

## SECURITIES AND FUTURES COMMISSION

### Report on the Distribution of Duplicate Share Certificates In relation to the Initial Public Offering of MTR Corporation Limited

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#### **Introduction**

1. The Hong Kong SAR Government completed its sale of a 20% interest in MTR Corporation Limited (“**MTRC**”) through an IPO on 5 October<sup>1</sup>, raising a total of HK\$9.38 billion. The price, set at \$9.38<sup>2</sup>, was at the top of the indicative price range. The share offer was well received by investors internationally and locally. Institutional response to the international offering was 14.4 times subscribed and the public offer conducted in Hong Kong was 32 times subscribed. MTRC shares traded at a range of HK\$11.65 to HK\$12.10 on 3 November, roughly 26% above the IPO price<sup>3</sup>.
2. A total of 615,443 applications for MTRC shares were received from the public. This represented the highest volume of applications handled in relation to IPOs in Hong Kong – more than three times the volume of applications received for the Tracker Fund and 35% more than the total number of applications received for the most oversubscribed offering in 2000. Although no precise figures are available, there were many first-time investors attracted into the market by the privatisation exercise.
3. On the whole, the share offer process went smoothly except that confusion was caused to public investors as a result of the following:
  - (i) Central Registration Hong Kong Limited (“**Central**”), MTRC’s share registrar, distributed some duplicate MTRC share certificates to investors. The number of affected certificates was 1,508 representing about 0.25% of the total share certificates issued;
  - (ii) Central made public communication mistakes during its press conference held on 6 October. Inconsistent comments were made by Central relating to the compensation arrangements that were made available to innocent investors who had over-sold MTRC shares on 5 October, the first day of trading of MTRC shares, as a result of duplicate certificates being issued to them;

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<sup>1</sup> Thursday, 5 October, was the first day of trading of MTRC shares. The public offer closed on 28 September 2000.

<sup>2</sup> The MTRC offer price was fixed at \$9.38 per share excluding brokerage and Stock Exchange transaction levy. After applying the retail discount, the offer price was HK\$8.88 per share so far as retail investors are concerned.

<sup>3</sup> MTRC shares traded at about 33% above the retail offer price of HK\$8.88 on 3 November.

- (iii) MTRC's announcement dated 6 October contained errors relating to the affected share certificates; and
  - (iv) Investors were not able to access the telephone hotline operated by Central to provide information regarding the incident.
4. The despatch of duplicate share certificates to investors occurred as a result of a combination of factors not fully anticipated by, and some factors not totally within the control of, Central. The principal cause was that Central's computer systems ran much slower than had been anticipated based on previous testing.
  5. Delay in data processing under a tight deadline resulted in a decision to switch procedures in order to enable Central to meet the deadline for despatch of share certificates to investors so that trading in the shares could commence in accordance with the published timetable.
  6. This decision by Central to depart from its established procedures had the unforeseen consequence that the normal systems-based duplication controls were not able to function. Potential errors were therefore checked on a manual basis. Under the tight time pressure, some duplicate certificates were not removed but were sent out to investors.
  7. Subsequent to the issue of duplicate share certificates being raised in public, there were a number of errors in relation to public communication. These arose primarily from the lack of experience of Central's senior personnel in handling public communication issues in such circumstances.
  8. Central deeply regrets that duplicate share certificates were issued and has apologised unreservedly to the Hong Kong Government, MTRC, Hong Kong regulatory authorities and Hong Kong investors for any embarrassment caused.
  9. Central had set up a certificates exchange system as soon as practicable after they became aware of duplicate certificates being sent to investors. Up to the date of this Report, over 97% of the 1,508 affected certificates have been exchanged for valid certificates. It is also noted that as a result of the incident, Central has incurred over HK\$5.5 million in terms of additional expenditure and compensation costs, excluding any indemnity to the MTRC and other associated costs.
  10. Further, Central has commissioned an overall review of its systems and procedures, to take into account world trends towards dematerialised securities, shorter settlement periods and other international developments. Central intends to appoint a person with experience of working at a senior level in registry businesses as its executive chairman, and will provide public communication and crisis management training to its senior staff.
  11. Lessons have been learnt from this incident for the market as a whole. The SFC will reaffirm the role of sponsors as coordinator and manager in the entire IPO share issue process. The Securities and Futures Commission (the "*SFC*")

will also continue to work closely with the market to refine and further enhance the eIPO mechanism and the integration of eIPO into the existing framework for public offers in Hong Kong.

12. Further, the SFC will review and consult with the market, the industry and Government on whether the current self-regulatory system of share registrars should be enhanced, modified by the imposition of additional supervision and oversight, or replaced with a more statutory regulatory model. The SFC also notes that the Financial Secretary has reconvened the Steering Committee on the Enhancement of Financial Infrastructure to accelerate the introduction of scripless trading in Hong Kong. The SFC will continue to work with the Government and the industry to improve Hong Kong's financial infrastructure.
13. This Report summarises the circumstances under which duplicate share certificates came to be distributed to the public in relation to the MTRC share offer. It also sets out the measures that will be or have been taken to prevent a recurrence of similar incidents.
14. In preparing this Report, the SFC has relied on the information contained in an Executive Summary and Technical Report, each dated 2 November, submitted by Central. The SFC has also received reports prepared by the Joint Global Co-ordinators and sponsors of the MTRC share offer, Goldman Sachs (Asia) LLC, HSBC Investment Bank Asia Limited and UBS Warburg (the "JGCs"), and the MTRC separately. The Executive Summary of Central is attached as *Appendix A* for information.

## **Reasons for the Duplication and Other Confusion**

### ***Duplication of share certificates***

15. Central was appointed on 22 September 2000 as MTRC's share registrar. As such, Central was responsible for collecting the application forms received from the banks and the eIPO process in relation to the MTRC public offer, inputting and analysing the valid applications, obtaining formal agreement on the basis of allocation from the JGCs and printing and posting all valid certificates to successful applicants.
16. In total, Central received 615,443 applications for MTRC shares. As mentioned above, this represented the highest volume of applications handled in relation to IPOs in Hong Kong.
17. Prior to the MTRC IPO, instances of distribution of duplicate certificates have been rare in Hong Kong. The MTRC IPO was significant because this was the first privatisation exercise conducted by the Government, the first public offer involving eIPO facilities, and because of the large number of investors attracted to the IPO. Central, as the largest share registrar in Hong Kong, is one of the most experienced and well-equipped to handle such an issue.

18. In anticipation of the high volume of applications from the public and before it signed the share registrar agreement with the Government and MTRC, Central conducted a test run of its computer systems to ascertain the speed at which they could process a variety of the tasks necessary for Central to comply with its obligations under the agreement.<sup>4</sup> On the basis of the test, Central did not anticipate major problems arising from taking on the role as MTRC's share registrar.
19. The test was done on Central's backup and development computer due to the ongoing commitments of its main production computer by using a database of 650,000 applications generated artificially. The production computer and the backup and development computer are different in a number of respects. Central staff and management believed on the basis of past experience that the production computer performed faster than the backup and development computer. Further, the data storage disks of the production computer were replaced with new disks with larger capacity and fast data input/output times at the beginning of this year. Hence, Central thought that these factors should mean that the production computer would perform more quickly than the backup and development computer.
20. For commitment to process a maximum of 650,000 applications within the agreed timetable, the Government paid Central a commitment fee of HK\$1,000,000. This covered extra costs for renting additional personal computers and hiring additional staff for data capturing and other associated costs.
21. Applications for shares under the public offering for MTRC shares closed at 12 noon on 28 September, with eIPO service providers submitting the bulk applications latest by 3:00 p.m.. Then, the following steps should follow:
  - passing applications through the receiving banks to Central;
  - data capturing;
  - identifying multiple applications and removing invalid applications;
  - preparing a schedule of valid applications and sending it to the JGCs;
  - confirmation of the basis of allocation and offer price by the JGCs;
  - completing the data processing tasks;<sup>5</sup>
  - printing certificates;
  - checking and sealing certificates;

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<sup>4</sup> *The systems tested included the "Allotment Run" system (this allocates shares to each applicant, generating printed reports and soft copy information of allocation details for press announcements and other purposes), the "Final Run" system (this creates data files containing applicant details for the "Load Certificate" system and for the purpose of processing refund cheques) and the "Load Certificates" system (this creates the share register database and generates files containing details to be printed onto share certificates so that those files can be provided to the printer, it also provides data for use in the Certificates Control system). However, due to the smaller disks capacity of the backup and development computer, testing of the Load Certificates system did not run to completion.*

<sup>5</sup> *This means running the Allotment Run, the Final Run and the Load Certificates systems referred to in the above footnote and in Central's Timetable for MTRC attached to its Executive Summary.*

