

Other Information

Board of Directors

Dr Loh Kung Wai, Christine and Mr David Michael Webb were successfully elected and re-elected respectively by Shareholders at the 2006 AGM and their service terms are approximately three years from 26 April 2006 until the conclusion of the annual general meeting to be held in 2009. Mr Lee Jor Hung, Dannis retired after the conclusion of the 2006 AGM.

On 26 April 2006, 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. They were appointed to 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 subsequently on 27 April 2006 appointed Mr Ronald Joseph Arculli as the Chairman of the Board and the appointment was approved by the Chief Executive of Hong Kong 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 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 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 Board members. Mr Ronald Joseph Arculli assumed chairmanship effective 28 April 2006 pursuant to the Executive Committee's terms of reference.

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 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 effective 28 April 2006 pursuant to Section 65 of the SFO.

Cash Market Consultative Panel ("CMCP")

Mr Lee Kwan Ho, Vincent Marshall and Dr Cheung Kin Tung, Marvin were appointed the chairman and deputy chairman 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 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 took up the position as the chairman of the CCP. Mr Wong Sai Hung, Oscar is another member appointed by the Board.

On 2 June 2006, certain retired members of the Consultative Panels were re-appointed by the Board to a one-year term while new members were appointed to a three-year term.

The term of service of each Director with each Committee or Consultative Panel shall be coterminous with the individual's term of directorship with HKEx. The list of Committee and Consultative Panel members is available on HKEx's corporate website.

Becomes a Hang Seng Index Constituent Stock

On 11 August 2006, HSI Services Limited announced that HKEx will be included as a Hang Seng Index constituent stock with effect from 11 September 2006.

Change in Board Lot

The board lot size of shares of \$1.00 each in the share capital of HKEx ("Shares") for trading on the Stock Exchange was changed from 2,000 Shares to 500 Shares effective 26 June 2006. Free exchange of share certificates in board lots of 2,000 Shares each for share certificates in board lots of 500 Shares each was available from 12 June 2006 to 24 July 2006 (both dates inclusive). The detailed arrangement of the change in board lot size was announced by HKEx on 2 June 2006.

Interim Dividend

The Board has declared an interim dividend of \$0.94 per share (2005: \$0.49 per share) for the year ending 31 December 2006, amounting to a total of about \$1,001 million (2005: \$521 million), including dividend of about \$912,000 for shares held upon trust under the Share Award Scheme (2005: \$Nil). Details of the closure of register of members are set out on page 93 of this interim report.

Share Option Schemes

HKEx operates two share option schemes, the Pre-Listing Scheme and the Post-Listing Scheme, under which the Board 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 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 prices, were approved by the Shareholders on 17 April 2002 so as to comply with the new requirements of Chapter 17 of the Main Board Listing Rules which came into effect on 1 September 2001.

Details of the share options outstanding as at 30 June 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 six months ended 30 Jun 2006	Lapsed during the six months ended 30 Jun 2006	As at 30 Jun 2006	
Employees (note 1)						
20 Jun 2000	\$6.88	2,126,000	1,150,000 (note 2)	–	976,000	6 Mar 2002 – 30 May 2010 (note 3)

No further options can be, or have been, granted under the Pre-Listing Scheme from 27 June 2000, the date of listing of HKEx's shares 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 six months ended 30 Jun 2006 (note 4)	Lapsed during the six months ended 30 Jun 2006	As at 30 Jun 2006	
Director (note 6)						
2 May 2003	\$8.28	2,460,000	–	–	2,460,000	2 May 2005 – 1 May 2013
Employees (note 1)						
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	272,000	–	822,000	15 Jan 2006 – 14 Jan 2014
31 Mar 2004	\$16.96	5,074,000	626,500 (note 7)	106,000	4,341,500	31 Mar 2006 – 30 Mar 2014
17 May 2004	\$15.91	200,000	50,000	–	150,000	17 May 2006 – 16 May 2014
26 Jan 2005	\$19.25	5,426,000	–	108,000	5,318,000	26 Jan 2007 – 25 Jan 2015

Since the adoption of the Share Award Scheme by the Board 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 six months ended 30 June 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 \$44.75.*
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 weighted average closing price immediately before the dates on which the options were exercised was \$54.10.*
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. *The option was granted to Mr Chow Man Yiu, Paul, a Director and the Chief Executive of HKEx.*
7. *Excluding the 1,500 shares exercised on 30 June 2006 with the allotment of these shares on 3 July 2006. The closing price immediately before the date of exercise was \$47.50.*
8. *The amortised fair value of the share options charged to the profit and loss account for the six months ended 30 June 2006 was \$9,664,000 (30 June 2005: \$11,345,000).*

Share Award Scheme

On 14 September 2005 (“Adoption Date”), the Board adopted the Share Award Scheme in which selected employees (including any executive directors) of the Group are entitled to participate. The purposes and objectives are to recognise the contributions by certain employees of the Group and to give them an incentive to remain 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, the 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 maximum numbers of shares which can be awarded under the Share Award Scheme and to a selected employee throughout its duration are limited to three per cent (i.e. 31,871,575 shares) and one per cent (i.e. 10,623,858 shares) respectively of the shares of HKEx in issue as at the Adoption Date.

