

CORPORATE GOVERNANCE REPORT

The Board is committed to high standards of corporate governance and recognises that good governance is vital for the long-term success and sustainability of HKEX's business.

HKEX's key corporate governance practices and activities during the year ended 31 December 2015 are set out in this report and certain committee reports, as well as the 2015 CSR Report which will be published on the HKEX website together with this Annual Report. All the Committee Reports form part of this report.

More details about HKEX's corporate governance framework, principles and practices are available on the HKEX website.

Committee Reports

Nomination Committee Report: pages 86 and 87
Audit Committee Report: pages 88 to 90
Risk Committee Report: pages 91 to 94
Remuneration Committee Report: pages 95 to 101
ESG Committee Report: pages 102 and 103

HKEX website – About HKEX section

Organisation [ORG](#)
Investor Relations [IR](#)
Corporate Governance [CG](#)
Corporate Social Responsibility [CSR](#)

Compliance with Corporate Governance Code

Throughout the year 2015, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the following exceptions:

Code Provision A.4.1 (Re-election of non-executive directors)

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by the SFO.

Code Provision A.4.2 (Retirement by rotation of directors)

HKEX's Chief Executive in his capacity as a Director is not subject to retirement by rotation, as his term on the Board is coterminous with his employment with HKEX under HKEX's Articles.

HKEX has applied the principles of the Corporate Governance Code to its corporate governance structure and practices in the manner as described in this report and set out on the HKEX website [CG/IR/ORG](#). The Board has delegated its corporate governance functions to the ESG Committee. A summary of the work done by the ESG Committee in 2015/2016 is set out in the ESG Committee Report.

Strategic Planning

HKEX adopts a rigorous and continuing strategic planning process to identify and assess the opportunities and challenges that the Group might face and to develop a planned course of action for the Group to generate sustainable long-term value for Shareholders.

In 2015, HKEX concluded its three-year strategic plan for 2013-2015. Details of the progress made during the year are reported in the Chief Executive's Review and Business Review sections of this Annual Report.

HKEX has formulated a new three-year strategic plan for 2016-2018, which is outlined in the HKEX Strategic Plan 2016-2018 section of this Annual Report.

Development of Strategic Plan for 2016-2018

February 2015

Reviewed progress in implementing Strategic Plan 2013-2015

September 2015

Discussed strategic foundations in the past 3 years and strategic options in the coming years

December 2015

Board approved Strategic Plan 2016-2018

January 2016

Announced Strategic Plan 2016-2018

The Board

Board Composition

The Board structure is governed by HKEX's Articles and the SFO. A Board Diversity Policy has been in place since 2013 to broaden the diversity on the Board, and the policy is available on the HKEX website [CG](#).



The names of the Directors in office during 2015 and brief biographies of the current Directors are included in the Board of Directors and Senior Management section of this Annual Report.

Under HKEX's Articles, the term of office of Non-executive Directors is not more than 3 years (subject to re-appointment or re-election), although each Government Appointed Director is normally appointed for a term of approximately 2 years. The staggered terms of service enable the Board to have a core team of veteran Directors who are conversant with the Group's ongoing business as well as new members with fresh perspectives. They also help bring diverse experience to the Board. On 2 March 2016, the Board accepted the nomination by the Nomination Committee and recommended Apurv Bagri to stand for election by Shareholders at the 2016 AGM.

Information about the Board Diversity Policy, nomination of Board candidates, promoting Board diversity and independence assessment of INEDs during 2015/2016, is set out in the Nomination Committee Report.

Chairman and Chief Executive

The roles of HKEX's Chairman and Chief Executive are complementary, but importantly, they are distinct and separate with a clear and well established division of responsibilities. Details of their respective roles and responsibilities are available on the HKEX website [CG](#).