- despatching certificates; and
  - generating data for printing and despatching refund cheques.
22. Given the large scale of work anticipated and in light of the share offer timetable as agreed between MTRC, the Government and Central as set out in MTRC's prospectus, Central's plan was to commence data processing<sup>6</sup> at around 11:00 p.m. on 1 October and complete the whole data processing and printing process at around 8:00 a.m. on 4 October. They anticipated that the actual printing job should require about 36 hours to complete.
23. As it turned out, data processing was delayed for about 10 hours and did not commence until 9:30 a.m. on 2 October. This delay was caused by two factors:
- (i) The removal of invalid application forms took around three hours longer than expected. The most significant factor contributing to this delay was the need to manually search for application forms that related to 22 dishonoured cheques. The related application forms did not contain the required reference numbers and it was not clear whether these were made via the eIPO facilities offered or through the normal paper-based application channels. This meant that a full search of all relevant applications had to be undertaken to identify the applications relating to the dishonoured cheques. The delay in removing these invalid applications in turn resulted in delay in submitting a summary of valid applications to the JGCs for confirmation of the basis of allocation for the share offer.
  - (ii) After Central submitted the summary of valid applications to the JGCs at around 2:30 a.m. on 2 October, it took another 7 hours before Central received confirmation of the basis of share allocation at 9:30 a.m. from the JGCs. Central could not commence processing of applicants' information and the printing of share certificates until the basis of allocation was confirmed.
24. The data processing also took much longer than anticipated. For reasons not yet fully technically established, Central's computer systems ran much slower than expected, on the basis of previous testing. The original target was to have all applicants' information processed by around 8:00 p.m. on 2 October so that printing could start right away. As a result of the system problem, the information processing was still not completed at mid-night on 3/4 October.
25. In order to meet the deadline of having all share certificates despatched within 4 October as set out in MTRC's prospectus and to allow trading on the Stock Exchange to commence on target at 10:00 a.m. on Thursday, 5 October, Central decided to change its procedures. Instead of waiting for the information processing to complete and produce one file for printing purposes, Central split the information already processed into 6 files while the

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<sup>6</sup> *The data processing referred to in this and the following paragraphs of the Report means running the Allotment Run, the Final Run and the Load Certificates systems.*

production computer was still processing the rest of the information and building the register database. Central then commenced printing share certificates at mid-night on 3/4 October by using 11 machines based on the information contained in the 6 files.<sup>7</sup> That was at the time the only way to speed up the printing process to enable trading of MTRC shares to commence on 5 October. The printing job was accordingly completed at around 6:00 p.m. on 4 October, i.e. within 18 hours.

26. Details printed on share certificates typically include the name and address of the applicant, the date of issue of the certificate, the certificate number, the number of shares represented by the certificate and the register on which the holding is held. During the normal course of printing, some share certificates are spoiled due to a range of factors including alignment errors, ribbon failures and printer jams. Such spoilages are inevitable in high volume security printing, and this occurred in the case of MTRC share offer as in other IPOs. In order to replace spoiled certificates, duplicate certificates are normally printed, but there should be a tight control over such duplicates.
27. The decision to split the information into several files for printing disabled the single printing control system, which should have functioned to identify and remove duplicate certificates. Because of this, Central had to resort to manual processes to identify and remove duplicate certificates generated during the normal course of printing. As Central was working within a very tight timeframe on 4 October, handling in parallel a very high volume of certificates and attending to data processing, certificates printing and checking and certificates sealing at the same time, Central staff failed to identify and remove some duplicate certificates resulting in the despatch of these certificates to the public. The number of affected certificates was 1,508.
28. Our assessment is that the duplication occurred as a result of a combination of factors not fully anticipated by, and some factors not totally within the control of, Central. In essence, the duplication primarily arose because Central's computer systems ran much slower than had been anticipated as indicated in previous testing. Delay in the data processing under a tight deadline resulted in a decision to switch procedures to meet the deadline. A decision to switch to parallel print runs meant that the normal single-process print-run duplication controls could not apply to identify and remove duplicate certificates produced in the normal course of printing. Potential errors were checked on a manual basis. Under tight time pressure, duplicate certificates were not completely removed but were sent out to investors.

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<sup>7</sup> *Normally, printing would not commence until the Load Certificates system of the production computer had finished running. In the MTRC case, 6 print files were created when the Load Certificates system was still running. While it was originally intended that all printing of details onto pre-printed blank certificates be undertaken at HSBC Precision Printing (Hong Kong) Limited, 4 of the 6 print files were sent to Precision, and Central dealt with the remaining 2 print files on 4 October. The parallel printing of certificates by Precision and Central was done to speed up the printing process in order to meet the deadline.*

29. The SFC notes that the duplicate certificates incident seems to have arisen not because of defects in Central's internal controls and computer systems but rather because they took the decision to adopt different procedures in order to meet the timing for despatch of share certificates and commencement of trading. This different procedure had the unforeseen consequences of disabling the duplicate certificates checking facility.

### *Confusion arising from Central's Press Conference*

30. Central first became aware of the duplicate certificate problem in the afternoon of 5 October. The duplicate certificates incident was first reported in the media in that evening.
31. A meeting was held at around 8.30 p.m. on 5 October at the Board Room of the Stock Exchange of Hong Kong Limited (the "*SEHK*") between MTRC and its legal advisers, Central and its legal advisers and representatives of the SEHK and Finance Bureau. The purpose of the meeting was to establish the extent of the damage. An immediate concern expressed by the SEHK was whether the duplication and remedial action taken would form sufficient grounds for the SEHK to consider whether or not an orderly market could be maintained when the market opened on Monday 9 October 2000.
32. The JGCs were not invited to the meeting held on 5 October or any other subsequent meetings by MTRC, as MTRC believed that it was an issue between the company and Central and the JGCs should not be involved. Accordingly, the JGCs had not been kept informed of details regarding the handling of the duplicate certificates incident. Had the JGCs been involved, they would have had considerably more experience in handling press briefings and public relations issues.
33. When the SFC became aware of the incident in the afternoon of 5 October, it allocated two senior staff to help monitor the situation and assist the MTRC and its advisers through the SEHK. A letter was sent to Central and MTRC that evening via the SEHK requiring the parties to address the liability/compensation issues and related legal issues.
34. It should be noted that share registrars operate under a self-regulation regime, under the umbrella of the Federation of Share Registrars Limited. Neither the SFC nor the SEHK has any jurisdiction over the operation of share registrars under existing law. Both monitored the regime for any market systemic implications, and had interest that the incident would not disrupt smooth market operations.
35. The first priority was to establish the extent of the duplication, and the procedures for alerting the investors who received duplicate certificates on how to ensure that these issues could be smoothly resolved. Some of the investors had also inadvertently sold such duplicate certificates on the first trading day, Thursday, 5 October. The procedures for handling such cases had

to be determined quickly before the market opened on Monday, 9 October 2000.

36. Friday, 6 October 2000 was a public holiday. Another meeting was convened at 9:00 a.m. at SEHK's offices, at which SFC representatives were present. During this meeting, the legal positions were discussed and various options and procedures available to deal with the duplicate certificates and the settlement of such certificates, which were inadvertently traded on Thursday, 5 October, were considered. By that time, Central had determined that the extent of the duplication was no more than 2,000 certificates, about 0.25% of the 600,000 share certificates printed. Central gave MTRC a full indemnity in respect of the duplicated share certificate issue, so that the legal question of compensation to MTRC and investors holding duplicate certificates was clarified. Consequently, it appeared at the time that if the remedial procedures were handled properly, there would have been no reason why trading in MTRC shares could not resume on Monday, 9 October 2000.
37. Representatives of MTRC and its advisers, together with those of SFC and HKEx, were involved throughout Friday in finalising the terms of the announcement to be issued by MTRC in the evening of 6 October regarding the compensation arrangements that would be made available to innocent investors who had over-sold MTRC shares on 5 October, the first trading day, as a result of the duplicate certificates problem.
38. Central held a press conference in the evening of 6 October to answer press queries on the duplication incident. MTRC was advised of the press conference at around 5:30 p.m. MTRC had expressed concerns to Central that Central should not release any information that might be inconsistent with the announcement that would be issued by the company later that evening. MTRC was not represented during the Central press conference.
39. Unfortunately, as it turned out, some of the responses provided by senior executives of Central during the press conference were inconsistent with the compensation arrangements determined by MTRC and which were included in the MTRC announcement issued in the evening of 6 October (a copy of the announcement is attached as *Appendix B*). This generated significant public and media confusion and speculation.
40. In the SFC's view, the confusion arising from the press conference held by Central on 6 October was due to Central's inexperience in handling media and public communication issues. This was exacerbated by the fact that the senior executives of Central who attended the press conference were not fully prepared for and briefed to respond on all the relevant details which were worked out by MTRC and its advisers. It should be noted that the relevant Central senior executives had already been under considerable time pressure to get the printing done, and through lack of sleep, may not have been as alert to the public communication issues as appropriate.



### *Confusion arising from MTRC's press announcement*

41. By late evening of 6 October, it was determined that the number of duplicate certificates was in the order of around 1,500 certificates or 0.25% of the total printed. This meant that the potential damage was not as extensive as originally feared. However, it became important that details of the duplicate certificates be notified to the public as soon as possible to reduce public confusion and restore normal operations before the market opened on Monday, 9 October.
42. Accordingly, the MTRC announcement dated 6 October (the "**First MTRC Announcement**") set out information on the compensation arrangements and a list of numbers identifying a total of 1,496 duplicate or affected certificates which had been distributed to investors by Central. MTRC also announced that Central's offices would be opened during the long weekend, on Saturday and Sunday, 7 and 8 October, to handle and expedite the exchange of duplicate certificates for valid certificates. It was also decided that Central's call centre would handle investor queries rather than the JGC maintained call centre, since Central was responsible for the duplicate certificates incident.
43. On the morning of 7 October, it became apparent that there was further confusion arising from the conflicting information generated by Central's press conference on the 6<sup>th</sup> and the information contained in the First MTRC Announcement. The Stock Exchange and the SFC held a meeting with MTRC and Central and their respective advisers on 7 October requiring them, among others, to issue appropriate clarification announcements on that day.
44. During the afternoon of 7 October, it became clear that some of the certificate numbers quoted in the First MTRC Announcement were incorrect. Inadvertently, the numbers of 89 unaffected share certificates were included in the First MTRC Announcement, and the numbers of 89 affected share certificates were omitted from that Announcement. The correct certificate numbers were provided by Central on 6 October for inclusion in the First MTRC Announcement. However, as it turned out, there were errors in the numbers eventually stated in the announcement due to a mistake made by ABN AMRO Rothschild, MTRC's financial adviser, in grouping the numbers of the affected certificates.
45. In addition, Central discovered also during the afternoon of 7 October that 12 certificates, which they and MTRC previously believed not to have been duplicated, could very likely be duplicated. Central notified MTRC and both decided that the 12 certificates should also be included in the clarification announcement to be issued by MTRC on 7 October.
46. As a result of the events set out in paragraphs 44 and 45 above, both MTRC and Central issued a press announcement on 7 October. Copies of these are attached as **Appendices C and D** respectively. MTRC's announcement of 7 October superseded the First Announcement. It clarified the basis and arrangements of compensation, included the correct list of numbers of affected certificates, and set out the correct total number of affected certificates. While

the SEHK could and did provide advice on Listing Rules and help clear announcements by MTRC, it was sensitive to the potential conflict of interest in dealing with Central, as SEHK's related company, Hong Kong Clearing Limited, also operated a competing share registration business. Therefore, Central's announcement of the 7<sup>th</sup> was cleared by the SFC and not by the SEHK.

