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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.

Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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)

(Stock Code: 388)

**NOTICE OF ANNUAL GENERAL MEETING
AND PROPOSALS FOR
APPOINTMENT OF DIRECTORS,
GENERAL MANDATE TO REPURCHASE SHARES AND
PAYMENT OF REMUNERATION TO NON-EXECUTIVE DIRECTORS**

The Notice convening the annual general meeting of Hong Kong Exchanges and Clearing Limited to be held at the Exchange Auditorium in the Exchange Exhibition Hall of The Stock Exchange of Hong Kong Limited at 1st Floor, One and Two Exchange Square, Central, Hong Kong on Wednesday, 26 April 2006 at 4:30 p.m. at which, a number of matters, including the above proposals will be considered, is set out in this circular on page 17.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's registrar, Hong Kong Registrars Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form shall not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

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DEFINITIONS

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

“2005 AGM”	the annual general meeting of HKEx held on 12 April 2005;
“2006 AGM”	the annual general meeting of HKEx to be held on Wednesday, 26 April 2006 at 4:30 p.m., notice of which is set out on page 17 of this circular or, where the context so admits, any adjournment thereof;
“Articles of Association”	the articles of association of HKEx, as originally adopted, or as from time to time altered in accordance with the Companies Ordinance;
“Board”	the board of directors of HKEx;
“Company” or “HKEx”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Financial Secretary”	the Financial Secretary of the Hong Kong Special Administrative Region of People’s Republic of China;
“Director(s)”	the director(s) of HKEx;
“Latest Practicable Date”	23 March 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“SFC”	the Securities and Futures Commission;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shareholders”	holders of Shares;
“Shares”	shares of HK\$1.00 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers.



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)
(Stock Code: 388)

Independent Non-executive Directors

LEE Yeh Kwong, Charles, *Chairman*
CHEUNG Kin Tung, Marvin
FAN Hung Ling, Henry
FONG Hup
FRESHWATER, Timothy George
KWOK Chi Piu, Bill
LEE Jor Hung, Dannis
LEE Kwan Ho, Vincent Marshall
LO Ka Shui
STRICKLAND, John Estmond
WEBB, David Michael
WONG Sai Hung, Oscar

Registered Office

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

Executive Director

CHOW Man Yiu, Paul, *Chief Executive*

28 March 2006

To the Shareholders

Dear Sir or Madam,

**NOTICE OF ANNUAL GENERAL MEETING
AND PROPOSALS FOR
APPOINTMENT OF DIRECTORS,
GENERAL MANDATE TO REPURCHASE SHARES AND
PAYMENT OF REMUNERATION TO NON-EXECUTIVE DIRECTORS**

1. INTRODUCTION

The purpose of this circular is to give you notice of the 2006 AGM, and information on matters to be dealt with at the 2006 AGM. They are: (i) appointment of Directors; (ii) grant of general mandate to repurchase Shares; and (iii) payment of remuneration to non-executive Directors.

LETTER FROM THE BOARD OF DIRECTORS

2. APPOINTMENT OF DIRECTORS

The Board currently consists of thirteen Directors, including:

- (i) six Directors appointed by the Financial Secretary (“Government Appointed Directors”), namely Mr Charles Y K Lee, Dr Marvin K T Cheung, Mr Henry H L Fan, Mr Fong Hup, Mr Tim Freshwater and Dr Lo Ka Shui. The terms of office of Mr Charles Y K Lee, Mr Tim Freshwater and Dr Lo Ka Shui will expire at the conclusion of the 2006 AGM, while Dr Marvin K T Cheung, Mr Henry H L Fan and Mr Fong Hup will hold office until the conclusion of the Company’s annual general meeting to be held in 2007;
- (ii) six Directors elected by the Shareholders (“Elected Directors”), namely Dr Bill C P Kwok, Mr Dannis J H Lee, Mr Vincent K H Lee, Mr John E Strickland, Mr David M Webb and Mr Oscar S H Wong. The terms of office of Mr Dannis J H Lee and Mr David M Webb will expire at the conclusion of the 2006 AGM, while Mr John E Strickland and Mr Oscar S H Wong will hold office until the conclusion of the Company’s annual general meeting to be held in 2007 and Dr Bill C P Kwok and Mr Vincent K H Lee will hold office until the conclusion of the Company’s annual general meeting to be held in 2008; and
- (iii) the Chief Executive of the Company, Mr Paul M Y Chow, as an *ex-officio* Director.