Key Responsibilities of HKEX's Chairman and Chief Executive

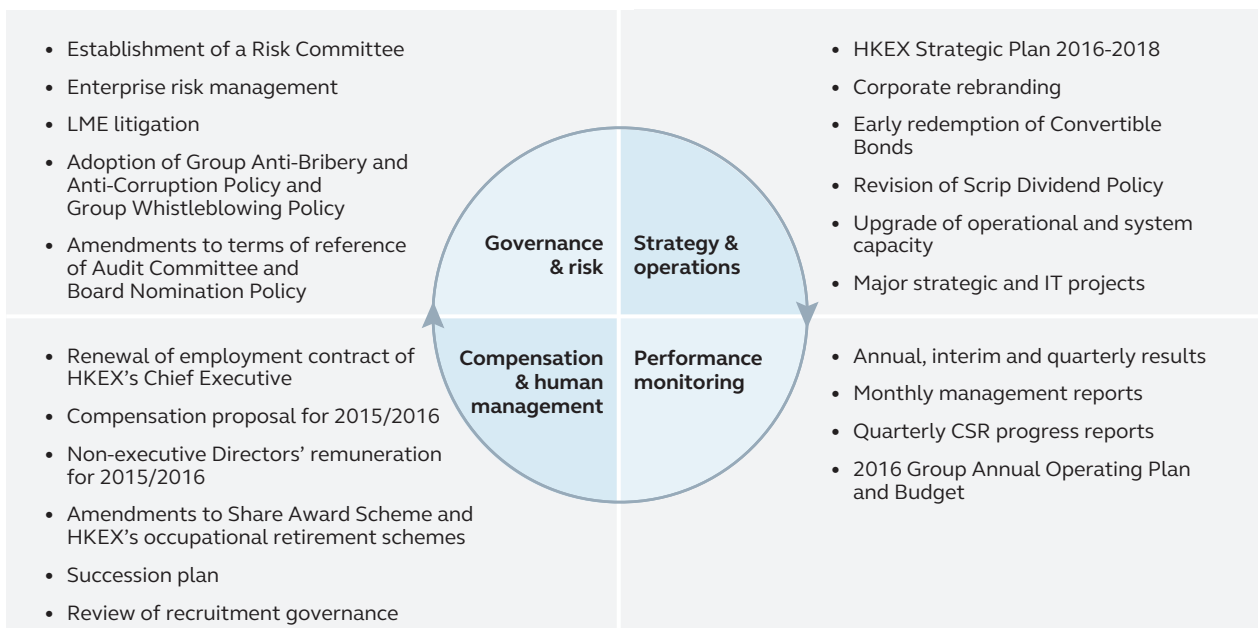


Roles and Responsibilities

Good governance emanates from an effective and accountable board. The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation by management, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. For effective oversight and leadership, the Board regularly reviews reports from HKEX's Chief Executive and senior management on progress with respect to approved strategies, plans and budgets, and receives updates/advice from Board committees, Consultative Panels and management on the governance, business performance and development of the Group. Further details relating to Board committees, Consultative Panels and HKEX's management functions are set out in the Board Delegation section below.

The Board operates under defined terms of reference which set out matters that are specifically reserved for the Board's decision. The terms of reference are available on the HKEX website [ORG](#).

Key Matters Addressed by the Board during 2015



Induction and Development

A comprehensive induction programme was provided to the two newly appointed Directors, Anita Fung and Rafael Gil-Tienda, in April 2015 to ensure that they have a firm understanding of the Group's operations and governance policies as well as their role and responsibilities.

Key Areas Covered by Induction Programme	Facilitated by
<ul style="list-style-type: none"> • HKEX's roles and group structure, governance structure, Board procedures, Director's responsibilities, guidelines on conduct, CSR strategy and management 	Company Secretary
<ul style="list-style-type: none"> • Director's duties and responsibilities 	External legal adviser
<ul style="list-style-type: none"> • HKEX's key business areas • Financial and risk management 	Respective division/department heads and senior executives

Every new Board member is also given a Director's Handbook which contains the Board's terms of reference, an overview of Directors' responsibilities, the Guidelines on Conduct and information on other key governance issues. The Director's Handbook was updated in October 2015, and it is available on the HKEX website [CG](#).

Ongoing development and training of Directors can help them keep abreast of current trends and issues facing the Group, while enabling them to update and refresh their skills and knowledge. All Directors are required to provide HKEX with their training records, and to confirm their respective records on a semi-annual basis. The records are maintained by the Company Secretary for annual review by the ESG Committee. In 2015, each Director (excluding those retired at the end of the 2015 AGM) received more than 17 hours of training, while the majority attended over 20 hours. The Directors received an aggregate of about 443 hours of training.

2015 Directors' Training by Topic

	HKEX's strategy/business	Economy/financial markets and products	Director's duties/governance practices	Risk management	Legislative/regulatory compliance	Others ¹
INEDs						
C K Chow (Chairman)	✓				✓	✓
T C Chan	✓	✓	✓	✓	✓	✓
Timothy Freshwater	✓		✓		✓	
Anita Fung ²	✓	✓	✓			
Rafael Gil-Tienda ²	✓		✓			
John Harrison	✓		✓		✓	✓
Fred Hu	✓	✓				
Stephen Hui ³	✓		✓		✓	
Bill Kwok	✓	✓	✓		✓	
Michael Lee ³	✓		✓			✓
Vincent Lee	✓	✓		✓		✓
Margaret Leung	✓	✓		✓	✓	✓
John Williamson	✓		✓			
Oscar Wong	✓		✓			
Executive Director						
Charles Li	✓	✓	✓			✓

¹ Includes topics such as IT and management

² Ms Fung and Mr Gil-Tienda were appointed as Directors effective 29 April 2015.

³ Messrs Hui and Lee retired from the Board effective 29 April 2015.