47. In the SFC's assessment, the errors included in the First MTRC Announcement were partly due to oversight on the part of MTRC's financial adviser, and partly due to Central's inability to fully assess and determine exactly the extent of duplication by the evening of the 6<sup>th</sup>.

### ***Central's Hotline Service and Public Relations Issues***

48. Since 6 October after the duplicate certificates incident was first reported by the media, investors had been contacting Central's hotline to make enquiries. Many investors complained about the difficulty of accessing Central's hotline during the several days that followed and questions were raised about Central's capacity to deal with investor enquiries. The demand on call centre facilities was initially under-estimated by Central. The level of calls to Central's hotline was unexpectedly high due to a number of reasons:

- (i) Calls to the hotline escalated in the morning of 7 October as a result of the confusion generated by inconsistencies between the First MTRC Announcement and statements made by Central during its press conference on the 6<sup>th</sup>.
- (ii) The high publicity of the MTRC share offer and the allocation of shares to retail investors had drawn significant attention from local media and investors on the duplicate certificates incident. This generated technical queries relating to the duplicate certificates as well as a range of other queries about the validity of certificates generally.
- (iii) The \$500 travelling expenses which Central offered to investors who were issued duplicate certificates also attracted unanticipated enquiries (see paragraph 50(i) below).

49. On 6 October, Central upgraded its call centre from 10 lines to 20 lines. That was then the maximum capacity of the call centre. On 7 October and afterwards, Central sought to upgrade its call centre capacity further by arranging with Hong Kong Telecom to add extra telephone lines. 20 lines were made available in the afternoon of 9 October, a further 17 lines were added on 12 October and another 23 lines were provided on 13 October. The call centre was not able to meet demand until 13 October because of the initial under-estimation of demand on the part of Central, and the limited staffing resources available especially during the long weekend and the several days afterwards.

50. Apart from the confusion arising from the press conference organised by Central on 6 October, other issues on the public relations front also arose. These mainly related to two areas:
- (i) There were complaints about Central's statement to pay \$500 travelling expenses to investors. Some shareholders whose share certificates contain typographical or other errors, or who were otherwise concerned about their certificates, (e.g. complaints on print quality and sealing) attended Central's duplicate certificates exchange counters expecting that they would be paid the \$500 travelling expenses in the same way as holders of duplicate certificates. Consistent with the MTRC announcement of 7 October, Central decided to pay \$500 only to investors who held duplicate certificates. Central decided not to pay \$500 travelling expenses for non-duplication errors, partly because such printed errors might occur due to a range of reasons, for example, inaccurate data capturing or mistakes caused by illegible handwriting of applicants, which are problems common to all IPOs.
  - (ii) Concerns were also expressed regarding Central's reluctance to meet with the media directly after 6 October. Central noted such concerns but believed that in light of the media inexperience of its senior executives and the confusion which resulted from its press conference on 6 October, the only responsible course was for it to deal with media enquiries indirectly through its public relations consultants after that incident.
51. The public relations problems and the inconvenience caused to investors due to the inaccessibility of Central's hotline were principally a result of Central's inexperience in handling crisis of such nature and publicity. The SFC, however, notes that attempts were made and steps were taken by Central and its principal shareholders, HSBC and Computershare, during the material time to increase the capacity of its call centre, upgrade the information provided to investors and address public relations concerns.

### **Central's Public Apology**

52. The SFC notes that Central has openly accepted its responsibility in relation to the incident and has apologised unreservedly for any embarrassment and inconvenience caused to all concerned. They have also been ready and willing to pay compensation associated with the incident and have been constructive in taking steps to prevent the recurrence of similar incidents as described below.

### **Measures to Prevent Recurrence of Similar Events**

53. With respect to this specific incident, Central had set up a certificates exchange system as soon as practicable after they became aware of duplicate

certificates being sent to investors on 7 October. Up to the date of this Report, over 97% of the 1,508 affected certificates have been exchanged for valid certificates. Further, Central has already taken the following steps to address the issues arising from the duplicate certificates incident:

- (i) It has conducted a detailed review of the events which might have led to the incident, with the assistance of HSBC internal audit personnel and an experienced international share registrar from Computershare's Australian operations. Their findings were included in Central's Executive Summary and Technical Report submitted to the SFC.
  - (ii) It has commissioned the preparation of an information booklet to be sent to MTRC public investors and, where appropriate, to future float subscribers explaining what a share certificate is and answering the most frequently asked questions about share certificates.
  - (iii) It has also commissioned an expert to conduct an investigation and overall review of its computer hardware and software needs and its procedures generally and to introduce appropriate enhancements. The review will also take into account world trends towards dematerialised securities, shorter settlement periods and other international developments.
54. In addition, Central has put forward a number of measures to prevent a recurrence of the incident including the following:
- (i) Central intends to appoint a person with experience of working at a senior level in registry businesses as its executive chairman;
  - (ii) Central will continue to investigate the cause of its programme slow down experienced during the MTRC share offer; and
  - (iii) It will provide public communication and crisis management training to its senior staff.
55. The SFC is satisfied that the above measures would address the issues raised in relation to Central's handling of the incident to a large extent. We are also satisfied that Central has taken concrete steps to resolve problems for affected investors. To date, over 97% of the duplicate certificates have been exchanged, and trading in MTRC shares has been normal. It is noted that Central incurred over HK\$5.5 million in terms of additional expenditure and compensation costs, excluding any indemnity to the MTRC and the costs of the information booklets referred to in paragraph 53 (ii) above.
56. Even though there is no legal jurisdiction over the activities of share registrars, in light of the voluntary cooperation of Central, the SFC will continue to monitor the implementation of these measures by Central and their effectiveness.

57. In summary, with respect to this specific instance of share duplication, commercial responsibility has fallen on the party legally responsible for the smooth operation of the printing and distribution functions. However, the public is justified to ask whether similar instances of disruption to investors can be prevented or minimised.
58. It is to be noted that no amount of regulation and set procedures can eliminate or prevent totally human errors. However, clearly laid down procedures and allocation of responsibilities should be able to reduce the impact of human errors incurred during the IPO process.
59. Therefore, there is a need to reaffirm and clarify the respective roles of sponsors, advisers and sub-contractors in the entire IPO share issue process. Given the growing size and large public involvement of the IPO process, it is important that the role and responsibilities of each and every participant in the IPO process should be clarified and clearly laid down in guidelines from start to finish with the primary coordinating role being with the sponsors. This would also involve the capacity of the IPO process to handle public queries and communications. Taking note that the eIPO process has been accepted by the public, the SFC will continue to work closely with the market to refine and further enhance the eIPO mechanism and the integration of eIPO into existing framework for the conduct of initial public offers in Hong Kong.
60. In the SFC's view, the MTRC duplicate certificates incident did not necessarily demonstrate that there were any serious systemic problems relating to the operation or the conduct of affairs of professional share registrars. The extent of the duplication, at 0.25% of the whole issue, was relatively small and the damage was containable.
61. However, this does not belie the fact that the extent of public confusion and inconvenience was not small, and that, had the duplication been significantly larger, there was a possibility that normal trading in shares could have been disrupted.
62. The rules of the game in which registrars play a role in the IPO process have begun to change with the inevitable globalisation, computerisation of the trading, clearing and settlement of securities, and the fact that the demutualised stock exchange is also offering competing services. While the SFC continues to believe that regulation is not a panacea for human errors<sup>8</sup>, it has a responsibility to ensure that trading, clearing and settlement of the securities and futures markets are subject to uniform codes and standards of conduct and practice that enhance investor confidence in Hong Kong's markets.
63. Like other market participants, share registrars play an important role in the smooth operation of Hong Kong's financial markets. However, noting that the

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<sup>8</sup> *For example, much larger scale problems of a similar nature have been encountered over recent years in a major UK demutualisation, a major Australian privatisation and a high profile US IPO.*

importance of share registrars acting professionally and maintaining the appropriate internal controls to Hong Kong's securities market, the SFC will review and consult the market and the industry on the need to introduce a code of practice for share registrars.

