



Audit Committee Report



The Audit Committee (AC) comprises a total number of five members, all of whom are independent non-executive directors. Two members are Certified Public Accountants with extensive experience in financial matters. External auditors are invited to attend the AC meetings, as and when necessary.

The AC examines any matter relating to accounting principles and practices adopted by the Group, and discusses auditing, internal control issues, information systems and financial reporting matters. It is scheduled to meet at least four times a year to review audit reports, status of the Group's audits, internal controls, and the interim and final accounts of the Group prior to recommending them to the Board for approval.

The AC has reviewed the Group's unaudited interim accounts for the six months ended 30 June 2004 in conjunction with HKEx's external auditors. It has also reviewed the accounting principles and practices adopted by the Group, and the independent review report of the external auditors as set out on page 82.

Based on these reviews, and discussions with the management and external auditors, the AC endorses the accounting treatment adopted by HKEx, and has to the best of its ability assured itself that the disclosure of the financial information in this report complies with the applicable accounting standards and the Appendix 16 of the Listing Rules. The AC therefore recommended to the Board approval of the unaudited financial statements for the six months ended 30 June 2004 for public release.

Members of the Audit Committee

STRICKLAND, John Estmond (*Chairman*)

FONG Hup (*Deputy Chairman*)

FAN Hung Ling, Henry

LEE Kwan Ho, Vincent Marshall

WEBB, David Michael

Hong Kong, 11 August 2004