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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Hong Kong Exchanges and Clearing Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND
REPURCHASE SHARES**

The Notice of Annual General Meeting of Hong Kong Exchanges and Clearing Limited to be held at the Meeting Room 201, Level 2, Hong Kong Convention and Exhibition Centre (New Wing), 1 Expo Drive, Wanchai, Hong Kong on Friday, 27 April 2001 at 4:30 p.m. is set out on pages 87 to 89 of the Annual Report 2000 sent out together with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting.

28 March 2001

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:—

“Annual General Meeting”	The annual general meeting of HKEx to be held at the Meeting Room 201, Level 2, Hong Kong Convention and Exhibition Centre (New Wing), 1 Expo Drive, Wanchai, Hong Kong on Friday, 27 April 2001 at 4:30 p.m., notice of which is set out on pages 87 to 89 of the Annual Report 2000 sent out together with this circular or, where the context so admits, any adjournment thereof
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Directors”	the directors of HKEx
“HKEx”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“SFC”	the Securities and Futures Commission
“Shareholders”	holders of Shares
“Shares”	shares of HK\$1.00 each in the share capital of HKEx
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of section 2(4) of the Companies Ordinance) of HKEx whether incorporated in Hong Kong or elsewhere
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers

Note: The English text of this circular shall prevail over the Chinese text.

LETTER FROM THE BOARD OF DIRECTORS



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)

Non-executive Directors:

LEE Yeh Kwong, Charles, *Chairman*
CHAN Cho Chak, John
FAN Chor Ho, Paul
FRESHWATER, Timothy George
KWOK Chi Piu, Bill
LEE Jor Hung, Dannis
LEE Kwan Ho, Vincent Marshall
LEONG Ka Chai
LIU Jinbao
LO Ka Shui
SETO Gin Chung, John
STRICKLAND, John Estmond
YUE Wai Keung

Registered Office:

12th Floor,
One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Executive Director:

KWONG Ki Chi, *Chief Executive*

28 March 2001

To the Shareholders

Dear Sir or Madam,

**PROPOSALS IN RELATION TO
GENERAL MANDATES TO ISSUE SHARES AND
REPURCHASE SHARES**

INTRODUCTION

The purpose of this circular is to seek your approval of proposals to grant general mandates to issue shares and to repurchase shares and to give you information regarding such proposals. Your approval will be sought at the Annual General Meeting to be held on 27 April 2001.

LETTER FROM THE BOARD OF DIRECTORS

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

At an extraordinary general meeting of HKEx held on 31 May 2000, ordinary resolutions were passed to grant general mandates to the Directors to repurchase Shares and to issue Shares. These general mandates will lapse at the conclusion of the Annual General Meeting.

Resolutions will be proposed at the Annual General Meeting to grant to the Directors a general mandate to (i) allot, issue and deal with Shares not exceeding 20 per cent of the aggregate nominal amount of the share capital of HKEx in issue on 27 April 2001, date of the Annual General Meeting; (ii) allot, issue and deal with Shares, including the aggregate nominal amount of Shares repurchased by HKEx under the Repurchase Mandate as mentioned in (iii) (the mandates referred to in (i) and (ii) herein being hereinafter collectively referred as the "Issue Mandates"); and (iii) repurchase Shares, the aggregate nominal amount of which does not exceed 10 per cent of the aggregate nominal amount of the share capital of HKEx in issue on 27 April 2001, date of the Annual General Meeting (the "Repurchase Mandate"). Shareholders shall refer to the Notice of Annual General Meeting as set out on pages 87 to 89 of the Annual Report 2000 sent together with this circular for details of the resolutions on these general mandates, that would be considered at the Annual General Meeting. With reference to these resolutions, the Directors wish to state that they have no immediate plans to repurchase any Shares or to issue any new Shares pursuant to the relevant mandates.

An explanatory statement, as required by the Listing Rules to be sent to Shareholders in connection with the Repurchase Mandate, is set out in the Appendix to this circular. This contains all the information reasonably necessary to enable Shareholders to make an informed decision on whether or not to vote for or against the ordinary resolution to grant the Repurchase Mandate at the Annual General Meeting.

RECOMMENDATIONS

The Directors believe that the granting of the Issue Mandates and the Repurchase Mandate is in the best interests of HKEx and the Shareholders, and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the Annual General Meeting.

Yours faithfully,

By Order of the Board

HONG KONG EXCHANGES AND CLEARING LIMITED

Lee Yeh Kwong, Charles

Chairman

This appendix serves as an explanatory statement given to Shareholders as required under the Listing Rules in connection with the proposed Repurchase Mandate and also constitutes the memorandum required under section 49BA of the Companies Ordinance.

1. THE LISTING RULES

The Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a particular transaction.

Such authority may only continue in force during the period from the passing of the resolution until whichever is the earlier of: (i) the conclusion of the next annual general meeting of the company, (ii) the expiration of the period within which the next annual general meeting of the company is required by law to be held, or (iii) the date of the passing of an ordinary resolution by the shareholders in general meeting of the company revoking or varying such mandate.