64. The SFC will consult industry participants, the Government and the public on whether the current self-regulation model should be refined or replaced with a more statutory regulatory model.
65. On the other hand, compliance by the registrar industry with a non-statutory code of standards (with appropriate monitoring and reporting to an oversight regulator) could be an appropriate way forward. Such a code may be introduced by including relevant provisions in the Securities (Stock Exchange Listing) Rules and the Securities (Stock Exchange Listing)(Approved Share Registrar) Rules as part of the overall review of the securities and futures legislation.
66. The SFC will work with the industry, the Government and the public to take these proposals forward. It welcomes comment from the public on these issues.
67. The duplication incident highlights the importance of moving towards a scripless trading, clearing and settlement environment, where the possibility of duplicate paper certificates would be minimised. Paper transactions require manual handling and checking, which are both costly and involve higher risks of duplication, error and fraud. The SFC will look to adapt and implement a scripless system for Hong Kong.
68. The SFC notes that the Financial Secretary has reconvened the Steering Committee on Enhancement of the Financial Infrastructure, which is chaired by the Chairman of the SFC, to accelerate the introduction of scripless trading in Hong Kong, which would remove the need for paper-based share certificates. The SFC will continue to work with the Government and the industry to improve Hong Kong's financial infrastructure.

Securities and Futures Commission  
4 November 2000

Encls.

*L/cf/cw/mtrc report – 4 Nov*

## **APPENDICES**

- Appendix A :** Executive Summary and Target and Actual Timetable for MTR Privatisation IPO prepared by Central (English only)
- Appendix B :** Press announcement of MTRC dated 6 October (First MTRC Announcement) (English and Chinese)
- Appendix C :** Press announcement of MTRC dated 7 October (English and Chinese)
- Appendix D :** Press announcement of Central dated 7 October (English and Chinese)

## **Appendix A**

**Executive Summary and Target and Actual Timetable for  
MTR Privatisation IPO prepared by Central (English only)**



## **Executive Summary**

The privatisation of MTR Corporation Limited ("MTR") by way of initial public offering ("IPO") attracted an unprecedented level of interest from the Hong Kong public. Over 600,000 Hong Kong public investors applied for shares.

The success of the MTR IPO was clouded in the eyes of the Hong Kong public by the issue by Central Registration Hong Kong Limited ("Central") of duplicate share certificates. Central deeply regrets that duplicate certificates were issued and apologises unreservedly to the Hong Kong Government, MTR, Hong Kong regulatory authorities and Hong Kong investors for any embarrassment caused.

Central has investigated how duplicate share certificates came to be issued in the MTR IPO.

It appears that a number of factors combined to delay Central's processing of the IPO, putting Central's capacity to meet the timetable for the dispatch of share certificates to successful applicants at risk. Factors contributing to the delayed processing include the following:

- The success of the MTR IPO, with over 600,000 applications from the Hong Kong public. This was over three times the number of applications attracted by Tracker Fund of Hong Kong.
- Removing invalid applications took longer than expected. The most significant contributing factor was the need to search manually for applications that related to dishonoured cheques for which there were no reference numbers. These applications appeared on their face to be applications made via the eIPO facilities offered as part of the MTR IPO, but they had not been given application reference numbers because they had not been submitted through on-line application channels. This meant that a full search of all relevant applications had to be undertaken to identify the applications relating to the dishonoured cheques. The delay in removing these invalid applications in turn resulted in a delay in

submitting a summary of valid applications to the Joint Sponsors of the MTR IPO.

- Once the summary of valid applications was submitted to the Joint Sponsors of the MTR IPO, there was a delay before the Joint Sponsors confirmed the basis for allotment to Central.

The principal cause of delay in processing the MTR IPO was that Central's computer systems ran much slower than had been - on the basis of prior testing - anticipated. The testing involved artificial data for 650,000 applications. It was run on Central's backup and development computer due to the on-going commitments of the main production computer. The back-up and development computer is smaller, and has lower processing capacity and disk performance specifications than the production computer. The smaller disk capacity on the backup and development computer meant that testing of one of the applications did not run to completion. These and other factors may or may not explain the difference between the speed of processing achieved in the tests and the speed of processing actually realised. This question revolves around complex technical hardware and software issues, and the reasons for the difference between test performance and actual performance are still being investigated.

The attached chart sets out, in hourly time intervals, the timetable Central hoped to achieve in processing the MTR IPO (the "target timetable"); and the actual results achieved (the "actual timetable").

In the face of the processing delays encountered in running its systems programmes, Central changed its procedures to allow printing of MTR share certificates to commence in order to meet the deadline for dispatch. Rather than download a single print file at the end of the job, Central split the print file and downloaded it in six parts before the relevant system had completed running. Central then printed some of those files itself rather than using an outsource printer for all certificate printing as had originally been planned.

These changes were in one way effective. Certificates were dispatched in time for trading to commence on Thursday 5 October 2000 as scheduled. However, the

decision to split the print file compilation run had another consequence that staff at Central had not envisaged. Central's system for controlling certificate dispatch (the "Certificates Control System") - which would usually manage the identification and removal of duplicate certificates - needs a complete print file against which to compare batches of printed certificates. Because the print file had been split, no complete print file was available. As a result the Certificates Control System could not be used.

When Central realised its usual system for controlling certificate dispatch would not be available, it endeavoured to replace that system with manual controls. In the face of the time pressure that applied, the manual controls were not fully effective.

While printed certificates were dispatched in time for trading to commence on Thursday 5 October 2000, a number of duplicate certificates produced as a normal part of printing processes were not removed from the print batches as they should have been and so were also dispatched. This meant that some new MTR shareholders received two certificates for the same shareholding.

Once the problem of duplicate certificates was identified, Central had difficulty in immediately quantifying the scale of the problem. This was a result of the manual control implemented when it became apparent that the Certificates Control System would not work, not being fully effective. These manual controls were implemented in a very tight timeframe and performed below the required level.

By late afternoon on Friday 6 October 2000, it was felt that the certificate numbers of all possible duplicate certificates had been identified. A newspaper advertisement was published by MTR on the morning of Saturday 7 October 2000 providing details of affected certificate numbers and of the compensation arrangements that would apply if MTR shareholders who had received duplicate certificates had sold the shares represented by both certificates on Thursday 5 October 2000. The advertisement also offered any holder of affected certificates \$500 in reimbursement of travel expenses if they brought their affected certificates to Central's offices and exchanged them for a replacement certificate.

Three further problems then eventuated:

- Central's Managing Director made statements at a media conference on the evening of Friday 6 October 2000 that were inconsistent with the compensation arrangement described in the MTR newspaper advertisement published the next day;
- the certificate numbers provided by Central were inaccurately transcribed into the MTR newspaper advertisement; and
- a duplicate was reported among twelve certificates considered on Friday 6 October 2000 not to be duplicates and therefore not listed in the MTR advertisement.

MTR and Central published correcting newspaper advertisements on following days.

Over the early days of the following week, there was a high level of media and public interest in the validity of MTR share certificates generally. Central had not anticipated this.

The media and public interest created two further problems:

- Central's call centre was difficult to access for a number of days. Central endeavoured strenuously to increase the capacity of its call centre as soon as it became apparent that duplicate certificates had been dispatched. However it now seems clear that these efforts did not meet the public's need for information because many of the issues being raised concerned the validity of certificates generally rather than the narrower subject of duplicate certificates. It was some days before Central could provide facilities that met that demand.
- In the light of the confusion following Central's media conference of the evening of Friday 6 October 2000, Central decided that the only responsible course was to deal with media enquiries indirectly. Despite pressure to hold a further media conference and to make a spokesman available on talkback radio, Central dealt with media enquiries about issues relating to the validity of certificates through its then public relations consultants.

Central appreciates that the indirect approach it adopted to dealing with media issues caused inconvenience to a number of parties. Central regrets and apologises for that inconvenience.

Central is taking steps to prevent a recurrence of the issue of duplicate certificates, and generally to rebuild confidence in it as Hong Kong's leading professional share registrar and in its capacity to perform its vital role in the Hong Kong financial infrastructure.

Central has already taken the following steps to these ends:

- It has initiated an effective exchange programme for possible duplicate certificates under which it volunteered generous terms to cover travelling expenses. Over 97% of affected certificates have been exchanged.
- It has conducted a detailed review of the relevant events, with the assistance of HSBC internal audit personnel and an experienced international share registrar from Computershare's Australian operation.
- It has commissioned the preparation of an information booklet to be sent to MTR public investors and, where appropriate, to future float subscribers explaining what a share certificate is and answering the most frequently asked questions about share certificates.
- It has commissioned Mr Mike Smith, Managing Director of the New Zealand registry operation of Computershare Limited to investigate - using appropriate technical and other resources from within the Computershare Group, and having regard to the events and issues identified in this report - Central's computer hardware and software needs, and its procedures generally, and to introduce appropriate enhancements. The investigation will not just consider where Hong Kong market systems are now, but also take into account world trends towards dematerialised securities, shorter settlement periods and other international developments. Mr. Smith has a background in information technology as well as in running a very efficient registry business. He was closely involved in the dematerialisation of the New Zealand market.

Computershare Limited is an Australian company that is the world's largest provider of professional share registry services, carrying over 50 million shareholder accounts on behalf of over 7,000 issuers worldwide. Computershare's background is as a provider of computer systems and bureau processing to the financial services industry.