Board Process

Key Features of Board Process in 2015	
Regular meetings	<ul style="list-style-type: none"> The Board held 9 regular meetings and 2 offsite meetings in 2015. In addition, HKEX's Chairman had regular gatherings with Directors, occasionally without the presence of HKEX's Chief Executive, to consider issues in an informal setting.
Forward planning	<ul style="list-style-type: none"> All Board meetings were scheduled well before the start of the year. The Board maintained a standing agenda of items to ensure that matters relating to strategy, finance, major projects, governance, risk management and compliance were covered in its meetings at appropriate intervals during the year.
Guidelines and policies	<ul style="list-style-type: none"> The Escalation and Incident Reporting Policy sets out the guidelines on handling critical concerns relating to the Group's operations and performance. The Continuous Disclosure and Communication Policy sets out the guidelines on reporting and disseminating inside information. The Director's Handbook sets out the procedures to deal with Directors' conduct.
Conflicts of interests	<ul style="list-style-type: none"> To safeguard their independence, Directors are required to declare their direct/indirect interests, if any, in any business proposals to be considered by the Board and, where appropriate, they are required to abstain from meetings or voting on the proposals. In 2015, Tim Freshwater did not participate in discussions on a legal issue where there was a potential conflict of interest. Interests (such as directorships, offices held, and shareholding/economic interests) declared by Directors are recorded in a register which is accessible by all Directors.
Professional advice	<ul style="list-style-type: none"> All Directors are entitled to seek independent professional advice regarding their duties at the Company's expense. No such advice was sought in 2015. Independent legal advice was sought on the issue of director independence at the request of the Nomination Committee.
Timely access to information	<ul style="list-style-type: none"> All Directors have access to Board/committee papers through an electronic platform which ensures timely and secure delivery of information to Directors whilst at the same time reducing the environmental impact of Board/committee meetings. An electronic reading room has been set up to provide Directors with easy access to information relevant to their duties.

Attendance Record of Directors and Committee Members in 2015

	2015 AGM	Board	Audit Committee	ESG Committee	Executive Committee	Investment Advisory Committee	Nomination Committee	Panel Member Nomination Committee	Remuneration Committee	Risk ¹ Committee	Risk Management Committee (statutory)
Number of Meetings	1	11	4	1	6	4	2	1	5	3	6
Total Duration (Approximate number of hours)	1	38	8	1	3	7	1	1	8	5	6
INEDs											
C K Chow (Chairman)	1/1	11/11		1/1	6/6		2/2		5/5	3/3	6/6
T C Chan	1/1	11/11	4/4				2/2	1/1		3/3	6/6
Timothy Freshwater ²	1/1	11/11			2/2	4/4	2/2		3/4		
Anita Fung ³		8/8	2/3			3/3		-			
Rafael Gil-Tienda ⁴		8/8		-						2/3	
John Harrison	1/1	11/11	4/4							3/3	
Fred Hu ⁵	1/1	9/11				3/3	1/1				
Stephen Hui ⁶	1/1	3/3		1/1		1/1					
Bill Kwok	1/1	11/11	4/4		6/6			1/1	5/5		
Michael Lee ⁷	1/1	3/3	1/1	1/1		1/1		1/1			
Vincent Lee ⁸	1/1	11/11	1/1	-	6/6			1/1	5/5		
Margaret Leung ⁹	1/1	11/11			4/4				1/1	3/3	4/6
John Williamson	1/1	11/11	4/4	1/1			2/2		5/5		
Oscar Wong ¹⁰	1/1	11/11				4/4	1/1	1/1			
Executive Director											
Charles Li	1/1	11/11		1/1	6/6						
Market Professionals											
Chan Ngai Hang ¹¹											4/4
Lawrence Lam ¹²											1/2
Howard Lee											5/6
Michael Liu ¹¹											1/4
David Lui ¹³						1/1					6/6
Keith Lui											2/2
Barbara Shiu ¹²											6/6
May Tan											6/6
Average Attendance Rate	100%	99%	95%	100%	100%	100%	100%	100%	96%	93%	85%

1 The Risk Committee was established on 5 March 2015.

2 Mr Freshwater was appointed to the Remuneration Committee on 30 April 2015 and ceased to be a member of the Executive Committee on the same date.

3 Ms Fung was appointed to the Board on 29 April 2015 and to the Audit Committee, the Investment Advisory Committee, and the Panel Member Nomination Committee on 30 April 2015. No meeting of the Panel Member Nomination Committee took place between 30 April and 31 December 2015.

4 Mr Gil-Tienda was appointed to the Board on 29 April 2015 and to the ESG Committee and the Risk Committee on 30 April 2015. No meeting of the ESG Committee took place between 30 April and 31 December 2015.

5 Dr Hu was appointed to the Investment Advisory Committee and the Nomination Committee on 30 April 2015.

6 Mr Hui retired from the Board, the ESG Committee and the Investment Advisory Committee on 29 April 2015.

7 Mr Lee retired from the Board, the Audit Committee, the ESG Committee, the Investment Advisory Committee and the Panel Member Nomination Committee on 29 April 2015.

8 Mr Lee was appointed to the ESG Committee on 30 April 2015 and ceased to be a member of the Audit Committee on the same date. No meeting of the ESG Committee took place between 30 April and 31 December 2015.

9 Mrs Leung retired from the Remuneration Committee on 29 April 2015 and was appointed to the Executive Committee on 30 April 2015.

