options outstanding as set out in note 15 did not have a material dilutive effect on the basic earnings per share.

8. Fixed Assets

The Group is heavily reliant on the capability and reliability of its computer systems for its business operations, including those required for its electronic trading platforms and for post-trading clearing and settlement services. The total cost of additions to fixed assets of the Group during the six months to 30 June 2001 was \$128,536,000 (2000: \$153,609,000) of which \$86,898,000 (2000: \$116,981,000) or 68 per cent (2000: 76 per cent) was on computer systems, hardware and software.

In addition, as a result of the adoption of SSAP 28, as detailed in note 1(c), the cost and the accumulated amortisation of fixed assets have been adjusted up by \$34,517,000 and \$18,991,000 respectively to account for the reinstatement costs of leased premises as at 31 December 2000.



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

9. Clearing House Funds

	Unaudited at 30 Jun 2001 \$'000	Audited at 31 Dec 2000 \$'000
Net asset values of Clearing House Funds are as follows:		
HKSCC Guarantee Fund	354,231	353,601
SEOCH Reserve Fund	117,132	117,132
HKCC Reserve Fund	419,162	419,162
	<u>890,525</u>	<u>889,895</u>
Net assets of the Clearing House Funds are composed of:		
Unlisted non-trading securities, at fair value		
– debt securities	408,139	431,551
Contributions receivable from Participants	28,220	30,450
Other receivables	4,109	7,938
Bank balances and time deposits	467,842	436,822
	<u>908,310</u>	<u>906,761</u>
Less:Accounts payable	(17,785)	(16,866)
	<u>890,525</u>	<u>889,895</u>
The Clearing House Funds are funded by:		
Participants' contributions	416,370	415,740
Clearing Houses contributions and accumulated investment income net of expenses appropriated from retained earnings (note 17)	474,155	474,155
	<u>890,525</u>	<u>889,895</u>

9. Clearing House Funds (continued)

The HKSCC Guarantee Fund provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting Clearing Participants arising from their Stock Exchange trades accepted for settlement on the Continuous Net Settlement (CNS) basis and defective securities deposited into Central Clearing and Settlement System (CCASS). The SEHK Options Clearing House Limited (SEOCH) Reserve Fund and the HKFE Clearing Corporation Limited (HKCC) Reserve Fund were established for the exclusive purpose of supporting SEOCH and HKCC to fulfil their counterparty obligations in the event that one or more Clearing Participants fail to meet their obligations to SEOCH and HKCC.

Contributions receivable from Participants are payable within one month unless a valid bank guarantee is provided by the Participants to the Clearing House Fund concerned.

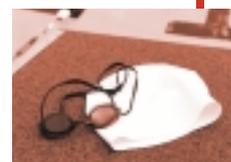
10. Compensation Fund Reserve Account

The Securities and Futures Commission (SFC) is responsible for maintaining the Unified Exchange Compensation Fund (Compensation Fund). The Stock Exchange is required by the Securities Ordinance (SO) to deposit with the SFC and keep deposited \$50,000 in respect of each Stock Exchange Trading Right in the Compensation Fund. The Stock Exchange maintains an account known as the Compensation Fund Reserve Account for all receipts and payments in relation to the Compensation Fund under the Rules of the Exchange, in particular the following:

- (i) the interest received from the SFC on the statutory deposits paid in respect of each Stock Exchange Trading Right into the Compensation Fund maintained by the SFC;
- (ii) amounts received or paid out in relation to each of the Stock Exchange Trading Rights granted or revoked by the Stock Exchange respectively; and
- (iii) amounts reserved for successful claims to the Compensation Fund.

The Compensation Fund is further explained in note 21(a).

Following the adoption of SSAP 28, as detailed in note 1(c), \$19,060,000 of the general provision for successful claims in the Compensation Fund previously included as non-current liabilities has been reversed as no obligation existed as at 31 December 2000.