Central proposes to take the following additional steps:

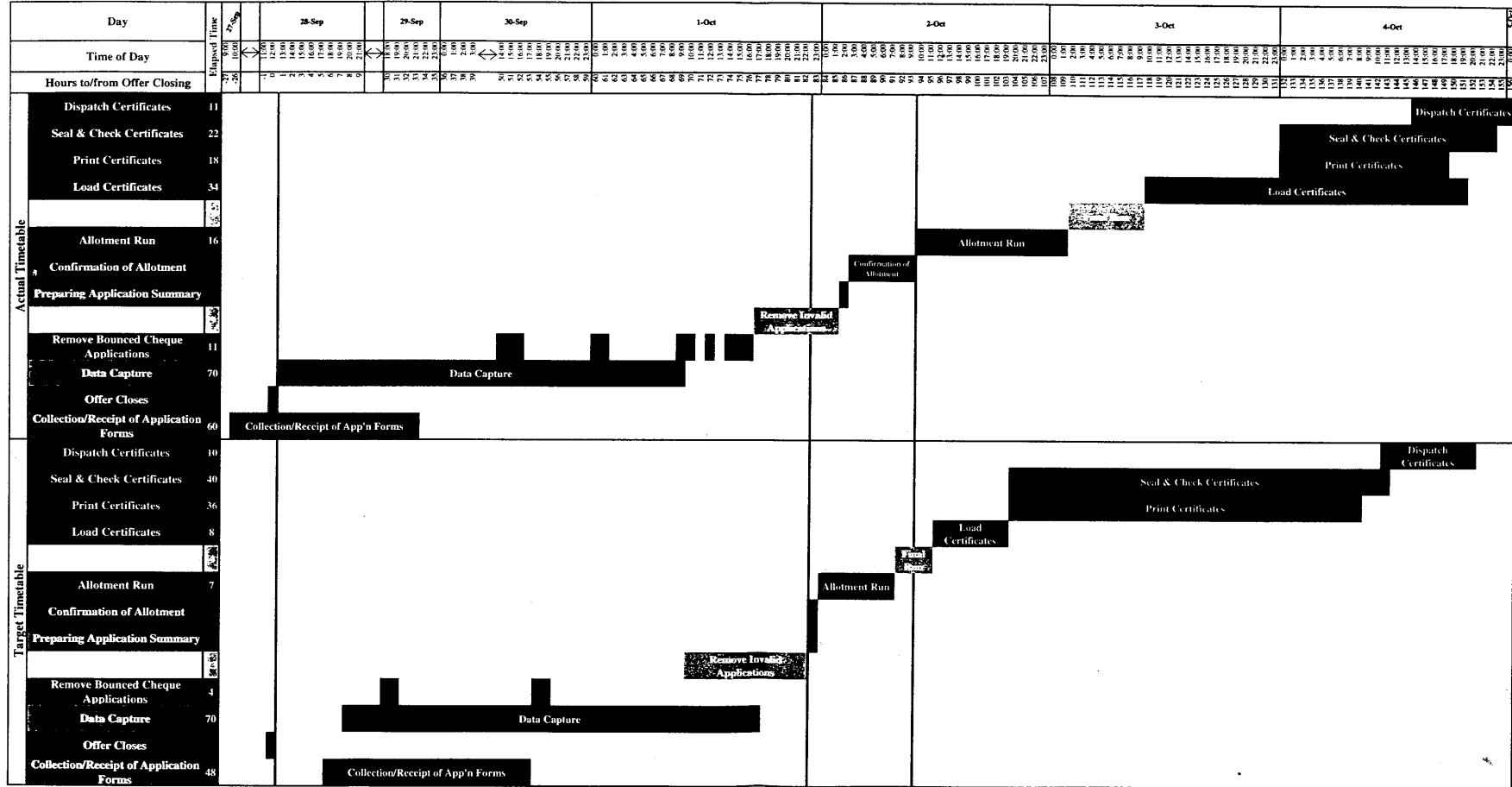
- It intends to appoint a person with experience working at a senior level in registry businesses as Executive Chairman of Central.
- It will continue to investigate the reason its systems programmes ran much slow than testing had predicted.
- It will provide appropriate media and crisis management training to senior Central staff.

It is not possible at this stage to estimate the total cost to Central of its actions to date in response to the issue of duplicate MTR share certificates. However costs in excess of \$5.5 million have been incurred in:

- additional call centre capacity;
- legal fees;
- public relations consultancies;
- travel expenses for people exchanging certificates; and
- the cost of Central's newspaper advertisements.

As well, there are likely to be significant amounts payable to cover any losses and costs incurred by MTR.

Central Registration - Target and Actual Timetable for MTR Privatisation IPO



Note: The timing referred to in this chart is based on and, where relevant, reconstructed from, the worksheets and recollections of what happened from a number of Central staff. The information set out reflects a degree of judgement, estimation and recollection. As well, it presents the information only in round hours, and so represents a simplification of the source data.

## **Appendix B**

**Press announcement of MTRC dated 6 October  
(First MTRC Announcement) (English and Chinese)**



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## MTR Corporation Limited (地鐵有限公司)

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

### DUPLICATE SHARE CERTIFICATES

1,496 duplicate share certificates have or may have been posted to successful applicants in the MTRC privatisation share offer. Replacement certificates are being made available for exchange to affected shareholders. Compensation will be paid to affected shareholders in appropriate circumstances.

#### Background

On 4th October, 2000, share certificates were posted by Central Registration (MTRC's registrars) to successful applicants in the MTRC privatisation share offer. Central Registration has informed MTRC that 1,496 shareholders have or may have mistakenly received duplicate certificates, that is two share certificates issued to the same shareholder in respect of the same shares. By way of example, a successful applicant for 500 shares may have received two share certificates, each for 500 shares. Each set of duplicate share certificates bears the same certificate number. The number of affected shareholders is less than 0.25% of the total number of MTRC shareholders.

#### Affected Certificates

The certificate numbers of affected certificates are set out below in this announcement. **Brokers and others should not accept any certificates bearing any of those certificate numbers for settlement of trades in MTRC shares.**

#### What Affected Shareholders Should Do

*Affected shareholders who have not sold shares on Thursday, 5th October, 2000*

If you have retained your affected certificates you should exchange them for new certificates using the procedure described under "Replacement Share Certificates" below. In the meantime you may give instructions to sell the number of shares to which you are entitled provided that you are in a position to deliver the new certificates for settlement.

If you have deposited your affected certificates with your broker, you should get them back from your broker and exchange them for new certificates using the procedure described under "Replacement Share Certificates" below.

*Affected shareholders who have sold shares on Thursday, 5th October, 2000*

If you have not yet deposited your affected certificates with your broker, you should (as soon as possible, and in any event before Tuesday, 10th October, 2000) exchange them for new certificates (using the procedure described under "Replacement Share Certificates" below) before depositing them with your broker.

If you have deposited your affected certificates with your broker, you should get them back from your broker and exchange them (as soon as possible, and in any event before Tuesday, 10th October, 2000) for new certificates (using the procedure described under "Replacement Share Certificates" below) before redepositing them with your broker.

#### What Brokers Should Do

All brokers holding MTRC share certificates should check, by reference to the certificate numbers below, whether any of those MTRC share certificates are affected certificates. If a broker finds any affected certificates, the broker should contact the client or clients concerned and request them to exchange the affected certificates for new certificates using the procedure described under "Replacement Share Certificates" below.

Brokers who are instructed by clients to sell MTRC shares should satisfy themselves that the clients' ability to deliver the shares is not affected by the shares being represented by affected certificates. Brokers with clients who have sold MTRC shares and who have not delivered share certificates to the brokers should advise the clients to check, by reference to the certificate numbers below, whether the sold shares are represented by affected certificates and, if they are, to have them exchanged for new certificates using the procedure described under "Replacement Share Certificates" below.

### Replacement Share Certificates

MTRC will replace all affected certificates free of charge with new certificates bearing new certificate numbers.

Shareholders may bring in their affected certificates for replacement to the offices of Central Registration, Shops 1712-1716, 17th Floor, Hopewell Centre, Hong Kong, on or before Friday, 13th October, 2000. Shareholders should attend in person and bring with them their ID cards or other proof of identity. Central Registration's offices will be open for this purpose on Saturday, 7th October, 2000 from 12 noon to 9 p.m., on Sunday, 8th October, 2000 from 8 a.m. to 9 p.m. and from Monday, 9th October, 2000 to Friday, 13th October, 2000 from 9 a.m. to 8 p.m. on each day. After this time, shareholders wishing to exchange share certificates in person should contact Central Registration to make the necessary arrangements.

Each shareholder who brings in affected certificates in person for exchange on or before Friday, 13th October, 2000 will receive HK\$500 in cash from Central Registration.

Those holding affected certificates may also post or deliver them to Central Registration at the above address at any time. In these cases, Central Registration will post replacement certificates to the relevant address or addresses shown on the register of the members at the risk of the addressees.

Affected shareholders who have received two certificates for the same shares should submit both of them for cancellation and exchange.

### Compensation

Affected shareholders will be able to settle trades in shares made on Thursday, 5th October, 2000 by exchanging their duplicate share certificates for new share certificates as described above. If this is not possible, MTRC will compensate shareholders who received affected certificates and suffer loss as a result of inability to settle sales of shares where the relevant trades took place on Thursday, 5th October, 2000.

If, notwithstanding the advice above to brokers not to accept duplicate share certificates, some duplicate share certificates are accepted for settlement, transfers of affected shares may be presented for registration. In these circumstances MTRC may not legally be able to register the transfers and will pay compensation in appropriate cases in accordance with established legal principles.

Those seeking compensation should contact their broker or MTRC, who will give them a claim form. Shareholders contacting MTRC for claim forms should write to the Company Secretary (marking the envelope "Duplicate Share Certificates"), MTR Corporation Limited, MTR Tower, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

Central Registration has agreed to indemnify MTRC against all losses and costs (including settlement of all compensation claims) arising out of this incident.