10 Mr Wong ceased to be a member of the Nomination Committee on 30 April 2015.

11 Messrs Chan and Liu ceased to be members of the Risk Management Committee (statutory) on 1 July 2015.

12 Mr Lam and Ms Shiu were appointed to the Risk Management Committee (statutory) on 1 July 2015.

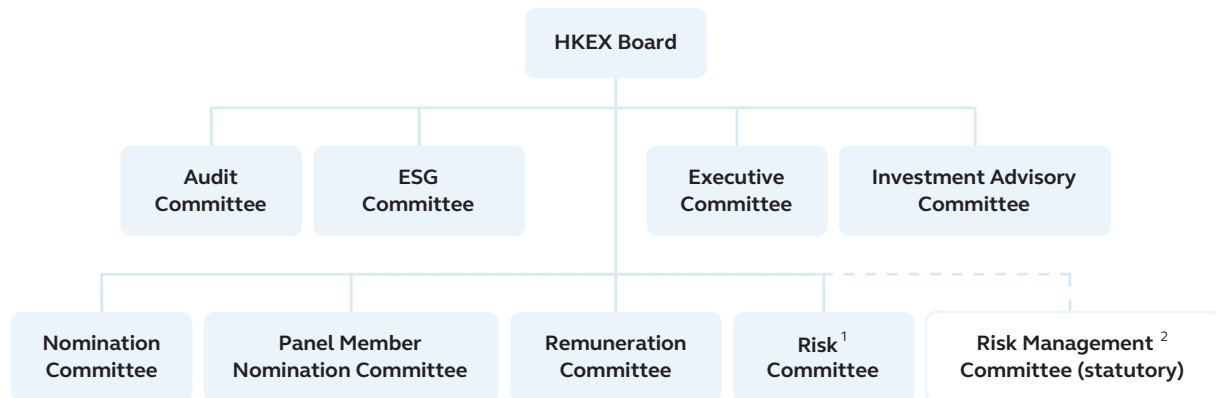
13 Mr Lui retired from the Investment Advisory Committee on 30 April 2015.

Company Secretary

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to HKEX's Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and for facilitating information flows and communications among Directors as well as with Shareholders and management.

The Company Secretary's biography is set out in the Board of Directors and Senior Management section of this Annual Report. During 2015, the Company Secretary had over 15 hours of professional training to update his skills and knowledge.

Board Delegation Committees



¹ Established in 2015

² A statutory committee established under Section 65 of the SFO

The Board has delegated authority to various committees to deal with specific matters under defined terms of reference. The composition and terms of reference of these Board committees are reviewed and updated regularly to ensure that they remain appropriate and in line with the Group's business and changes in governance practices. Board committee information is available on the HKEX website [CG/ORG](#). The list of members of the Board committees is set out in the Board and Committees section of this Annual Report, and their attendance record is set out in the Board Process section above.

Consultative Panels

HKEX has 3 Consultative Panels which provide market expertise and advice to the Board in relation to the trading and clearing in Hong Kong's securities and derivatives markets. The composition and terms of reference of the Consultative Panels are available on the HKEX website [ORG](#).

Number of Panel Meetings Held in 2015

Cash Market Consultative Panel	1
Derivatives Market Consultative Panel	3
Clearing Consultative Panel	2

Management

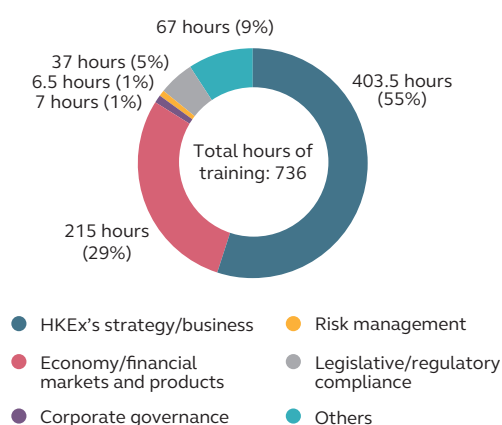
Senior management, under the leadership of HKEX's Chief Executive, is responsible for the day-to-day management of the Group's businesses and implementation of the strategies approved by the Board. The Management Committee, a decision-making body of the Group chaired by HKEX's Chief Executive, aims to meet at least twice a month. Its membership and duties are available on the HKEX website [ORG](#). The list of members of the Management Committee is set out in the Management Committee section of this Annual Report.

During 2015, Charles Li was re-appointed as HKEX's Chief Executive for a further term of 3 years up to 15 October 2018, and several senior management changes were made to support HKEX's strategic focus on Mainland connectivity and to strengthen its executive team. In January 2016, HKEX further optimised its group structure to prepare for the launch of the HKEX Strategic Plan 2016-2018. Details are set out in the News & Consultations (News Releases) section of the HKEX website. HKEX's updated organisation structure is available on the HKEX website [ORG](#). The members of the senior management team and their biographies are set out in the Board of Directors and Senior Management section of this Annual Report.

The Board recognises the importance of ensuring continuity in senior management and identifying leaders with appropriate skills and experience to support delivery of the Group's strategic initiatives. Succession planning for senior management is considered by the Board annually.

Given the competitive business environment in which the Group operates, HKEX arranges professional development programmes for its senior management from time to time to support its long-term growth and success. Other employees of the Group also attended training throughout the year, with details set out in the 2015 CSR Report.