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

II. Cash and Derivatives Market Development Fund (CDMD Fund)

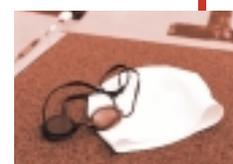
	Unaudited at 30 Jun 2001 \$'000	Audited at 31 Dec 2000 \$'000
Net asset value of HKCC's CDMD Fund	<u>914</u>	<u>914</u>
The Fund is composed of:		
Unlisted non-trading securities, at fair value		
– debt securities	900	–
Bank balances	14	–
Others	–	914
	<u>914</u>	<u>914</u>
The Fund represents:		
Accumulated investment income net of expenses appropriated from retained earnings (note 17)	<u>914</u>	<u>914</u>
	<u>914</u>	<u>914</u>

The CDMD Fund was established by the cash received from the Hong Kong Futures Guarantee Corporation Limited (the former clearing house of the Futures Exchange) for the purpose of providing funding for the development and betterment of the cash and derivatives markets in Hong Kong.

12. Margin Funds on Derivatives Contracts

	Unaudited at 30 Jun 2001 \$'000	Audited at 31 Dec 2000 \$'000
The margin funds comprise:		
SEOCH Clearing Participants' margin fund	722,731	740,191
HKCC Clearing Participants' margin fund	3,860,915	4,641,528
	<u>4,583,646</u>	<u>5,381,719</u>
The assets of the margin funds comprise:		
Bank balances and time deposits	1,222,403	1,749,867
Listed securities deposited as alternatives to cash deposits, at market value	1,290,517	572,300
Margin receivable from Participants	1,395	9,752
Unlisted non-trading securities, at fair value		
– money market fund	197,933	592,890
– debt securities	1,871,398	2,456,910
	<u>4,583,646</u>	<u>5,381,719</u>
The Group's liabilities in respect of the margin funds are as follows:		
Bank borrowings under repurchase agreements for financing margin funds	104,625	–
Margin deposits and securities received from Participants on derivatives contracts	4,479,021	5,381,719
	<u>4,583,646</u>	<u>5,381,719</u>

As at 30 June 2001, included within unlisted non-trading securities were debt securities valued at \$104,625,000 pledged for bank borrowings repayable within one year under a repurchase agreement.



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

13. Accounts Receivable, Prepayments and Deposits and Accounts Payable, Accruals and Other Liabilities

The Group's accounts receivable, prepayments and deposits and accounts payable, accruals and other liabilities amounted to \$2,786,497,000 (2000: \$2,673,486,000) and \$3,200,973,000 (2000: \$2,965,974,000) respectively. These mainly represent the Group's CNS money obligations under the T+2 settlement cycle. The Group's CNS money obligations receivable represent 89 per cent (2000: 85 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations payable represent 77 per cent (2000: 74 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations mature within two days as they are due for settlement two days after the trade date. The majority of the remaining accounts receivable, prepayments, deposits, accounts payable, accruals and other liabilities will mature within three months.

14. Provision for Reinstatement Costs

		\$'000
At 1 January 2001		–
Adjustment on adoption of SSAP 28 (note 1(c))		34,517
		<hr/>
At 1 January 2001, as restated		34,517
Settled during the period		(2,310)
		<hr/>
At 30 June 2001		32,207
		<hr/> <hr/>
	Unaudited	Audited and
	at	restated at
	30 Jun 2001	31 Dec 2000
	\$'000	\$'000
Analysis of provision:		
Current	6,350	8,360
Non-current	25,857	26,157
	<hr/>	<hr/>
	32,207	34,517
	<hr/> <hr/>	<hr/> <hr/>

15. Share Capital

	Audited at 31 Dec 2000 and unaudited at 30 Jun 2001 \$'000
Authorised:	
2,000,000,000 shares of \$1 each	<u>2,000,000</u>
Issued and fully paid:	
1,040,664,846 shares of \$1 each	<u>1,040,665</u>

At 30 June 2001, the outstanding options issued under the Pre-Listing Share Option Scheme of HKEx were:

Date share options granted	Exercise price per share	Exercisable period	Number of shares issuable under options outstanding
20 June 2000	\$7.52	6 March 2002 – 30 May 2010	28,095,075

16. Revaluation Reserves

	Unaudited at 30 Jun 2001 \$'000	Audited at 31 Dec 2000 \$'000
Investment properties revaluation reserve	7,471	7,471
Other properties revaluation reserve	42,906	42,906
Investment revaluation reserve	27,871	33,976
	<u>78,248</u>	<u>84,353</u>



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

16. Revaluation Reserves (continued)

The revaluation reserves are segregated for their respective specific purposes and are not available for distribution to shareholders.