(b) Source of funds

Repurchases must be funded out of funds legally available for such purpose. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(c) Trading restrictions

The shares proposed to be repurchased by a company must be fully paid up. A maximum of 10 per cent of the existing issued share capital as of the date of resolution passed on the grant of a repurchase mandate may be repurchased on the Stock Exchange. A company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange (or in the case of HKEx, the SFC). In addition, all repurchases of securities on the Stock Exchange in any calendar

month are limited to a maximum of 25 per cent of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its own securities on the Stock Exchange if the repurchase would result in the number of that company's listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Listing Rules.

(d) Status of repurchased securities

The Listing Rules provide that the listing of all repurchased securities is automatically cancelled and that the certificates for those securities must be cancelled and destroyed. The aggregate of the authorised share capital shall remain unchanged.

(e) Suspension of repurchases

The Listing Rules prohibit any repurchase of securities at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. A company (other than an investment company listed pursuant to the provisions of Chapter 21 of the Listing Rules) may not repurchase securities on the Stock Exchange, unless the circumstances are exceptional, during the period of one month immediately preceding either the preliminary announcement of the company's annual results or the publication of the company's interim report. In addition, the Stock Exchange (or in the case of HKEx, the SFC) reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has committed a breach of the Listing Rules.

(f) Reporting requirements

Under the Listing Rules, repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange (in the case of HKEx, the SFC and the Stock Exchange) by not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year including the number of securities repurchased each month, the repurchase price for each such security or the highest and lowest price paid for each repurchase where relevant, and the aggregate price paid for such purchases and the reasons of the directors of the company for making such repurchases.

A company shall procure that any broker appointed by the company to effect the repurchase of securities shall disclose to the Stock Exchange (or in the case of HKEx, the SFC) such information with respect to repurchases made on behalf of that company as the Stock Exchange (or in the case of HKEx, the SFC) may request.

(g) *Connected parties*

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a “connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities in the company back to the company.

No connected person (as defined in the Listing Rules) has notified HKEx that he has a present intention to sell Shares to HKEx, or has undertaken not to do so, if the Repurchase Mandate is exercised.

2. SHARE CAPITAL

As at 23 March 2001 (the latest practicable date prior to the printing of this circular), the issued share capital of HKEx comprised 1,040,664,846 Shares.

Subject to the passing of the ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Annual General Meeting, exercise in full of the Repurchase Mandate could accordingly result in up to 104,066,484 Shares being repurchased by HKEx during the period from 27 April 2001, date of Annual General Meeting up to (i) the conclusion of the next annual general meeting of HKEx, (ii) the expiration of the period within which the next annual general meeting of HKEx is required by law to be held, or (iii) the date of the passing of an ordinary resolution by the Shareholders in general meeting of HKEx revoking or varying the Repurchase Mandate, whichever occurs first.

3. REASONS FOR REPURCHASES

The Directors believe that it is in the best interests of HKEx and the Shareholders to have a general authority from Shareholders to enable HKEx to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of HKEx and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit HKEx and its Shareholders.

4. FUNDING OF REPURCHASES

In repurchasing securities, HKEx may only apply funds legally available for such purchase in respective accordance with its memorandum and articles of association, the laws of Hong Kong and the Listing Rules. Repurchases pursuant to the Repurchase Mandate will be made out of funds of HKEx legally permitted to be utilised in this connection, including the funds of HKEx otherwise available for dividend or distribution or the

proceeds of a fresh issue of shares made for such purpose. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of funds of HKEx otherwise available for dividend or distribution or out of sums standing to the credit of HKEx's share premium account.

There might be a material adverse effect on the working capital or gearing position of HKEx group of companies, as compared with the position disclosed in the audited accounts contained in the annual report of HKEx for the year ended 31 December 2000, in the event that the Repurchase Mandate is exercised in full at any time. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of HKEx group of companies or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for HKEx.

5. GENERAL

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, their respective associates (as defined in the Listing Rules), have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to HKEx or its Subsidiaries.

The Directors have undertaken to the SFC that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules and the applicable laws of Hong Kong.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of HKEx increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeover Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of HKEx and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeover Code as a result of any repurchases of Shares pursuant to the Repurchase Mandate.

6. SHARE REPURCHASES MADE BY HKEX

HKEx has not repurchased any Shares during the six months prior to the latest practicable date before the printing of this circular (whether on the Stock Exchange or otherwise).

7. SHARE PRICES

During the period from 27 June 2000 (the date on which HKEx was listed on the Stock Exchange) to 28 February 2001, the highest and lowest prices at which the Shares were traded on the Stock Exchange were as follows:

	Shares	
	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
2000		
June	11.40	7.00
July	16.60	10.50
August	17.60	15.05
September	17.05	14.65
October	16.05	13.15
November	17.45	13.70
December	18.50	16.05
2001		
January	19.05	17.30
February	19.20	16.30