



Hong Kong Exchanges and Clearing Limited 香港交易及結算所有限公司

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

(Stock Code: 388)

EMPLOYEES' SHARE AWARD SCHEME

The board of directors of the Company has adopted the Scheme in which all employees (including without limitation any executive directors) of the Group will be entitled to participate. Pursuant to the Scheme Rules, Shares will be acquired by the independent Trustee at the cost of the Company and be held in trust for the Selected Employees until the end of each vesting period. Vested Shares will be transferred at no cost to the Selected Employees. The number of Shares to be awarded under the Scheme throughout its duration is limited to three per cent of the issued share capital of the Company as at the Adoption Date.

The board of directors of the Company has adopted the Scheme on the Adoption Date, and decided that, after adoption of the Scheme, no further options will be granted under the existing Post-Listing Share Option Scheme. A summary of the Scheme Rules is set out below:–

Purposes and Objectives

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.

Administration

The Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules.

Duration

Unless early terminated by the board of directors of the Company, 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 the Company on or after the 10th anniversary date of the Adoption Date.

Maximum Limit

The Board shall not make any further award of Shares which will result in the aggregate number of shares awarded by the Board throughout the duration of the Scheme to be in excess of three per cent (i.e. 31,871,575 shares) of the issued share capital of the Company as at the Adoption Date (i.e. 1,062,385,846 shares). The maximum number of Shares which may be awarded to a Selected Employee under the Scheme shall not exceed one per cent (i.e. 10,623,858 shares) of the issued share capital of the Company as at the Adoption Date.

Restrictions

No instructions and no payments to purchase Shares shall be given to the Trustee when any director of the Company is in possession of unpublished price sensitive information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time.

Operation

Pursuant to the Scheme Rules, the Board shall select the Selected Employee(s) and determine the number of shares to be awarded. The Board shall cause to pay the Trustee the purchase price and the related expenses from the Company's resources. The Trustee shall purchase from the market the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the Scheme Rules.

The Trustee shall purchase/subscribe for further Shares for the Selected Employees to be funded by the proceeds of the sale of any non-cash distributions. When the Selected Employee has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested Shares (awarded Shares, related scrip distribution and further Shares acquired or subscribed out of the income derived therefrom) to that employee at no cost.

Vesting and Lapse

Awarded Shares and the related income derived therefrom are subject to a vesting scale in tranches of 25% each on every anniversary date of the Reference Date starting from the second anniversary date until the fifth. Vesting of the Shares will be conditional on the Selected Employee remaining an employee of the Group until and on each of the relevant vesting dates and his/her execution of the relevant documents to effect the transfer from the Trustee.

An award shall automatically lapse when a Selected Employee ceases to be an employee of the Group, or the Subsidiary employing the Selected Employee ceases to be a Subsidiary, or an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), save that in the case when a Selected Employee dies, or retires at his/her normal retirement date or earlier by agreement prior to a vesting date, all the awarded Shares and the related income shall be deemed to be vested on the day immediately prior to his/her death or retirement. In case there is no claim of the vested interests by the legal representative of the deceased Selected Employee within two years of the death of the Selected Employee (or such longer period as the Trustee and the Board shall agree from time to time) or the Trust Period (whichever is shorter), such vested interests shall be forfeited and cease to be transferable and shall be held as Returned Shares for the purposes of the Scheme.

In the event (i) a Selected Employee is found to be an Excluded Employee or (ii) a Selected Employee fails to return duly executed transfer documents prescribed by the Trustee for the relevant Shares awarded and the related income within the stipulated period, the relevant part of an award made to such Selected Employee shall automatically lapse forthwith and the relevant Shares awarded and related income shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Scheme.

If there occurs an event of change in control (as specified in The Codes on Takeovers and Mergers and Share Repurchases from time to time) of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the awarded Shares and the related income shall immediately vest on the date when such change in control event becomes or is declared unconditional and such date shall be deemed the vesting date.

Where the awarded Shares do not vest in accordance with the Scheme Rules, the Trustee shall hold such Shares and the related income for the benefit of one or more employees of the Group as it determines in its discretion, after having taken into account the recommendations of the Board.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust (including but not limited to the awarded Shares, and further Shares acquired out of the income derived therefrom).

