
OTHER INFORMATION

(Financial figures are expressed in Hong Kong Dollar)

Share Option Schemes

On 31 May 2000, the Pre-Listing Share Option Scheme (“Pre-Listing Scheme”) and the Post-Listing Share Option Scheme (“Post-Listing Scheme”) were approved by shareholders under which the Directors of Hong Kong Exchanges and Clearing Limited (“HKEx”) may, at their discretion, offer any employee (including any executive director) of HKEx or of any of its subsidiaries, options to subscribe for shares in HKEx subject to the terms and conditions stipulated in the two schemes.

The Post-Listing Scheme was subsequently amended by shareholders on 17 April 2002 to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Main Board Listing Rules”) effective 1 September 2001.

As at 30 September 2005, the total number of shares available for issue, save for those granted but yet to be exercised, under the Pre-Listing Scheme and the Post-Listing Scheme, was 62,930,484 which represented about 5.92 per cent of the issued share capital of HKEx.

Details of the share options outstanding as at 30 September 2005 under the Pre-Listing Scheme and the Post-Listing Scheme were as follows:

Pre-Listing Scheme

Date of Grant	Exercise Price	Number of shares issuable under the options granted					Exercise Period
		As at 1 January 2005	Issued upon subscription during the nine months ended 30 September 2005	Lapsed during the nine months ended 30 September 2005	As at 30 September 2005		
Employees (note 1)							
20 June 2000	\$6.88	6,680,000	4,446,000 (note 2)	–	2,234,000	6 March 2002 – 30 May 2010 (note 3)	

No further options can be, or have been, issued under the Pre-Listing Scheme from 27 June 2000, the date of listing of HKEx on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

Post-Listing Scheme

Date of Grant	Exercise Price	Number of shares issuable under the options granted					Exercise Period (note 6)
		As at 1 January 2005	Granted during the nine months ended 30 September 2005	Issued upon subscription during the nine months ended 30 September 2005 (note 5)	Lapsed during the nine months ended 30 September 2005	As at 30 September 2005	
Director (note 4)							
2 May 2003	\$8.28	3,280,000	–	820,000	–	2,460,000	2 May 2005 – 1 May 2013
Employees (note 1)							
14 August 2003	\$12.45	1,094,000	–	–	–	1,094,000	14 August 2005 – 13 August 2013
18 August 2003	\$12.49	1,968,000	–	492,000	–	1,476,000	18 August 2005 – 17 August 2013
15 January 2004	\$17.30	1,094,000	–	–	–	1,094,000	15 January 2006 – 14 January 2014
31 March 2004	\$16.96	5,582,000	–	–	352,000	5,230,000	31 March 2006 – 30 March 2014
17 May 2004	\$15.91	200,000	–	–	–	200,000	17 May 2006 – 16 May 2014
26 January 2005	\$19.25 (note 7)	–	5,884,000	–	268,000	5,616,000	26 January 2007 – 25 January 2015

No option granted under these two share option schemes was cancelled during the nine months ended 30 September 2005.

Notes:

- Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.
- The weighted average closing price immediately before the dates on which the options were exercised was \$20.57.
- Options granted are exercisable between 6 March 2002 and 30 May 2010, in tranches of 25 per cent each reaching 100 per cent as from 6 March 2005.
- The option was granted to Mr Chow Man Yiu, Paul, a Director and the Chief Executive of HKEx.
- The weighted average closing price immediately before the dates on which the options were exercised was \$20.88.
- Options granted are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of grant.
- The closing price immediately before the date of grant was \$19.05.
- HKEx has used the Binomial Option Pricing Model for estimating the fair value of options issued under the Post-Listing Scheme. The assumptions used in the calculation are:
 - Risk-free rate of return – the yield of 10-year Exchange Fund Notes
 - Expected volatility of share price – annualised volatility for 1 year immediately preceding the grant date
 - Expected dividend yield – annual dividend (excluding special dividend) of the most recent financial year and the closing price on grant date

The amount written off to the profit and loss account for the nine months ended 30 September 2005 was \$17,254,000 (30 September 2004: \$10,096,000).

According to the Binomial Option Pricing Model, the value of the option granted on 26 January 2005 was \$26,183,800. For details, please refer to note 23 to the condensed consolidated accounts.

The Binomial Option Pricing Model was developed to estimate the fair value of American style options. It is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

Employees' Share Award Scheme

On 14 September 2005 ("Adoption Date"), the Board of HKEx adopted an Employees' Share Award Scheme ("the Scheme") in which all employees (including without limitation any executive directors) of HKEx and its subsidiaries ("Group") will be entitled to participate. The purposes and objectives are to recognise the contributions by certain employees of the Group and to give incentive to them in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. Unless early terminated by the Board of HKEx, the Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no contribution to the trust fund will be made by HKEx on or after the 10th anniversary date of the Adoption Date. Details of the Scheme were announced by HKEx on the Adoption Date.

Pursuant to the rules relating to the Scheme, the Board of HKEx or the trustee of the Scheme (as the case may be) shall select the employees of the Group for participation in the Scheme, and determine the number of shares of HKEx to be awarded. Relevant number of shares awarded will be acquired by the trustee from the market at the cost of HKEx and be held in trust for those selected employees until the end of each vesting period. Awarded shares and the related income derived therefrom are subject to a vesting scale in tranches of 25 per cent each on every anniversary date starting from the second anniversary date of the date of award until the fifth. Vested shares will be transferred at no cost to the relevant selected employees of HKEx.

Throughout the duration of the Scheme, the aggregate number of shares which may be awarded is limited to three per cent of the shares of HKEx in issue as at the Adoption Date, i.e. a total of 31,871,575 shares. The maximum number of shares which may be awarded to a selected employee under the Scheme shall not exceed one per cent of the shares of HKEx in issue as at the Adoption Date, i.e. 10,623,858 shares. No shares have ever been awarded under the Scheme since its adoption.

