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## **OTHER INFORMATION**

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(Financial figures are expressed in Hong Kong Dollar)

### **Board of Directors**

Dr Loh Kung Wai, Christine and Mr David Michael Webb were successfully elected and re-elected respectively by shareholders at the Annual General Meeting held on 26 April 2006 (“2006 AGM”) and their service terms will be approximately three years from 26 April 2006 until the conclusion of the annual general meeting to be held in 2009. On the same day, the Financial Secretary appointed Mr Ronald Joseph Arculli, Mrs Cha May-Lung, Laura and Mr Cheng Mo Chi, Moses as Government Appointed Directors to succeed Mr Lee Yeh Kwong, Charles, Mr Tim Freshwater and Dr Lo Ka Shui, who retired after the conclusion of the 2006 AGM. All of them were appointed for a term of approximately two years from 26 April 2006 until the conclusion of the annual general meeting to be held in 2008. The Board had subsequently on 27 April 2006 appointed Mr Ronald Joseph Arculli as the Chairman of the Board and whose appointment was approved by the Chief Executive of Hong Kong Special Administrative Region on 28 April 2006.

We would like to take this opportunity to record our thanks and sincere appreciation to our ex-Chairman, Mr Lee Yeh Kwong, Charles, for his steadfast leadership and distinct contributions to Hong Kong Exchanges and Clearing Limited (“HKEx”) over the past years. His devoted commitment and tireless efforts have been instrumental in steering HKEx to become one of the most successful international publicly-owned exchange operators. Amidst our appreciation to our ex-Chairman, the Board would also like to express its sincere appreciation to Mr Tim Freshwater, Mr Lee Jor Hung, Dannis and Dr Lo Ka Shui for their contributions, invaluable advice, and support rendered to HKEx over the past six years.

### **Committees and Consultative Panels**

Following the changes in the Board membership that took effect after the conclusion of the 2006 AGM, the Board appointed members to various Committees and Consultative Panels on 27 April 2006.

#### **Audit Committee**

Mr Cheng Mo Chi, Moses was appointed a member to succeed Mr Fan Hung Ling, Henry who has resigned from the Audit Committee.

#### **Executive Committee**

Mr Lee Kwan Ho, Vincent Marshall was appointed a member to succeed Mr Lee Jor Hung, Dannis. Mr Fong Hup was appointed as a member upon the Board’s approval of changing the composition of the Executive Committee to comprise solely of Board members. Mr Ronald Joseph Arculli assumed chairmanship pursuant to the Executive Committee’s terms of reference effective 28 April 2006.

#### **Investment Advisory Committee**

Mr Fan Hung Ling, Henry was appointed the chairman to succeed Mr Tim Freshwater. Mrs Cha May-Lung, Laura was appointed as an additional member.

**Nomination Committee, Disciplinary Appeals Committee and Listing Nominating Committee**

Mr Ronald Joseph Arculli was appointed the chairman of the Nomination Committee of HKEx and a member of the Disciplinary Appeals Committee and the Listing Nominating Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) to succeed Mr Lee Yeh Kwong, Charles.

**Remuneration Committee**

Dr Cheung Kin Tung, Marvin was appointed the chairman to succeed Dr Lo Ka Shui. Mr Cheng Mo Chi, Moses, Mr Fong Hup, Mr Lee Kwan Ho, Vincent Marshall and Dr Loh Kung Wai, Christine were appointed as members following the retirement of Mr Lee Jor Hung, Dannis after the conclusion of the 2006 AGM and upon the Board’s approval to increase the number of committee members from three to five.

**Risk Management Committee**

Mr Ronald Joseph Arculli was appointed the chairman of the Risk Management Committee pursuant to Section 65 of the Securities and Futures Ordinance (“SFO”) effective 28 April 2006.

**Cash Market Consultative Panel (“CMCP”)**

Mr Lee Kwan Ho, Vincent Marshall and Dr Cheung Kin Tung, Marvin were appointed the chairman and deputy chairman respectively to succeed Mr Lee Jor Hung, Dannis and Mr Tim Freshwater respectively.

**Clearing Consultative Panel (“CCP”)**

Mr Fong Hup, the former deputy chairman, was appointed the chairman to succeed Mr Lee Kwan Ho, Vincent Marshall who has taken up the position as the chairman of the CMCP and Mr Wong Sai Hung, Oscar was appointed the deputy chairman to succeed Mr Fong Hup.

**Derivatives Market Consultative Panel (“DMCP”)**

Dr Loh Kung Wai, Christine was appointed the deputy chairman to succeed Dr Cheung Kin Tung, Marvin who was appointed the deputy chairman of the CMCP.