17. Designated Reserves

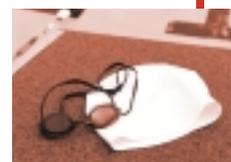
	Audited and restated at 31 Dec 2000 and unaudited at 30 Jun 2001 \$'000
Clearing House Funds reserves	
– HKSCC Guarantee Fund reserve	241,861
– SEOCH Reserve Fund reserve	35,132
– HKCC Reserve Fund reserve	197,162
	<hr/>
	474,155
Compensation Fund Reserve Account reserve	31,107
CDMD Fund reserve	914
Development Reserve	
– the Stock Exchange	135,762
	<hr/>
	641,938
	<hr/> <hr/>

The Directors of HKEx have resolved that these reserves be segregated for their specific purposes and are available for distribution to the shareholders in future at the Directors' discretion.

18. Retained Earnings

	Unaudited at 30 Jun 2001 \$'000	Audited and restated at 31 Dec 2000 \$'000
At 1 January, as previously reported	2,891,583	2,305,633
Effect of adopting SSAP 9 (revised) (note 1(a))	260,166	–
Proposed dividend separately disclosed on the face of balance sheet	(260,166)	–
Effect of adopting SSAP 28 (note 1(c))	(15,012)	(15,012)
At 1 January, as restated	2,876,571	2,290,621
Profit for the period/year	365,553	878,889
Transfer from Development Reserve	–	50,480
2000 interim dividend	–	(83,253)
2000 final dividend	–	(260,166)
2001 interim dividend	(83,253)	–
At 30 June/31 December	<u>3,158,871</u>	<u>2,876,571</u>

The Group's profit after taxation includes the investment income net of expenses of the Clearing House Funds, Compensation Fund Reserve Account and CDMD Fund for an aggregate amount of \$19,352,000 (for the year ended 31 December 2000: \$35,671,000). Appropriations of the investment income net of expenses of the funds are at the discretion of the Board of Directors of HKEx.



NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

19. Notes to the Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 Jun	
	2001	2000
	\$'000	\$'000
(a) Reconciliation of profit before taxation to net cash inflow from operating activities		
Profit before taxation	404,258	626,826
Interest income	(253,754)	(330,143)
Interest expenses	54,286	101,363
Other income	(1,054)	–
Depreciation and amortisation	77,911	100,264
Loss on disposal of fixed assets	1	3,846
Unrealised foreign exchange difference	2,540	–
Increase in current assets	(132,195)	(83,305)
Increase/(decrease) in current liabilities	108,472	(343,032)
	<u>260,465</u>	<u>75,819</u>
Net cash inflow from operating activities	<u>260,465</u>	<u>75,819</u>
(b) Analysis of cash and cash equivalents		
Time deposits with original maturity within three months	2,887,503	1,662,148
Cash at bank and in hand	306,656	285,145
	<u>3,194,159</u>	<u>1,947,293</u>
Cash and cash equivalents at 30 June	<u>3,194,159</u>	<u>1,947,293</u>
(c) The net assets in Clearing House Funds, Compensation Fund Reserve Account, CDMD Fund and margin funds are held in segregated accounts for specific purposes. Movements in individual items of the net assets of the funds during the period therefore do not constitute any cash or cash equivalent transactions to the Group except for the investment income net of expenses of these funds which has been accounted for as the Group's assets and profit.		

20. Commitments

	Unaudited	Audited
	at	at
	30 Jun 2001	31 Dec 2000
	\$'000	\$'000
Commitments in respect of capital expenditure	<u>286,240</u>	<u>381,372</u>

The commitments in respect of capital expenditure were mainly for the development and purchases of computer systems.

21. Contingent Liabilities

- (a) The Compensation Fund is a fund set up under the SO for the purpose of compensating any person dealing with a Stock Exchange Participant (other than another Stock Exchange Participant) for any pecuniary losses suffered as a result of defaults of the Stock Exchange Participant. According to Section 109(3) of the SO, the maximum compensation amount is \$8 million for each Stock Exchange Participant's default. Under Section 107(1) of the SO, the Stock Exchange has contingent liabilities to the Compensation Fund as it shall replenish the Compensation Fund upon the SFC's request to do so. The amounts replenished should be equal to the amount paid in connection with the satisfaction of the claims, including any legal and other expenses paid or incurred in relation to the claims. As at 30 June 2001, there were outstanding claims received in respect of 18 defaulted Stock Exchange Participants (31 December 2000: 18).

