

Statement by Mr. T.L. Yang - Chairman of Exchange Fund Investment Limited

I am pleased to report that we have just had the first Board meeting of the Exchange Fund Investment Ltd (EFIL). The Directors had a constructive discussion on a range of issues at the meeting this afternoon. In addition to the usual post-incorporation matters, we approved the appointment of Mrs. Marian Li as Chief Executive Officer of the Company. She and a team of professional investment staff will be seconded from the Hong Kong Monetary Authority with immediate effect to undertake the day-to-day work of the Company.

We also discussed in detail the subject of disclosure of the Government's shareholdings, an issue which has attracted considerable public and media interests. We have considered the legal position and the need for transparency and accountability of the Government's action in the stock market under very exceptional circumstances. The Directors have concluded that, notwithstanding the fact that neither the Government nor EFIL is under any legal obligations to disclose, it would now be appropriate in the interest of the public for the Government to disclose in full the 33 Hang Seng Index constituent stocks acquired by the Exchange Fund in its recent market operation. In this connection, a [table](#) showing the Exchange Fund's shareholdings will be handed over to you at the end of this press briefing. You will see from the table that the total purchase cost of the shares acquired by the Exchange Fund was HK\$118 bn. There are 3 companies, namely Swire Pacific "A", New World Development and Cheung Kong Holdings, of which the Exchange Fund's shareholdings exceed the 10% of the issued shares, which normally triggers disclosure obligations for other private investors under the Securities (Disclosure of Interests) Ordinance.

The Board considers that in future the Government should disclose any incremental changes in shareholding of 1% or more of the issued shares in respect of those shareholdings exceeding the 10% threshold. This will place the Government in exactly the same position as any other private sector investors in term of disclosure standards. This will provide a level playing field for all market participants and is consistent with the Government's wish to be transparent and accountable.

I should mention that EFIL will be subject to the full regulation by the Securities and Futures Commission and we are in the process of applying for the necessary registration with the SFC. Moreover, the Board welcomes the Government's intention to designate EFIL as a public body, which means that the Directors and staff of the company will become public servants for the purpose of the Prevention of Bribery Ordinance. This will ensure that the company will comply with the high standard of conduct imposed on public servants. The Board wishes to work closely with the Independent Commission Against Corruption to produce a code of conduct for directors and employees of the Company.

Lastly, I am grateful to the Financial Secretary for putting together such a strong team of Directors. There are plenty of work and challenges ahead for EFIL. I look forward to working with my fellow Directors and to offering our services to the Government and to the public at large.

I am happy to take a few questions before I go to attend another meeting. Thank you.

Exchange Fund - Hong Kong Equity Portfolio

<u>Constituent Stock</u>	<u>No. of shares</u>	<u>% of Issued Shares</u>	<u>Average Purchase Price (HK\$)</u>
HSBC HOLDINGS PLC	237,001,800	8.80%	172.0312
HONG KONG TELECOM	972,098,400	8.16%	15.2387
HUTCHISON WHAMPOA	304,550,000	7.86%	38.0601
CHINA TELECOM	478,806,000	4.06%	10.8820
CLP HOLDINGS LTD	136,022,000	5.50%	35.0154
HANG SENG BANK	109,202,700	5.71%	43.7451
CHEUNG KONG HOLDINGS	237,628,500	10.34%	33.5349
SUN HUNG KAI PROPERTIES	191,660,000	8.01%	25.7710
HONG KONG ELECTRIC	124,335,500	6.15%	24.9532
HENDERSON LAND	85,349,000	4.96%	23.7743
HONG KONG CHINA GAS	289,041,000	6.67%	9.0043
CHEUNG KONG INFRAS	96,403,000	4.28%	14.3268
SWIRE PACIFIC 'A'	115,433,000	12.28%	23.9954
CITIC PACIFIC	146,713,000	6.90%	10.4062
CATHAY PACIFIC AIRWAYS	119,208,000	3.52%	6.2545
NEW WORLD DEVELOPMENT	236,470,000	11.91%	8.9315
WHARF HOLDINGS	121,679,000	5.30%	7.5859
HENDERSON INVESTMENTS	91,308,000	3.24%	4.2285
BANK OF EAST ASIA	83,017,600	6.10%	8.4639
AMOY PROPERTIES	71,135,500	2.49%	3.8312
SHANGHAI INDUSTRIAL HLDG	71,413,000	8.49%	10.9883
CHINA RESOURCE ENTERPRISES	136,414,000	8.78%	5.6776
HANG LUNG DEVELOPMENT	33,156,000	2.50%	6.6205
SHANGRI-LA ASIA	61,674,000	3.44%	5.0266
WHEELOCK & CO	62,391,000	3.08%	4.1626
SINO LAND CO	107,238,000	3.43%	2.5792
TELEVISION BROADCAST	35,741,000	8.56%	17.6047
FIRST PACIFIC	143,864,000	6.07%	2.5912

HYSAN DEVELOPMENT CO	60,524,000	5.89%	5.2217
HK & SHANGHAI HOTEL	57,494,000	4.97%	4.1801
HOPEWELL HOLDINGS	209,323,000	4.78%	0.8251
GREAT EAGLE	24,652,000	4.51%	6.5568
GUANGDONG INVESTMENT	157,472,000	6.33%	1.4038

Total investment made : HK\$118.1 bn