2015 Senior Management's Training by Topic



Subsidiary Governance

HKEX is committed to fostering good governance at all levels of the organisation. To ensure there is an integrated, Group-wide approach towards upholding high governance standards, efforts have been made to strengthen the governance structures and processes of HKEX's subsidiaries.

To help ensure effective oversight of its subsidiaries, HKEX promotes governance linkages within the Group through common memberships between the Board and the subsidiaries' boards/committees and appointment of HKEX's senior management to the subsidiaries' boards. Details about the governance structures of the Group's principal subsidiaries (including composition and terms of reference of their boards and committees) are available on the HKEX website [ORG](#).

HKEX has implemented a number of Group-wide governance policies to ensure best practices across the organisation. During 2015, the Board approved implementation of the Group Anti-Bribery and Anti-Corruption Policy and the Group Whistleblowing Policy to support HKEX's commitment to adhere to high standards of business, professional and ethical conduct. Information about these policies is available on the HKEX website [CSR](#).

Remuneration of Directors and Senior Management

HKEX has formal and transparent procedures for fixing the remuneration packages of individual Directors and senior management. Information about HKEX's remuneration policies and the Remuneration Committee, including its work in 2015/2016, is set out in the Remuneration Committee Report.

Directors' Securities Transactions and Interests in HKEX

Compliance with Model Code

HKEX has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code at all applicable times during 2015.

Directors' Interests and Short Positions in Shares and Underlying Shares of HKEX

The interests and short positions of Directors, including HKEX's Chief Executive, in the shares and underlying shares of HKEX (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEX and the SFC under the Model Code, as at 31 December 2015 are set out below.

Long Positions in Shares and Underlying Shares of HKEX

Name of Director	Number of shares/underlying shares held				Total	% of HKEX ¹ shares in issue
	Personal interests	Family interests	Corporate interests	Other interests		
C K Chow	15,000 ²	–	–	–	15,000	0.00
Margaret Leung	–	3,101 ³	–	–	3,101	0.00
Charles Li	701,855 ⁴	–	–	–	701,855	0.05

¹ Based on 1,208,536,325 HKEX shares in issue as at 31 December 2015

² Mr Chow was the beneficial owner of those shares.

³ Mrs Leung's spouse was the beneficial owner of those shares.

⁴ It included Mr Li's interests in Awarded Shares and shares acquired out of the dividends from the Awarded Shares in an aggregate of 403,419 shares which remained unvested under the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in the Remuneration Committee Report.

Save as disclosed above, as at 31 December 2015, none of the Directors had any interests or short positions in the shares, underlying shares or 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 under Section 352 of the SFO, or as otherwise notified to HKEX and the SFC under the Model Code.

Apart from the Awarded Shares as disclosed in the Remuneration Committee Report, during 2015, none of the Directors (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of HKEX or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Other Persons' Interests and Short Positions in Shares and Underlying Shares of HKEX

Minority Controllers

As at the date of this report, other than the Government which has been a Minority Controller since 7 September 2007, 9 entities have been approved as Minority Controllers on the basis that they held HKEX shares in custody for their clients. According to the Participant Shareholding Report as at 31 December 2015, these Minority Controllers in aggregate held approximately 59 per cent of HKEX shares in issue.

Minority Controller

- A Minority Controller is a person who either alone or with any associated person(s) is entitled to exercise, or control the exercise of, 5 per cent or more of the voting power at any general meeting of the recognised exchange controller.
- Under Section 61 of the SFO, no person shall become a Minority Controller except with the SFC's approval in writing after consultation with the Financial Secretary. The provisions of Section 61 of the SFO do not bind the Government.

Other persons' interests and short positions in the shares and underlying shares of HKEX (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEX and the Stock Exchange, as at 31 December 2015 are set out below.

Long Positions in Shares and Underlying Shares of HKEX

Name	Capacity	Number of shares/ underlying shares held	Total	% of HKEX ¹ shares in issue
JPMorgan Chase & Co	Beneficial owner	34,789,930	63,576,097 ²	5.26
	Investment manager	4,567,164		
	Trustee (other than a bare trustee)	608		
	Custodian corporation/ approved lending agent	24,218,395		
The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund)	Beneficial owner	66,730,300 ³	66,730,300	5.52

Short Positions in Shares and Underlying Shares of HKEX

Name	Capacity	Number of shares/ underlying shares held	Total	% of HKEX ¹ shares in issue
JPMorgan Chase & Co	Beneficial owner	10,441,802	10,441,802 ⁴	0.86

¹ Based on 1,208,536,325 HKEX shares in issue as at 31 December 2015

² It included an aggregate interest in 10,549,143 underlying shares through JPMorgan Chase & Co's holding of certain physically settled listed equity derivatives (5,601,267 underlying shares), physically settled unlisted equity derivatives (2,399,577 underlying shares), cash settled listed equity derivatives (1,304,600 underlying shares) and cash settled unlisted equity derivatives (1,243,699 underlying shares). It also included 24,218,395 shares in a lending pool.