### Duplicate Certificates

The certificate numbers of the share certificates which are or may be duplicate certificates are set out below:

MTR00095696  
MTR00326816 to MTR00327285  
MTR00427760  
MTR00440816 to MTR00440861  
MTR00486614 to MTR00486904  
MTR00521129 to MTR00521815

### New Certificate Numbers

The certificate numbers of the new share certificates which are available for issue to affected shareholders are MTR00615000 to MTR00616495.

### Definitions

"Central Registration"  
"MTRC"  
"affected certificates"  
"affected shareholders"

Central Registration Hong Kong Limited  
MTR Corporation Limited (地鐵有限公司)  
share certificates which are or may be duplicate share certificates  
shareholders who received affected share certificates

By order of the Board  
L B Turk  
Company Secretary

Hong Kong, 6th October, 2000

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## MTR Corporation Limited (地鐵有限公司)

(根據公司條例在香港成立的有限公司)

### 重複股票

1,496張重複股票已寄予或可能已寄予地鐵公司私營化公開招股下的成功申請人。替代股票已可供受影響股東換取。將在適當情況下向受影響股東作出賠償。

#### 背景

二零零零年十月四日，中央登記(地鐵公司的股份過戶處)向地鐵公司私營化公開招股下的成功申請人寄發股票。中央登記通知地鐵公司，有1,496名股東已收到或可能錯誤收到重複股票，即就相同股份向相同股東發行兩張股票。舉例而言，一位成功申請500股股份的申請人，可能收到兩張分別代表500股股份的股票。每張重複股票均印有相同股票編號。受影響股東的數目少於地鐵公司股東總數的0.25%。

#### 受影響股票

重複的股票的股票編號及可能重複的股票的股票編號載於本公佈下文另段。經紀為買賣地鐵公司股份進行交收時務請不要接受印有任何該等股票編號的任何股票。

#### 受影響股東應該……

於二零零零年十月五日(星期四)並未出售股份的受影響股東

倘閣下仍保留有閣下的受影響股票，閣下應按照下文「替代股票」一段所述的程序將該等受影響股票換取新股票。與此同時，倘閣下能送交新股票用作交收，則閣下可發出指示出售閣下有權取得的股份數目。

倘閣下已將閣下受影響股票存進閣下的經紀處，閣下應從閣下的經紀處取回該股票，並按照下文「替代股票」一段所述的程序將該等受影響股票換取新股票。

於二零零零年十月五日(星期四)已售出股份的受影響股東

倘閣下仍未將閣下的受影響股票存進閣下的經紀處，則閣下應(盡快，及在任何情況下於二零零零年十月十日(星期二)之前)在存進閣下的經紀處之前按照下文「替代股票」一段所述的程序將該等受影響股票換取新股票。

倘閣下已將閣下的受影響股票存進閣下的經紀處，則閣下應(盡快，及在任何情況下於二零零零年十月十日(星期二)之前)從閣下的經紀處將受影響股票取回及在重新存進閣下的經紀處之前按照下文「替代股票」一段所述的程序換取新股票。

#### 經紀應該……

所有持有地鐵公司股票之經紀，應檢查(參照下文所載的股票編號)是否有任何該等地鐵公司股票是受影響股票。倘經紀發現任何受影響股票，經紀應與客戶或有關客戶聯絡，並要求他們按照下文「替代股票」一段所述的程序將受影響股票換取新股票。

受客戶指示出售地鐵公司股份之經紀，應了解客戶是否有能力送交之股票並非為受影響股票所代表的股份。經紀為客戶出售地鐵公司股份而客戶並未交來股票者，經紀應建議客戶檢查(參考下述股票編號)已售出的股票是否由受影響股票代表，以及倘它們是，則應按照下文「替代股票」一段所述的程序將它們換取新股票。

#### 替代股票

地鐵公司將免費為所有受影響股票更換印有新股票編號的新股票。

股東可於二零零零年十月十三日(星期五)或之前携同彼等的受影響股票前往香港合和中心17樓1712-1716室中央登記辦事處進行更換。股東應親身前往及携同他們的身分證或其他身份證明。中央登記辦事處將為此目的而於二零零零年十月七日(星期六)中午十二時至晚上九時、二零零零年十月八日(星期日)上午八時至晚上九時及二零零零年十月九日(星期一)至二零零零年十月十三日(星期五)每日上午九時至晚上八時辦公。於這段期間之後,欲親身換取股票的股東,應與中央登記聯絡,以便作出所需的安排。

親身携同受影響股票於二零零零年十月十三日(星期五)或之前到來換取新股票的股東,均會收到中央登記支付的500港元現金。

持有受影響股票的股東亦可於任何時間將該等股票寄往或交往中央登記的上述地址。在此等情況下,中央登記會將替代股票寄往股東名冊所示的有關地址或收件人,郵誤風險概由收件人承擔。

就相同股份收到兩張股票的受影響股東應將兩張股票都交來以便予以註銷及進行交換。

#### 賠償

如上文所述,將重複股票換取新股票的受影響股東,將得以為於二零零零年十月五日(星期四)買賣的股份進行交收。倘此舉並不可能,地鐵公司將向收到受影響股票及因未能為在二零零零年十月五日(星期四)進行的有關買賣的售出股份進行交收而蒙受損失的股東作出賠償。

儘管一如上述已向經紀作出不要接受重複股票的知會,然而仍有可能在進行交收時已接受了若干重複股票及因此可能已將該等股份交往過戶。在此等情況下,地鐵公司可能在法律上不能為過戶進行登記及在適當情況下根據已存在的法律原則作出賠償。

索取賠償的人士應聯絡他們的經紀或地鐵公司,他們將獲派索償表格。聯絡地鐵公司索取索償表格的股東應致函地鐵公司的公司秘書(請在信封註明「重複股票」),地址為香港九龍九龍灣德福廣場地鐵大廈。

中央登記已同意就這宗意外所產生的所有損失及費用(包括支付所有索償)向地鐵公司作出賠償。

#### 重複股票

屬於或可能屬於重複股票的股票編號如下:

MTR00095696  
MTR00326816至MTR00327285  
MTR00427760  
MTR00440816至MTR00440861  
MTR00486614至MTR00486904  
MTR00521129至MTR00521815

#### 新股票編號

供發行予受影響股東的新股票的股票編號為MTR00615000至MTR00616495。

#### 釋義

「中央登記」	指	香港中央證券登記有限公司
「地鐵公司」	指	MTR Corporation Limited (地鐵有限公司)
「受影響股票」	指	屬於或可能屬於重複股票的股票
「受影響股東」	指	收到受影響股票的股東

香港,二零零零年十月六日

承董事局命  
杜禮  
公司秘書

## **Appendix C**

**Press announcement of MTRC dated 7 October  
(English and Chinese)**

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## MTR Corporation Limited (地鐵有限公司)

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

### DUPLICATE SHARE CERTIFICATES

**THIS ANNOUNCEMENT SUPERSEDES THE ANNOUNCEMENT DATED 6TH OCTOBER, 2000.** 1,508 duplicate share certificates have or may have been posted to successful applicants in the MTRC privatisation share offer. Replacement certificates are being made available for exchange to affected shareholders. Compensation will be paid to affected shareholders in appropriate circumstances. **THIS ANNOUNCEMENT CONTAINS FURTHER INFORMATION CONCERNING COMPENSATION TO AFFECTED SHAREHOLDERS. SHAREHOLDERS AND BROKERS SHOULD ALSO NOTE THE UPDATED LIST OF AFFECTED CERTIFICATE NUMBERS, WHICH HAS BEEN CORRECTED SINCE THE ANNOUNCEMENT DATED 6TH OCTOBER, 2000.**

#### Background

On 4th October, 2000, share certificates were posted by Central Registration (MTRC's registrars) to successful applicants in the MTRC privatisation share offer. Central Registration has informed MTRC that 1,508 shareholders have or may have mistakenly received duplicate certificates, that is two share certificates issued to the same shareholder in respect of the same shares. By way of example, a successful applicant for 500 shares may have received two share certificates, each for 500 shares. Each set of duplicate share certificates bears the same certificate number. The number of affected shareholders is less than 0.25% of the total number of MTRC shareholders.

#### Affected Certificates

The certificate numbers of affected certificates are set out below in this announcement. **Brokers and others should not accept any certificates bearing any of those certificate numbers for settlement of trades in MTRC shares.**

#### What Affected Shareholders Should Do

*Affected shareholders who have not sold shares on Thursday, 5th October, 2000*

If you have retained your affected certificates you should exchange them for new certificates using the procedure described under "Replacement Share Certificates" below. In the meantime you may give instructions to sell the number of shares to which you are entitled provided that you are in a position to deliver the new certificates for settlement.

If you have deposited your affected certificates with your broker, you should get them back from your broker and exchange them for new certificates using the procedure described under "Replacement Share Certificates" below.

*Affected shareholders who have sold shares on Thursday, 5th October, 2000*

If you have not yet deposited your affected certificates with your broker, you should (as soon as possible, and in any event before Tuesday, 10th October, 2000) exchange them for new certificates (using the procedure described under "Replacement Share Certificates" below) before depositing them with your broker.

If you have deposited your affected certificates with your broker, you should get them back from your broker and exchange them (as soon as possible, and in any event before Tuesday, 10th October, 2000) for new certificates (using the procedure described under "Replacement Share Certificates" below) before re-depositing them with your broker.

#### What Brokers Should Do

All brokers holding MTRC share certificates should check, by reference to the certificate numbers below, whether any of those MTRC share certificates are affected certificates. If a broker finds any affected certificates, the broker should contact the client or clients concerned and request them to exchange the affected certificates for new certificates using the procedure described under "Replacement Share Certificates" below.