### Panel Member Nomination Committee (“PMNC”)

The Board established the PMNC on 12 April 2006 for the purpose of identifying and selecting nominees for the CMCP, CCP and DMCP (collectively the “Consultative Panels”) for the Board’s consideration and approval. The PMNC consists of five members, including the chairmen of the Consultative Panels and two Directors appointed by the Board. Mrs Cha May-Lung, Laura was appointed a member to succeed Mr Fong Hup after the latter has taken up the position as the chairman of the CCP. Mr Wong Sai Hung, Oscar is another member appointed by the Board.

The term of service of each Director with each Committee or Consultative Panel shall be coterminous with individual’s term of directorship with HKEx.

Other members of the Committees and Consultative Panels remain unchanged. The membership information is available on HKEx’s corporate website.

### Share Option Schemes

HKEx operates two share option schemes, the Pre-Listing Share Option Scheme (“Pre-Listing Scheme”) and the Post-Listing Share Option Scheme (“Post-Listing Scheme”), under which the Board of Directors of HKEx may, at its discretion, offer any employee (including any executive director) of HKEx or its subsidiaries, options to subscribe for shares in HKEx subject to the terms and conditions stipulated in the two schemes. Both schemes were approved by the shareholders of HKEx on 31 May 2000 and have a life of 10 years until 30 May 2010. Amendments to the Post-Listing Scheme, including, inter alia, the abolition of granting options at discounted price, were approved by the shareholders on 17 April 2002 so as 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”) which came into effect on 1 September 2001.

Details of the share options outstanding as at 31 March 2006 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					Exercise period
		As at 1 Jan 2006	Issued upon subscription during the three months ended 31 Mar 2006	Lapsed during the three months ended 31 Mar 2006	As at 31 Mar 2006		
<b>Employees (note 1)</b>							
20 Jun 2000	\$6.88	2,126,000	668,000 (note 2)	–	1,458,000		6 Mar 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.

## Post-Listing Scheme

Date of grant	Exercise price	Number of shares issuable under the options				Exercise period (note 5)
		As at 1 Jan 2006	Issued upon subscription during the three months ended 31 Mar 2006	Lapsed during the three months ended 31 Mar 2006	As at 31 Mar 2006	
<b>Director (note 4)</b>						
2 May 2003	\$8.28	2,460,000	–	–	2,460,000	2 May 2005 – 1 May 2013
<b>Employees (note 1)</b>						
14 Aug 2003	\$12.45	844,000	–	–	844,000	14 Aug 2005 – 13 Aug 2013
18 Aug 2003	\$12.49	1,476,000	–	–	1,476,000	18 Aug 2005 – 17 Aug 2013
15 Jan 2004	\$17.30	1,094,000	–	–	1,094,000	15 Jan 2006 – 14 Jan 2014
31 Mar 2004	\$16.96	5,074,000	–	12,000	5,062,000	31 Mar 2006 – 30 Mar 2014
17 May 2004	\$15.91	200,000	–	–	200,000	17 May 2006 – 16 May 2014
26 Jan 2005	\$19.25	5,426,000	–	14,000	5,412,000	26 Jan 2007 – 25 Jan 2015

Since the adoption of the Employees' Share Award Scheme by the Board of Directors of HKEx in September 2005, no further options have been granted under the Post-Listing Scheme.

No options granted under these two share option schemes were cancelled during the three months ended 31 March 2006.

## Notes:

1. Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Employment Ordinance of Hong Kong.
2. The weighted average closing price immediately before the dates on which the options were exercised was \$38.41.
3. Options granted are exercisable between 6 March 2002 and 30 May 2010, subject to a vesting scale in tranches of 25 per cent each per annum reaching 100 per cent as from 6 March 2005.
4. The option was granted to Mr Chow Man Yiu, Paul, a Director and the Chief Executive of HKEx.
5. 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.
6. 80,000 shares were exercised on 31 March 2006 with the allotment of these shares being made on 3 April 2006. The closing price immediately before the date of exercise was \$47.25.

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## OTHER INFORMATION (CONT'D)

7. *HKEx adopts the Binomial Option Pricing Model for estimating the fair value of options issued under the Post-Listing Scheme. The assumptions used in the model for the following factors are:*

- *Risk-free rate of return – the yield of 10-year Exchange Fund Notes*
- *Expected volatility of share price – annualised volatility for one year immediately preceding the grant date*
- *Expected dividend yields – annual dividend (excluding special dividend) of the most recent financial year and the closing price on grant date*

*The amortised fair value of the share options charged to the profit and loss account for the three months ended 31 March 2006 was \$5,199,000 (31 March 2005: \$5,360,000).*

*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 ("HKEx Share Award 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 HKEx Share Award 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 tenth anniversary date of the Adoption Date. The rules and the trust deed relating to the HKEx Share Award Scheme are posted on HKEx's corporate website.