(The board of directors of the Company is of the view that not exercising the voting rights by the Trustee might help avoid potential misperception of the Company's influence over the Trustee's decision in casting the votes in respect of the Shares held under the Trust at general meetings.)

Termination

The Scheme shall terminate on the earlier of the 15th anniversary date of the Adoption Date or such date of early termination as determined by the board of directors of the Company provided that such termination shall not affect any subsisting rights of the Selected Employees.

Upon termination, all awarded Shares and the related income derived therefrom shall become vested on the Selected Employees so referable on such date of termination, subject to the receipt by the Trustee of the transfer documents duly executed by the Selected Employees within the stipulated period. Net sale proceeds (after making appropriate deductions) of the Returned Shares and such non-cash income together with the residual cash and such other funds remaining in the Trust shall be remitted to the Company forthwith after the sale.

The Scheme Rules and the Trust Deed will be posted on HKEx Corporate website at www.hkex.com.hk.

Definitions

“Adoption Date”	14 September 2005, being the date on which the board of directors of the Company adopted the Scheme
“Board”	the board of directors of the Company, such committee or sub-committee or person(s) delegated with the power and authority by the board of directors of the Company to administer the Scheme
“Excluded Employee”	any Employee who is resident in a place where the settlement of the amount caused to be paid by the Board to the Trustee for the purchase of Shares awarded and the award of Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the Scheme Rules are not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such employee
“Group”	the Company and its Subsidiaries
“HKEx” or the “Company”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Post-Listing Share Option Scheme”	a share option scheme approved by shareholders of the Company on 31 May 2000 which was subsequently amended by shareholders of the Company on 17 April 2002 so as to comply with the new Listing Rules which came into effect on 1 September 2001

“Reference Date”	the date of final approval by the Board of the total number of Shares to be awarded to the Selected Employees in a single occasion pursuant to the Scheme or the date of an award of Shares by the Trustee pursuant to the Trust Deed
“Returned Shares”	such awarded Shares and related income which are not vested and/or forfeited in accordance with the terms of the Scheme Rules
“Scheme”	the HKEx Employees’ Share Award Scheme adopted by the board of directors of the Company whereby awards of Shares may be made to employees of the Company or its Subsidiaries (such Shares being purchased by the Trustee) pursuant to the Trust Deed and the Scheme Rules
“Scheme Rules”	the rules relating to the Scheme adopted by the board of directors of the Company
“Selected Employee(s)”	Employee(s) of the Group selected by the Board and employee(s) of the Group selected by the Trustee in respect of the Returned Shares in its absolute discretion, after having taken into consideration recommendations of the Board, for participation in the Scheme pursuant to the Scheme Rules
“Shares”	shares of HK\$1.00 each in the capital of the Company
“Subsidiary(ies)”	Subsidiary(ies) of the Company from time to time within the meaning of the Companies Ordinance (Cap.32 of the Laws of Hong Kong)
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	the trust deed to be made between Company as settlor and the Trustee as trustee, which deed establishes the Scheme
“Trust Period”	the period beginning with the Adoption Date and ending upon the first to happen of the following, namely: <ul style="list-style-type: none"> (a) 13 September 2020, being the expiry of the period of 15 years beginning with the Adoption Date; or (b) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company); or (c) the date as may be informed by the Company that the Scheme shall be terminated
“Trustee”	HSBC Institutional Trust Services (Asia) Limited (which is independent and not connected with the Company)

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

Hong Kong, 14 September 2005

As at the date of this announcement, the Board of Directors of HKEx comprises 12 independent non-executive Directors, namely Mr LEE Yeh Kwong, Charles (Chairman), Dr CHEUNG Kin Tung, Marvin, Mr FAN Hung Ling, Henry, Mr FONG Hup, Mr FRESHWATER, Timothy George, Dr KWOK Chi Piu, Bill, Mr LEE Jor Hung, Dannis, Mr LEE Kwan Ho, Vincent Marshall, Dr LO Ka Shui, Mr STRICKLAND, John Estmond, Mr WEBB, David Michael, Mr WONG Sai Hung, Oscar, and one executive Director, Mr CHOW Man Yiu, Paul, who is also the Chief Executive.

This announcement is also published on the HKEx website (<http://www.hkex.com.hk>).

Please also refer to the published version of this announcement in South China Morning Post.