³ Based on a confirmation to HKEX by the Government in respect of its holding immediately following completion of placing of new HKEX shares as announced on 30 November 2012

⁴ It included an aggregate interest in 10,192,161 underlying shares through JPMorgan Chase & Co's holding of certain physically settled listed equity derivatives (2,536,722 underlying shares), physically settled unlisted equity derivatives (1,945,432 underlying shares), cash settled listed equity derivatives (4,423,550 underlying shares) and cash settled unlisted equity derivatives (1,286,457 underlying shares).

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of HKEX as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEX and the Stock Exchange, as at 31 December 2015.

Senior Management

Members of the senior management are obliged to follow the Company's restrictions on dealing in securities, futures contracts and other derivatives, which are on terms no less stringent than the Model Code, as set out in HKEX's Human Resources Manual. Senior Management's interests in the shares and underlying shares of HKEX as at 31 December 2015 are set out below.

Senior Management	Number of shares held	Number of shares remained unvested under the Share Award Scheme	Derivatives (number of underlying shares)
Margaret Cheng	7,472	46,003	–
Bill Chow	425,577	20,914	–
Adrian Farnham	9,332	43,935	–
David Graham	19,876	61,778	–
Garry Jones	5,844	77,261	–
Paul Kennedy	4,327	33,139	–
Romnesh Lamba	130,457	84,982	–
Roger Lee	292,458	59,382	–
Richard Leung	57,801	34,804	–
Li Gang	–	26,437	–
Mao Zhirong	3,173	27,934	–
Ketan Patel	8,976	19,480	–
Trevor Spanner	13,783	78,120	–
Calvin Tai	115,928	58,572	–

Continuing Connected Transactions

In June 2000, the SFC granted a waiver to HKEX from strict compliance with the Main Board Listing Rules with respect to certain continuing connected transactions as referred to in (A), (B) and (C) below. The waiver has remained valid since then. During 2015 and subject to the waiver, the Group had the following continuing connected transactions:

A. Transactions between HKEX or its subsidiaries and the following connected persons arising from or in connection with the use of the facilities provided by the Group for the trading, clearing and/or settlement of securities and futures products and transactions, and all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:

- Bill Kwok, an INED, was interested in the transactions entered into by Wocom Securities Limited (WSL) and Wocom Limited, EPs and CPs, which are Dr Kwok's associates by virtue of the Main Board Listing Rules.
- Vincent Lee, an INED, was interested in the transactions entered into by Hang Tai Securities Limited, Tung Tai Securities Company Limited and Tung Tai Futures Limited, EPs and CPs, which are Mr Lee's associates by virtue of the Main Board Listing Rules.

B. Transactions between HKEX or its subsidiaries and the following connected person arising from or in connection with the listing, or proposed listing, of securities on the Stock Exchange, and all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:

- Dr Kwok, an INED, was interested in the transactions entered into by his associate, Wing On Company International Limited, which is listed on the Stock Exchange.

C. Transactions between HKEX or its subsidiaries and the following connected person arising from or in connection with the HKSCC arrangement on behalf of CCASS Participants for: (i) carrying out "buy-in" when a CCASS Participant has failed to deliver securities on time for settlement under the CNS System or the Isolated Trades System operated by CCASS; (ii) the purchase or sale of securities in connection with the liquidation of the positions of a CCASS Participant that has been declared by HKSCC to be in default; and (iii) the sale of entitlements of securities held through CCASS (collectively referred as Buy-in Transactions):

- WSL is one of the brokers appointed by HKSCC under an agreement for assisting HKSCC to carry out Buy-in Transactions. Dr Kwok, an INED, is interested in any Buy-in Transactions entered into by WSL which is his associate by virtue of the Main Board Listing Rules. During 2015, no Buy-in Transactions were conducted by WSL.

The Board has delegated the Audit Committee to review the above continuing connected transactions pursuant to Main Board Listing Rule 14A.55. The results of the Audit Committee's review are set out in the Audit Committee Report.

The Company's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor issued its unqualified report containing its findings and conclusions in respect of the transactions disclosed above in accordance with Main Board Listing Rule 14A.56. The Company provided a copy of the said report to the SFC and the Stock Exchange.

Material Related Party Transactions

During 2015, the Group entered into certain transactions with “related parties” as defined under the applicable accounting standards. Material related party transactions are disclosed in note 49 to the Consolidated Financial Statements. The transactions in connection with services incidental or related to facilities provided by the Group for the trading, clearing and/or settlement of securities and futures products and transactions, or listing of securities on the Stock Exchange as described in note 49(a) fall under the definition of continuing connected transactions under the Main Board Listing Rules. These transactions have satisfied the conditions of the waiver granted by the SFC from strict compliance with the Main Board Listing Rules. The transactions in relation to key management personnel compensation as disclosed in note 49(b) included compensation to HKEX’s Chief Executive and directors of HKEX’s subsidiaries which also fall under the definition of continuing connected transactions under the Main Board Listing Rules and are exempt from the connected transaction requirements under Main Board Listing Rule 14A.76 or 14A.95.