The Board has decided that, after adoption of the Scheme, no further options will be granted under the existing Post-Listing Scheme.

The rules and the trust deed relating to the Scheme are posted on HKEx's corporate website.

Directors' and Chief Executive's Interests and Short Positions

As at 30 September 2005, the Directors, the Chief Executive and their respective associates had the following interests in the shares and underlying shares of HKEx, as recorded in the register maintained by HKEx pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"):

Name of Director	Number of Shares / Underlying Shares Held				Total	% of Issued Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Chow Man Yiu, Paul	3,280,000 (note 1)	–	–	–	3,280,000	0.31
Lee Jor Hung, Dannis	–	–	1,610,000 (note 2)	–	1,610,000	0.15
John Estmond Strickland	18,000 (note 3)	–	–	–	18,000	0.00
David Michael Webb	2 (note 4)	2 (note 5)	6 (note 6)	–	10	0.00

Notes:

1. Mr Chow, a Director and the Chief Executive of HKEx, has beneficial interests in 820,000 shares, and 2,460,000 underlying shares in respect of the share option granted to him pursuant to the Post-Listing Scheme on 2 May 2003. The said option is exercisable between 2 May 2005 and 1 May 2013 at an exercise price of \$8.28 per share. The number of shares issuable under the option granted and the exercise price had been adjusted in accordance with the resolution passed by shareholders at the annual general meeting held in 2004.
2. 1,610,000 shares were owned by DL Brokerage Limited, a private company beneficially wholly-owned by Mr Lee.
3. The shares were held by Mr Strickland as beneficial owner.
4. The shares were held by Mr Webb as beneficial owner.
5. The shares were owned by the spouse of Mr Webb.
6. The shares were owned by Fundamental Consultants Limited, Member One Limited and Member Two Limited which are under the control of Mr Webb.

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or the Chief Executive of HKEx or their respective associates in the shares, underlying shares and debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to HKEx and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and the Chief Executive (including their spouses and children under the age of 18) had, as at 30 September 2005, any interest in, or had been granted any right to subscribe for the securities and options of HKEx and its associated corporations within the meaning of the SFO, or had exercised any such rights.

Disclosable Interests and Short Positions of Shareholders under the SFO

As at 30 September 2005, the Directors are not aware of any party who was directly or indirectly interested in five per cent or more of the issued share capital of HKEx, as recorded in the register required to be kept by HKEx under Section 336 of the SFO.

Minority Controllers

Under Section 61 of the SFO, no person shall be or become a Minority Controller, i.e. a person who either alone or with any associate or associates, is entitled to exercise, or control the exercise of five per cent or more of the voting power at any general meeting of the recognised exchange controller, except with the approval in writing of the Securities and Futures Commission (“SFC”) after consultation with the Financial Secretary.

The SFC has so far granted approval to five entities to be Minority Controllers of HKEx, on the basis that the shares are held by them in custody for their clients.

As at 30 September 2005, the Minority Controllers were in aggregate holding 64.81 per cent of the issued share capital of HKEx (30 September 2004: 52.51 per cent).

Corporate Governance

HKEx applied the principles and complied with all requirements set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 14 of the Main Board Listing Rules, with certain deviations from code provisions A.4.1 and A.4.2 in respect of the service term and rotation of Directors, throughout the review period.

The code provisions A.4.1 and A.4.2 provide that (a) non-executive directors should be appointed for specific terms, subject to re-election, and (b) all directors appointed to fill casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Details of the deviations were set out in the Corporate Governance Report of HKEx’s 2004 Annual Report issued in March 2005.

To ensure stricter compliance with the CG Code, relevant amendments to the Articles of Association were proposed and approved by shareholders at the annual general meeting held in 2005 (“2005 AGM”) and subsequently approved by the SFC on 18 April 2005 pursuant to Section 67 of the SFO.

Following the effectiveness of the amendments to the Articles of Association, and shareholders’ resolutions passed at the 2005 AGM, HKEx fully complies with the CG Code.

On 7 November 2005, HKEx was awarded the 2005 HKMA Best Annual Reports Awards – Bronze Award in “General” Category organised by the Hong Kong Management Association. HKEx, as the regulator and a public company, will continue its commitment to articulate and maintain high standards of corporate governance.

In addition, the FTSE4Good Policy Committee has confirmed that HKEx has met the FTSE4Good selection criteria and become a member of the FTSE4Good Index Series effective from September 2005.

The FTSE4Good Index Series is produced by FTSE Group, and has been designed to identify companies that are working towards environmental sustainability, developing positive relationships with stakeholders and upholding and supporting universal human rights. Being selected a member of the FTSE4Good Index Series shows investors and other stakeholders HKEx's commitment to responsible business practice, and delivers a strong message to investors that HKEx meets globally recognised corporate social responsibility standards.

Compliance with the Model Code

HKEx has adopted the Model Code as set out in Appendix 10 to the Main Board Listing Rules. All Directors have confirmed, following specific enquiry by HKEx, that they fully complied with the Model Code throughout the review period.

Review of Accounts

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2005 in conjunction with HKEx's external auditors.

Management has appointed the external auditors to carry out certain agreed-upon procedures in accordance with Hong Kong Standards on Related Services 4400 "Engagements to perform agreed-upon procedures regarding financial information" issued by the Hong Kong Institute of Certified Public Accountants on the unaudited condensed consolidated financial statements for the nine months ended 30 September 2005.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the nine months ended 30 September 2005, HKEx had not redeemed, and neither HKEx nor any of its subsidiaries had purchased or sold any of HKEx's listed securities.

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

Hong Kong, 9 November 2005