Brokers who are instructed by clients to sell MTRC shares should satisfy themselves that the clients' ability to deliver the shares is not affected by the shares being represented by affected certificates. Brokers with clients who have sold MTRC shares and who have not delivered share certificates to the brokers should advise the clients to check, by reference to the certificate numbers below, whether the sold shares are represented by affected certificates and, if they are, to have them exchanged for new certificates using the procedure described under "Replacement Share Certificates" below.

#### Replacement Share Certificates

MTRC will replace all affected certificates free of charge with new certificates bearing new certificate numbers.

Shareholders may bring in their affected certificates for replacement to the offices of Central Registration, Shops 1712-1716, 17th Floor, Hongwell Centre, 111, Des Voeux Road East, Hong Kong.

Shareholders may bring in their affected certificates for replacement to the offices of Central Registration, Shops 1712-1716, 17th Floor, Hopewell Centre, Hong Kong, on or before Friday, 13th October, 2000. Shareholders should attend in person and bring with them their ID cards or other proof of identity. Central Registration's offices will be open for this purpose on Saturday, 7th October, 2000 from 12 noon to 9 p.m., on Sunday, 8th October, 2000 from 8 a.m. to 9 p.m. and from Monday, 9th October, 2000 to Friday, 13th October, 2000 from 9 a.m. to 8 p.m. on each day. After this time, shareholders wishing to exchange share certificates in person should contact Central Registration to make the necessary arrangements.

Each shareholder who brings in affected certificates in person for exchange on or before Friday, 13th October, 2000 will receive HK\$500 in cash from Central Registration.

Those holding affected certificates may also post or deliver them to Central Registration at the above address at any time. In these cases, Central Registration will post replacement certificates to the relevant address or addresses shown on the register of the members at the risk of the addressees.

Affected shareholders who have received two certificates for the same shares should submit both of them for cancellation and exchange.

#### **Compensation**

Affected shareholders will be able to settle trades in shares made on Thursday, 5th October, 2000 by exchanging their duplicate share certificates for new share certificates as described above. If this is not possible, MTRC will compensate shareholders who received affected certificates and suffer loss as a result of inability to settle sales of shares where the relevant trades took place on Thursday, 5th October, 2000. By way of illustration, a shareholder has received duplicate certificates and has sold the shares represented by both certificates on Thursday, 5th October, 2000. He exchanges the two affected certificates for one new certificate and delivers that new certificate in settlement of one of his transactions. He suffers no recoverable loss on that transaction. However, shares will have to be purchased by his broker in order to satisfy the second transaction. If the total purchase consideration (including brokerage and other associated costs) is greater than the shareholder's net sales proceeds, he will make a loss equivalent to the difference and will be compensated for it. If the total purchase consideration (including brokerage and other associated costs) is less than the net sales proceeds, he will make a profit equivalent to the difference, which he will be entitled to keep.

If, notwithstanding the advice above to brokers not to accept duplicate share certificates, some duplicate share certificates are accepted for settlement, transfers of affected shares may be presented for registration. In these circumstances MTRC may not legally be able to register the transfers and will pay compensation in appropriate cases in accordance with established legal principles.

Those seeking compensation should contact their broker or MTRC, who will give them a claim form. Shareholders contacting MTRC for claim forms should write to the Company Secretary (marking the envelope "Duplicate Share Certificates"), MTR Corporation Limited, MTR Tower, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong.

Central Registration has agreed to indemnify MTRC against all losses and costs (including settlement of all compensation claims) arising out of this incident.

#### **Duplicate Certificates**

The certificate numbers of the share certificates which are or may be duplicate certificates are set out below:

MTR00095696  
MTR00286570  
MTR00326816 to MTR00327285  
MTR00383975  
MTR00427760  
MTR00440816 to MTR00440861  
MTR00486614 to MTR00486815  
MTR00496816 to MTR00496904  
MTR00518943 to MTR00518952  
MTR00521129 to MTR00521815

Shareholders should note that this is the updated list which has been corrected since the announcement dated 6th October, 2000. Certificates numbered MTR00486816 to MTR00486904 have been removed from the list published in the announcement dated 6th October, 2000 and do not need to be exchanged.

#### **New Certificate Numbers**

The certificate numbers of the new share certificates which are available for issue to affected shareholders are MTR00615000 to MTR00616507.

#### **Definitions**

"Central Registration"  
"MTRC"  
"affected certificates"  
"affected shareholders"

Central Registration Hong Kong Limited  
MTR Corporation Limited (地鐵有限公司)  
share certificates which are or may be duplicate share certificates  
shareholders who received affected share certificates

By order of the Board  
**L B Turk**  
Company Secretary

Hong Kong, 7th October, 2000

香港聯合交易所有限公司對本公佈之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不就本公佈全部或部份內容而產生或因依賴該等內容而引致之任何損失承擔任何責任。



## MTR Corporation Limited (地鐵有限公司)

(根據公司條例在香港成立的有限公司)

### 重複股票

本公佈取代刊發日期為二零零零年十月六日的公佈。1,508張重複股票已寄予或可能已寄予地鐵公司私營化公開招股下的成功申請人。替代股票已可供受影響股東換取。將在適當情況下向受影響股東作出賠償。本公佈刊載關於向受影響股東作出賠償的進一步資料。股東及經紀亦應注意受影響股票編號的更新編號清單，這是在刊發日期為二零零零年十月六日的公佈後作出修改者。

#### 背景

二零零零年十月四日，中央登記(地鐵公司的股份過戶處)向地鐵公司私營化公開招股下的成功申請人寄發股票。中央登記通知地鐵公司，有1,508名股東已收到或可能錯誤收到重複股票，即就相同股份向相同股東發行兩張股票。舉例而言，一位成功申請500股股份的申請人，可能收到兩張分別代表500股股份的股票。每張重複股票均印有相同股票編號。受影響股東的數目少於地鐵公司股東總數的0.25%。

#### 受影響股票

受影響股票的股票編號載於本公佈下文另段。經紀為買賣地鐵公司股份進行交收時應不要接受印有任何該等股票編號的任何股票。

#### 受影響股東應該……

於二零零零年十月五日(星期四)並未出售股份的受影響股東

倘閣下仍保留有閣下的受影響股票，閣下應按照下文「替代股票」一段所述的程序將該等受影響股票換取新股票。與此同時，倘閣下能送交新股票用作交收，則閣下可發出指示出售閣下有權取得的股份數目。

倘閣下已將閣下受影響股票存進閣下的經紀處，閣下應從閣下的經紀處取回該等股票，並按照下文「替代股票」一段所述的程序將該等受影響股票換取新股票。

於二零零零年十月五日(星期四)已售出股份的受影響股東

倘閣下仍未將閣下的受影響股票存進閣下的經紀處，則閣下應(盡快，及在任何情況下於二零零零年十月十日(星期二)之前)在存進閣下的經紀處之前按照下文「替代股票」一段所述的程序將該等受影響股票換取新股票。

倘閣下已將閣下的受影響股票存進閣下的經紀處，則閣下應(盡快，及在任何情況下於二零零零年十月十日(星期二)之前)從閣下的經紀處取回該等股票及在重新存進閣下的經紀處之前按照下文「替代股票」一段所述的程序將該等受影響股票換取新股票。

#### 經紀應該……

所有持有地鐵公司股票經紀，應檢查(參照下文所載的股票編號)是否有任何該等地鐵公司股票是受影響股票。倘經紀發現任何受影響股票，經紀應與客戶或有關客戶聯絡，並要求他們按照下文「替代股票」一段所述的程序將受影響股票換取新股票。

受客戶指示出售地鐵公司股份的經紀，應了解客戶是否有能力送交之股票並非為受影響股票所代表的股份。經紀為客戶出售地鐵公司股份而客戶並未交來股票者，經紀應建議客戶檢查(參考下述股票編號)已售出的股票是否由受影響股票代表，以及倘它們是，則應按照下文「替代股票」一段所述的程序將它們換取新股票。

#### 替代股票

地鐵公司將免費為所有受影響股票更換印有新股票編號的新股票。

股東可於二零零零年十月十三日(星期五)或之前携同彼等的受影響股票前往香港合和中心17樓1712-1716室中央登記辦事處進行更換。股東應親身前往及携同他們的身分證或其他身份證明。中央登記辦事處將為此目的而於二零零零年十月七日(星期六)中午十二時至晚上九時；二零零零年十月八日(星期日)上午八時至晚上九時及二零零零年十月



地鐵公司向有關機構引有受影響股票更換中有關股票編號的招股書。

股東可於二零零零年十月十三日(星期五)或之前携同彼等的受影響股票前往香港合和中心17樓1712-1716室中央登記辦事處進行更換。股東應親身前往及携同他們的身分證或其他身份證明。中央登記辦事處將為此目的而於二零零零年十月七日(星期六)中午十二時至晚上九時;二零零零年七月八日(星期日)上午八時至晚上九時及二零零零年十月九日(星期一)至二零零零年十月十三日(星期五)每日上午九時至晚上八時辦公。於這段期間之後,欲親身換取股票的股東應與中央登記辦事處作出所屬的安排。

親身携同受影響股票於二零零零年十月十三日(星期五)或之前到來換取新股票的股東,均會收到中央登記支付的500港元現金。

持有受影響股票的股東亦可於任何時間將該等股票寄往或交往中央登記的上述地址。在此等情況下,中央登記會將替代股票寄往股東名冊所示的有關地址或收件人,郵誤風險概由收件人承擔。