Under the new investor compensation arrangements proposed by the SFC in March 2001 to be implemented under the Securities and Futures Bill, a new single Investor Compensation Fund would replace the existing Compensation Fund, the Commodity Exchange Compensation Fund and the Dealers' Deposit Schemes for non-exchange participant dealers. The new arrangements would eliminate the existing requirement for Exchange Participants and non-exchange participant dealers to make deposits to the Compensation Funds and Dealers' Deposit Schemes respectively. Existing deposits would be returned to the Exchanges and to non-exchange participant dealers. The arrangements would also remove the existing requirement for the Stock Exchange to replenish amounts paid from the Compensation Fund.



21. Contingent Liabilities (continued)

- (b) The Stock Exchange has undertaken to indemnify the Collector of Stamp Revenue against any loss of revenue resulting from any underpayment or default or delay in payment of stamp duty by its Participants, up to \$200,000 in respect of defaults of any one Participant. In the unlikely event that all of its 504 trading Participants as at 30 June 2001 (31 December 2000: 500) default, the maximum contingent liability of the Stock Exchange under the indemnity will amount to \$101 million (31 December 2000: \$100 million).
- (c) Pursuant to Section 21 of the Exchanges and Clearing Houses (Merger) Ordinance, HKEx gave an undertaking on 6 March 2000 in favour of HKSCC to contribute an amount not exceeding \$50 million in the event of HKSCC being wound up while it is a wholly owned subsidiary of HKEx or within one year after HKSCC ceases to be a wholly owned subsidiary of HKEx, for payment of the debts and liabilities of HKSCC contracted before HKSCC ceases to be a wholly owned subsidiary of HKEx, and for the costs, charges and expenses of winding up.

22. Material Related Party Transactions

Certain Directors of HKEx are directors and/or shareholders of (i) Stock Exchange Participants and Futures Exchange Participants (Exchange Participants) and Clearing Participants; (ii) companies listed on the Stock Exchange; and (iii) buy-in brokers. Securities and derivatives contracts traded by and fees levied on these Exchange Participants and Clearing Participants, fees levied on these listed companies and fees paid to these buy-in brokers are all undertaken in the ordinary course of business of the Group on the standard terms and conditions applicable to all other Exchange Participants and Clearing Participants, listed companies and buy-in brokers.

23. Off Balance Sheet Risks

In the normal course of business, the clearing houses of the Group, HKSCC, SEOCH and HKCC, act as the counterparties to eligible trades concluded on the Stock Exchange and the Futures Exchange through the novation of the obligations of the buyers and sellers. HKSCC is also responsible for the good title to the securities deposited and accepted in the CCASS depository. As a result, the Group has considerable market risk and credit risk since the Participants' ability to honour their obligations in respect of their trades and securities deposited may be adversely impacted by economic conditions affecting the cash and derivatives markets. If the Participants default on their obligations on settlement or there are defects in the title of securities deposited and accepted in the CCASS depository, the Group could be exposed to potential risks not otherwise accounted for in these condensed consolidated interim accounts.

The Group mitigates its exposure to risks by requiring the Participants to meet the Group's established financial requirements and criteria for admission as Participants, monitoring compliance with risk management measures such as position limits established by the Group and requiring Clearing Participants to contribute to the Clearing House Funds set up by HKSCC, SEOCH and HKCC. HKSCC also retains recourse against the depositing Participants. Moreover, insurance has been taken out by the Group to cover the risks described above.

24. Banking Facilities with Assets Pledged

- (a) The Group had a \$10 million overdraft facility with a bank in Hong Kong, which was secured by a pledge of the Group's time deposits of an equivalent amount at that bank. As at 30 June 2001 and 31 December 2000, this overdraft was not utilised.
- (b) HKEx has given a guarantee to secure banking facilities granted to HKSCC since 13 December 2000. These facilities, on a committed basis of an aggregate amount of \$1.1 billion, were granted to HKSCC by five banks to provide stand-by liquidity to meet the obligations of HKSCC in CCASS in circumstances where CCASS Participants default on their payment obligations. As at 30 June 2001 and 31 December 2000, none of these banking facilities was utilised.