Pursuant to the rules of the Share Award Scheme, the Board or the trustee of the Share Award Scheme (as the case may be) shall select the employees of the Group for participation in the Share Award Scheme, and determine the number of shares of HKEx to be awarded. Awarded shares are granted at nil consideration. The trustee acquires the relevant awarded shares from the market at the cost of HKEx and holds them in trust for those selected employees until the end of each vesting period. Awarded shares and the income derived therefrom are subject to a vesting scale of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of award, provided that the selected employee remains an employee of the Group at all times until the relevant vesting dates and satisfies the conditions specified under the Share Award Scheme. Vested shares will be transferred at no cost to the relevant selected employees of HKEx.

Since its adoption, the Board has awarded a total of 960,000 shares to the selected employees and none of them is a Director of HKEx. Details of the award are set out below:

Date of award	Number of shares	Fair value per share (note)	Vesting period
19 Dec 2005	960,000	\$31.20	19 Dec 2007 – 19 Dec 2010

Note:

The fair value of the awarded shares was based on their market value at the date of award. The amortised fair value of the awarded shares charged to the profit and loss account for the six months ended 30 June 2006 was \$4,066,000 (30 June 2005: \$Nil).

As at 30 June 2006, taking into account the further shares acquired by reinvesting the dividend income, there were a total of 970,000 shares held upon trust by the trustee under the Share Award Scheme, with an aggregate of 12,897 shares as returned shares (i.e. shares were not vested and/or forfeited in accordance with the terms of the Share Award Scheme). The trustee shall hold these returned shares and future related income for the benefit of one or more employees of the Group as it determines at its discretion, after taking into account the recommendations of the Board. During the period, 12,700 awarded shares under the Share Award Scheme lapsed and no shares were vested.

On 16 August 2006, the Board approved an amendment to the rules and the related trust deed of the Share Award Scheme under which the Board will approve the lump sum for acquiring the Awarded Shares instead of approving a fixed number of Awarded Shares. The revised rules and trust deed are posted on HKEx's corporate website.

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

Directors' and Chief Executive's Interests and Short Positions

As at 30 June 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 (note 1)	–	–	–	3,280,000	0.31
Lee Kwan Ho, Vincent Marshall	–	–	1,626,000 (note 2)	180,000 (note 3)	1,806,000	0.17
John Estmond Strickland	18,000 (note 4)	–	–	–	18,000	0.00
David Michael Webb	2 (note 5)	2 (note 6)	6 (note 7)	–	10	0.00

Notes:

1. *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 at the annual general meeting held in 2004.*
2. *Mr Lee has interest in 1,626,000 underlying shares through listed equity derivatives (physically settled options) held by Pacific Trust Company Limited, in which Mr Lee holds 33.33 per cent beneficial interests.*
3. *Mr Lee has interest in 180,000 shares held by a corporation, controlled by Lee Tung Hai Family Trust, a discretionary trust of which Mr Lee is a beneficiary.*
4. *The shares were held by Mr Strickland as beneficial owner.*
5. *The shares were held by Mr Webb as beneficial owner.*
6. *The shares were owned by the spouse of Mr Webb.*
7. *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 30 June 2006, Mr Lee Kwan Ho, Vincent Marshall was, under the SFO, interested in aggregate short positions of 1,000,000 underlying shares in HKEx, representing 0.09 per cent of the total issued share capital of HKEx, which arose through certain listed equity derivatives (physically settled options) held by Pacific Trust Company Limited in which Mr Lee holds 33.33 per cent beneficial interests.

Save for those disclosed above, none of the Director or the Chief Executive of HKEx had any interest and short position in the shares, underlying shares and debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to HKEx and the Stock Exchange pursuant to the Model Code. Neither the Directors nor the Chief Executive (including their spouses and children under the age of 18) had, as at 30 June 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 30 June 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 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 June 2006, the Minority Controllers were in aggregate holding 51.3 per cent of the issued share capital of HKEx (30 June 2005: 54.7 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.

In June 2006, GovernanceMetrics International Inc affirmed the scores of HKEx as of 1 May 2006 of 6.5 (Global, July 2005: 6.5) and 9.5 (Home Market, July 2005: 9.5) out of the full score of 10.0.

In addition, the FTSE4Good Policy Committee in its March 2006 FTSE4Good Semi-annual Index Review confirmed that HKEx continues to meet the corporate social responsibility criteria inclusion for the FTSE4Good Index and remains a member of the FTSE4Good Index Series. HKEx has been selected a member of the FTSE4Good Index Series since September 2005.

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.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the six months ended 30 June 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 shares to a number of employees. The trustee of the Share Award Scheme purchased 958,000 shares on the Stock Exchange in December 2005 and the remaining 2,000 shares in January 2006. During the period, the trustee of the Share Award Scheme also applied, according to the terms of the trust deed, the dividend income received in respect of the HKEx shares held under the trust to acquire further 10,000 HKEx shares on the Stock Exchange. The total amount paid to acquire these 12,000 shares during the period was about \$666,000.

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

Hong Kong, 16 August 2006