Accountability and Audit

Financial Reporting

The Board, which is responsible for overseeing the preparation of annual financial statements, receives monthly management accounts and updates on the Group’s performance, financial position and prospects. In preparing the financial statements for the year ended 31 December 2015, the Board adopted appropriate accounting policies consistently, made prudent and reasonable judgements and estimates, and ensured that the financial statements were prepared on a going concern basis and show a true and fair view of the state of affairs of HKEX and of the Group as at 31 December 2015 and of the Group’s profit and cash flows for the year.

The Board is committed to presenting a balanced, clear and comprehensible assessment of the Group’s operational performance, financial results and prospects to Shareholders and other stakeholders in a timely manner. In 2015, HKEX published its annual, interim and quarterly results within 3 months, 2 months and 45 days respectively after the relevant period end.

Risk Management and Internal Control

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group’s strategic objectives, and maintaining sound and effective risk management and internal control systems (including reviewing their effectiveness) to safeguard Shareholders’ investment and the Group’s assets. To this end, management continues to allocate resources for an internal control and risk management system compatible with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. Details about the Group’s Risk Governance structure and Group’s Risk Management Policy Framework, and the Group’s key control procedures, are set out in the Risk Committee Report and on the HKEX website [CG](#), respectively.

The Board, through the Risk Committee and the Audit Committee, has reviewed the adequacy and effectiveness of the Group’s risk management and internal control systems. Information about the Risk Committee and the Audit Committee, including their work in 2015/2016, is set out in their respective reports contained in this Annual Report.

Independence of External Auditor

HKEX has engaged PricewaterhouseCoopers as its external auditor. An analysis of remuneration in respect of audit and non-audit services provided by PricewaterhouseCoopers and details of the Audit Committee's work in assessing the independence of PricewaterhouseCoopers and ensuring audit effectiveness are set out in the Audit Committee Report.

Information about HKEX's policies and procedures in safeguarding and supporting the independence and objectivity of the external auditor is available on the HKEX website [CG](#).

Shareholder Relations

The Board gives high priority to maintaining balanced, clear and transparent communications with Shareholders and other investors to facilitate their understanding of the Group's performance, prospects and the market environment in which it operates. HKEX has an ongoing dialogue with Shareholders and other investors through various communication channels to exchange views and understand any issues of concern, which would be taken into consideration whilst formulating its business strategies.

Investor Engagement and Communications

A dedicated investor relations team is responsible for acting as HKEX's primary contact for investors and analysts. Through its well-established and comprehensive engagement programme, institutional investors are given opportunities to meet with HKEX's Chief Executive and other senior executives to gain a better understanding of the Group's operations and strategic plans. During 2015, roughly 290 meetings were held with institutional investors and analysts in Hong Kong and overseas. To facilitate more focused and effective investor relations, a shareholding analysis was conducted under Section 329 of the SFO to give management a better view of HKEX's shareholding structure.

Key Investor Relations Activities

- Small group/one-to-one meetings
- Non-deal roadshows
- Analyst briefings
- Investor conferences

Investor Relations Contact Details

- Email: info@hkex.com.hk
- Fax: (852) 2868 4084
- Tel: (852) 2840 3330

Investors' views are regularly shared with the Board through the investor relations team's updates which contain analysis of HKEX share price performance, details of sell-side broker recommendations, market consensus updates, and summaries of questions and feedback from investors and analysts.

To foster institutional investors' understanding of the Group's governance performance, HKEX continues to provide information to international ESG rating agencies upon request in relation to the Group's governance policies and practices.

Further information about the Group's stakeholder engagement activities in 2015 is set out in the 2015 CSR Report.

Shareholder Engagement and Communications

Corporate communications

- HKEX ensures prompt dissemination of corporate communications to enable Shareholders and other stakeholders to keep abreast of the Group's business affairs and developments so that they can make informed decisions.
- The HKEX website, which provides Shareholders with access to corporate communications and other information relating to the Group, has become the primary channel of communication with the investing public. As at 31 December 2015, about 68 per cent of Shareholders opted to receive corporate communications via electronic means.

Financial key dates

- The financial calendar highlighting important dates for Shareholders in 2016 is set out in the Shareholder Information section of this Annual Report and is also available on the HKEX website [IR](#).

Scrip dividend scheme

- HKEX offers Shareholders the option of receiving their cash dividends in the form of scrip. To facilitate Shareholders' reinvestment of their dividends in HKEX shares, the Board in 2015 resolved a 5 per cent discount on the subscription price be offered to Shareholders who elect the scrip alternative. Further details relating to HKEX's scrip dividend scheme are set out in the Shareholder Information section of this Annual Report and are also available on the HKEX website [IR](#).

General meetings

- Shareholder(s) representing at least 5 per cent of the total voting rights of all Shareholders having a right to vote at general meetings may request the Board to call a general meeting. The request must state the general nature of the business to be dealt with, and may include the text of a resolution that may properly be moved and is intended to be moved, at the meeting. Such requests must be sent to the Company Secretary by depositing at HKEX's registered office or via email at ssd@hkex.com.hk.
- Under HKEX's Articles, if a Shareholder wishes to propose a person for election as a Director at a general meeting, he or she should submit a written notice of nomination to the Company Secretary at HKEX's registered office. Details of the procedures for nominating candidates to stand for election as a Director at the 2016 AGM will be set out in the circular to Shareholders to be sent together with this Annual Report.
- Shareholders may put forward proposals at general meetings by submitting a written notice of their proposals to the Company Secretary via depositing at HKEX's registered office or via email at ssd@hkex.com.hk. Details of the procedures for putting forward proposals by Shareholders are set out on the HKEX website [CG](#).