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

As at 31 March 2006, details of the awarded shares under the HKEx Share Award Scheme ("Awarded Shares") were as follows:

Date of award	Average fair value per share (\$)	Number of shares			As at 31 Mar 2006	Vesting period	
		As at 1 Jan 2006	Awarded during the three months ended 31 Mar 2006	Vested during the three months ended 31 Mar 2006			Lapsed during the three months ended 31 Mar 2006
<b>Employees</b>							
19 Dec 2005	31.20	960,000	–	–	5,200	954,800	19 Dec 2007 – 19 Dec 2010

Notes:

1. *The shares were purchased by the trustee of the HKEx Share Award Scheme at an average price of \$31.26 per share.*
2. *The amortised fair value of the Awarded Shares charged to the profit and loss account for the three months ended 31 March 2006 was \$2,021,000 (31 March 2005: Nil).*
3. *No shares have ever been awarded to any Director of HKEx under the HKEx Share Award Scheme since its adoption.*

## Directors' and Chief Executive's Interests and Short Positions

As at 31 March 2006, 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 SFO:

### Interests in the shares and underlying shares of HKEx

Name of Director	Number of shares/underlying shares held				Total	% of the issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
Chow Man Yiu, Paul	3,280,000 <i>(note 1)</i>	–	–	–	3,280,000	0.31
Lee Jor Hung, Dannis	–	–	1,610,000 <i>(note 2)</i>	–	1,610,000	0.15
Lee Kwan Ho, Vincent Marshall	–	–	5,070,000 <i>(note 3)</i>	–	5,070,000	0.48
John Estmond Strickland	18,000 <i>(note 4)</i>	–	–	–	18,000	0.00
David Michael Webb	2 <i>(note 5)</i>	2 <i>(note 6)</i>	6 <i>(note 7)</i>	–	10	0.00

Notes:

- Mr Chow, who is also 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 of HKEx at the annual general meeting held in 2004.*
- 1,610,000 shares were owned by DL Brokerage Limited, a private company beneficially wholly-owned by Mr Lee.*
- Mr Lee has interest in 860,000 shares, and 4,210,000 underlying shares through listed derivatives (physically settled options) held by Pacific Trust Company Limited, in which Mr Lee holds 33.33 per cent beneficial interests.*
- The shares were held by Mr Strickland as beneficial owner.*
- The shares were held by Mr Webb as beneficial owner.*
- The shares were owned by the spouse of Mr Webb.*
- The shares were owned by Fundamental Consultants Limited, Member One Limited and Member Two Limited which are under the control of Mr Webb.*

### Short positions in the shares and underlying shares of HKEx

As at 31 March 2006, Mr Lee Kwan Ho, Vincent Marshall was, under the SFO, interested in an aggregate short positions of 520,000 underlying shares in HKEx, representing 0.05 per cent of the total issued share capital of HKEx, which arose through certain listed derivatives (physically settled options) held by a corporation in which Mr Lee holds 33.33 per cent beneficial interests.

Save for those 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 into 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 31 March 2006, 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 31 March 2006, 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 associated person or persons, 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 31 March 2006, the Minority Controllers were in aggregate holding 61.6 per cent of the issued share capital of HKEx (31 March 2005: 54.4 per cent).

### **Corporate Governance**

HKEx is committed to building and maintaining high standards of corporate governance. HKEx applied the principles and fully complied with all requirements set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Main Board Listing Rules throughout the review period.

### **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 three months ended 31 March 2006 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 three months ended 31 March 2006.

### **Purchase, Sale or Redemption of HKEx's Listed Securities**

During the three months ended 31 March 2006, HKEx had not redeemed, and neither HKEx nor any of its subsidiaries had purchased or sold, any of HKEx's listed securities.

In December 2005, the Board awarded 960,000 HKEx shares to a number of employees under the HKEx Share Award Scheme. The trustee of the HKEx Share Award Scheme purchased 958,000 Awarded Shares on the Stock Exchange in December 2005 and the remaining 2,000 Awarded Shares in January 2006. The total amount paid to acquire the 2,000 Awarded Shares during the quarter was \$71,000.

By Order of the Board  
**Hong Kong Exchanges and Clearing Limited**  
**Ronald Joseph Arculli**  
*Chairman*

Hong Kong, 10 May 2006