就相同股份收到兩張股票的受影響股東應將兩張股票都交來以備予以註銷及進行交換。

#### 賠償

如上文所述,將重複股票換取新股票的受影響股東,將得以為於二零零零年十月五日(星期四)買賣的股份進行交收。倘此舉並不可能,地鐵公司將向收到受影響股票及因未能為在二零零零年十月五日(星期四)進行的有關買賣的售出股份進行交收而蒙受損失的股東作出賠償。舉例說明如下,一名股東收到重複股票,並於二零零零年十月五日(星期四)將兩張重複股票所代表的股份售出。他然後將該兩張重複股票換取一張新股票,並將新股票用作交收他的其中一宗交易,他將不會就此宗交易蒙受可討回的損失。然而他的經紀將為履行第二宗交易而必須另行購入股份。倘若購買代價(包括經紀佣金及其他相關費用)較該股東所得的出售款項淨額為高,他將會蒙受相等於差額的損失,並會就此得到賠償。倘若購買代價(包括經紀佣金及其他相關費用)低於出售款項淨額,他將取得相等於差額的溢利,並有權保留該溢利。

儘管一如上述已向經紀作出不要接受重複股票的知會,然而仍有可能在進行交收時已接受了若干重複股票及因此可能已將該等股份交往過戶。在此等情況下,地鐵公司可能在法律上不能為過戶進行登記及將在適當情況下根據已存在的法律原則作出賠償。

索取賠償的人士應聯絡他們的經紀或地鐵公司,他們將獲派索償表格。聯絡地鐵公司索取索償表格的股東應致函地鐵公司的公司秘書(請在信封註明「重複股票」),地址為香港九龍九龍灣德福廣場地鐵大廈。

中央登記已同意就這宗意外所產生的所有損失及費用(包括支付所有索償)向地鐵公司作出賠償。

#### 重複股票

屬於或可能屬於重複股票的股票編號如下:

MTR00095696  
MTR00286570  
MTR00326816至MTR00327285  
MTR00383975  
MTR00427760  
MTR00440816至MTR00440861  
MTR00486614至MTR00486815  
MTR00496816至MTR00496904  
MTR00518943至MTR00518952  
MTR00521129至MTR00521815

股東敬請注意,這是刊發日期為二零零零年十月六日的公佈後已作出修改的更新編號清單。股票編號為MTR00486816至MTR00486904的股票已由載於刊發日期為二零零零年十月六日的公佈內的清單中刪去,故此毋須進行更換。

#### 新股票編號

供發予受影響股東的新股票的股票編號為MTR00615000至MTR00616507。

#### 釋義

「中央登記」 指 香港中央證券登記有限公司  
「地鐵公司」 指 MTR Corporation Limited (地鐵有限公司)  
「受影響股票」 指 屬於或可能屬於重複股票的股票  
「受影響股東」 指 收到受影響股票的股東

承董事局命  
杜禮  
公司秘書

香港,二零零零年十月七日

## **Appendix D**

**Press announcement of Central dated 7 October  
(English and Chinese)**

**CENTRAL REGISTRATION HONG KONG LIMITED**  
**(香港中央證券登記有限公司)**

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

**DUPLICATE MTRC SHARE CERTIFICATES**

This announcement is made with a view to clarifying any confusion which may have arisen as to whether affected MTRC shareholders will be entitled to receive payments directly from Central Registration and, in particular, whether any such payments will be in addition to the compensation which they will receive from MTRC for losses suffered as a result of their inability to settle sales of MTRC shares where the relevant trades took place on Thursday, 5th October, 2000.

Affected MTRC shareholders should only refer to the announcement of MTRC dated 7th October, 2000 which replaces the announcement made by MTRC dated 6th October, 2000 and sets out the relevant compensation arrangements. In this connection, affected MTRC shareholders should note, in particular, that:

1. no direct payment to them or acquisition of MTRC shares for settlement of sales transactions by affected MTRC shareholders will be made by Central Registration and that, as announced by MTRC:
  - (i) affected MTRC shareholders seeking compensation should contact their brokers or MTRC, who will give them a claim form; affected MTRC shareholders contacting MTRC for claim forms should write to the Company Secretary (marking the envelope "Duplicate Share Certificates"), MTR Corporation Limited, MTR Tower, Telford Plaza, Kowloon Bay, Kowloon, Hong Kong;
  - (ii) Central Registration has agreed to indemnify MTRC against all losses and costs (including settlement of all compensation claims) arising out of the incident; and
  - (iii) affected MTRC shareholders who need to acquire MTRC shares in order to effect settlement of sales transactions should contact their brokers immediately;
2. affected MTRC shareholders will be compensated for their losses suffered as a result of their inability to settle sales of shares where the relevant trades took place on Thursday, 5th October, 2000 and that, as announced by MTRC:

"By way of illustration, a shareholder has received duplicate certificates and has sold the shares represented by both certificates on Thursday, 5th October, 2000. He exchanges the two affected certificates for one new certificate and delivers that new certificate in settlement of one of his transactions. He suffers no recoverable loss on that transaction. However, shares will have to be purchased by his broker in order to satisfy the second transaction. If the total purchase consideration (including brokerage and other associated costs) is greater than the shareholder's net sales proceeds, he will make a loss equivalent to the difference and will be compensated for it. If the total purchase consideration (including brokerage and other associated costs) is less than the net sales proceeds, he will make a profit equivalent to the difference, which he will be entitled to keep."

**Affected MTRC shareholders will not therefore receive any additional payments from Central Registration.**

**Central Registration urges all affected MTRC shareholders who have possession of their affected MTRC certificates to present them for cancellation and exchange in the manner and at the time and place as set out in the announcement by the MTRC dated 7th October, 2000 and not to retain such affected MTRC certificates for any reason. Affected MTRC shareholders are urged to do so for their own interest to avoid any future difficulty in selling the MTRC shares represented by the affected MTRC certificates.**

**Definitions**

"Central Registration"	Central Registration Hong Kong Limited (香港中央證券登記有限公司)
"MTRC"	MTR Corporation Limited (地鐵有限公司)
"affected MTRC certificates"	share certificates which are or may be duplicate share certificates
"affected MTRC shareholders"	shareholders of MTRC who received affected share certificates

By order of the Board  
**David Lee**  
Managing Director

Hong Kong, 7th October, 2000

**CENTRAL REGISTRATION HONG KONG LIMITED**  
**(香港中央證券登記有限公司)**

(根據公司條例在香港成立的有限公司)

**重複地鐵公司股票**

本公佈是為了澄清受影響地鐵公司股東是否有權直接自中央登記收到任何款項，尤其是該筆款項是否屬於他們未能為二零零零年十月五日(星期四)出售的地鐵公司股份進行交收而將收到地鐵公司賠償損失以外的額外款項。

受影響地鐵公司股東只應參照地鐵公司於二零零零年十月七日刊發(並取代地鐵公司於二零零零年十月六日所刊發)的公佈內列載的有關賠償安排。就此而言，敬請受影響地鐵公司股東尤其留意下列各項：

1. 中央登記將不會直接向他們支付款項或購買地鐵公司股份用於為受影響地鐵公司股東的售股交易進行交收，以及按地鐵公司宣佈：
  - (i) 尋求賠償的受影響地鐵公司股東，應聯絡他們的經紀或地鐵公司，其將向他們派發索償表格，受影響地鐵公司股東聯絡地鐵公司索取索償表格，必須致函地鐵有限公司的公司秘書(在信封註明「重複股票」)，地址為香港、九龍、九龍灣、德福廣場、地鐵大廈；
  - (ii) 中央登記已同意就該宗事件向地鐵公司作出賠償所有損失及費用(包括支付所有賠償索償)；及
  - (iii) 需要購買地鐵公司股份以便為售股交易進行交收的受影響地鐵公司股東，應立即與他們的經紀聯絡；
2. 受影響地鐵公司股東，因其未能交收於二零零零年十月五日(星期四)出售的地鐵公司股份而蒙受損失，將獲得賠償，以及按地鐵公司宣佈：

「舉例說明如下，一名股東收到重複股票，並於二零零零年十月五日(星期四)將兩張重複股票所代表的股份售出。他然後將該兩張重複股票換取一張新股票，並將新股票用作交收他的其中一宗交易，他將不會就此宗交易蒙受可討回的損失。然而他的經紀將為履行第二宗交易而必須另行購入股份。倘若購買代價(包括經紀佣金及其他相關費用)較該股東所得的出售款項淨額為高，他將會蒙受相等於差額的損失，並會就此得到賠償。倘若購買代價(包括經紀佣金及其他相關費用)低於出售款項淨額，他將取得相等於差額的溢利，並有權保留該溢利。」

因此，受影響地鐵公司股東將不會自中央登記收到任何額外款項。

中央登記促請所有持有受影響地鐵公司股票的地鐵公司股東，按照刊發日期為二零零零年十月七日的地鐵公司公佈所列載的方法、時間及地點，提交該等受影響股票以作註銷及更換，而不應以任何理由保留該等受影響地鐵公司股票。務請受影響地鐵公司股東為了本身利益而遵照上述呼籲行事，以免日後出售受影響地鐵公司股票代表的地鐵公司股份時遇上困難。

**釋義**

「中央登記」	指	香港中央證券登記有限公司
「地鐵公司」	指	地鐵有限公司
「受影響地鐵公司股票」	指	屬於或可能屬於重複的股票
「受影響地鐵公司股東」	指	收到受影響股票的股東

承董事局命  
李澍源  
常務董事

香港，二零零零年十月七日