Policies and guidelines

- A Shareholders Communication Policy is in place to ensure that Shareholders are provided with ready, equal and timely access to information about HKEX. The policy is regularly reviewed to ensure its effectiveness and is posted on the HKEX website [CG](#).
- A Shareholders' Guide with answers to the frequently asked questions of Shareholders with regard to their interests in HKEX shares is posted on the HKEX website [CG](#).

Shareholding analysis

- Based on publicly available information and within the Directors' knowledge as at the date of this report, approximately 100 per cent of the HKEX shares were held by the public. Periodic analysis of HKEX's shareholding profile is conducted to help better understand Shareholders' interests and needs. HKEX's market capitalisation and shareholder analysis as at 31 December 2015 are set out in the Shareholder Information section of this Annual Report.

The Board is grateful to Shareholders and other stakeholders for their support and welcomes their views as well as any questions they may have about the management and governance of the Group. Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to the Company Secretary by post to the Secretarial Services Department, HKEX, 12/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, or by email to ssd@hkex.com.hk.

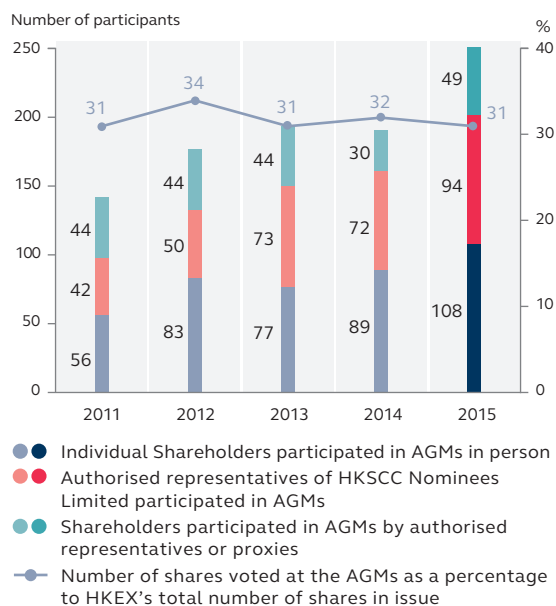
2015 Annual General Meeting

HKEX uses the AGM as a forum to establish constructive dialogue with Shareholders. Separate resolutions are proposed on each substantially separate issue, with all resolutions considered on a poll conducted by HKEX's registrar and verified by an independent scrutineer. Electronic voting is used at the AGMs to enhance efficiency and transparency of the vote counting process.

At the 2015 AGM, all Directors in office on the meeting date, including HKEX's Chairman and the chairmen of the Audit Committee and other Board committees, attended the meeting along with key senior executives and the external auditor.

The voting results and the minutes of the 2015 AGM are available on the HKEX website [IR](#).

Participation in AGMs



Summary of Key Matters Resolved at the 2015 AGM¹

- Receipt of the 2014 audited financial statements
- Declaration of 2014 final dividend of \$2.15 per share
- Election of T C Chan, Fred Hu and John Williamson as Directors
- Re-appointment of PricewaterhouseCoopers as the Company's auditor
- Granting a general mandate to buy back HKEX shares (not exceeding 10 per cent of the number of shares in issue)
- Granting a general mandate to issue HKEX shares (not exceeding 10 per cent of the number of shares in issue and at a price not exceeding a discount of 10 per cent)
- Remuneration of \$2,100,000 per annum payable to the Chairman
- Remuneration of \$200,000 and \$120,000 per annum respectively payable to the chairman and each of the other members of Audit Committee²
- Remuneration of \$180,000 and \$120,000 per annum respectively payable to the chairman and each of the other members (excluding Executive Director, if any) of Executive Committee, Investment Advisory Committee, Remuneration Committee and Risk Committee²

¹ The full text of the resolutions is set out in the Notice of the 2015 AGM.

² Each committee member, other than Executive Director, is also entitled to an attendance fee of \$3,000 per meeting.

2016 Annual General Meeting

The 2016 AGM will be held on Thursday, 28 April 2016. The Notice of the 2016 AGM, which constitutes part of the circular to Shareholders, will be sent together with the 2015 Annual Report. The Notice of the 2016 AGM, the circular which sets out details of the business to be conducted at the 2016 AGM, and the proxy form will be available on the HKEX website [IR](#). The poll results of the proposed resolutions will be published on the HKEX website shortly after the 2016 AGM is held.

All Shareholders are encouraged to attend the 2016 AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting, and will be able to meet with Directors and the senior management.

Changes after Closure of Financial Year

This report takes into account the changes that have occurred since the end of the 2015 to the date of the approval of this report.

On behalf of the Board
MAU Kam Shing, Joseph
 Company Secretary

Hong Kong, 2 March 2016