Pursuant to Article 93(5) of the Articles of Association, both Mr Dannis J H Lee and Mr David M Webb are eligible for re-appointment.

Shareholders are invited to elect up to two Directors at the 2006 AGM to fill the vacancies available due to the retirement of the two said Elected Directors. According to Article 90(1A) of the Articles of Association, the two Directors to be elected at the 2006 AGM will be appointed for a term of not more than approximately three years expiring at the conclusion of the Company’s annual general meeting to be held in 2009.

Article 90(2) of the Articles of Association provides that no person (other than a Director retiring in accordance with the Articles of Association) shall be appointed or re-appointed as an Elected Director at any general meeting unless:

- (a) he is recommended by the Directors; or
- (b) not earlier than the day after the despatch of the notice of the meeting and not later than seven days prior to the date appointed for the meeting there has been given to the Secretary of the Company, by a Shareholder (other than the person to be proposed) entitled to vote at the meeting, notice of his intention to propose a resolution for the appointment or re-appointment of that person and a notice executed by that person of his willingness to be appointed or re-appointed.

LETTER FROM THE BOARD OF DIRECTORS

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Secretary of the Company, namely (i) his notice of intention to propose a resolution and (ii) a notice executed by the nominated candidate of his willingness to be appointed or re-appointed together with (A) the candidate's information required to be disclosed under Rule 13.51(2) of the Listing Rules and other information, as referred to under the heading "Requisite information of the candidate(s) nominated by Shareholders" below and (B) the candidate's written consent to the publication of his personal data.

In order to ensure the Shareholders have sufficient time to receive and consider the particulars of the nominated candidate(s), Shareholders are urged to submit their proposals as early as practicable, preferably before Monday, 10 April 2006 so that a supplementary circular containing particulars of the candidate(s) proposed by Shareholders can be despatched to Shareholders, and an announcement can be placed in the newspapers on or about 11 April 2006.

Requisite information of the candidate(s) nominated by Shareholders

In order to enable Shareholders to make an informed decision on their election of Directors, the said notice of intention to propose a resolution by a Shareholder should be accompanied by the following information of the nominated candidate:

- (a) full name and age;
- (b) positions held with HKEx and/or other members of HKEx group (if any);
- (c) previous experience including other directorships in listed public companies in the last three years and other major appointments and qualifications;
- (d) current employment and such other information (which may include business experience and professional qualifications and educational background) of which Shareholders should be aware, pertaining to the ability or integrity of the candidate;
- (e) length or proposed length of service with HKEx (if any);
- (f) relationships with any Directors or senior management of HKEx, or an appropriate negative statement;
- (g) interests in shares of HKEx within the meaning of Part XV of the SFO, or an appropriate negative statement;
- (h) contact details; and
- (i) a declaration made by the nominated candidate in respect of the information required under Rule 13.51(2)(h) to (w) of the Listing Rules, or an appropriate negative statement to that effect where there is no information to be disclosed pursuant to any of such requirements.

The Shareholder proposing the candidate will be required to read out aloud the proposed resolution, as set out in Appendix I under the heading "Resolutions and Voting", at the 2006 AGM.

Recommendations of the Nomination Committee

The Nomination Committee comprising five independent non-executive Directors, namely, Mr Charles Y K Lee, Mr Fong Hup, Mr Vincent K H Lee, Mr David M Webb and Mr Oscar S H Wong, has nominated, and the Board has recommended Mr Dannis J H Lee and Mr David M Webb to stand for re-election as Directors at the 2006 AGM. As a good corporate governance practice, Mr David M Webb had abstained from voting at the Nomination Committee meeting when his nomination was being considered, and both Messrs Dannis J H Lee and David M Webb had abstained from voting at the Board meeting when their nominations were considered and approved by the Board for recommending to Shareholders. The biographical details of both Mr Lee and Mr Webb are set out in Appendix I of this circular, which also contains an explanation of the resolutions and voting procedures in relation to the election of Directors at the 2006 AGM.

The Nomination Committee is also responsible for, inter alia, assessing the independence of non-executive Directors. In doing so, the Nomination Committee has reviewed the individual Director's annual confirmation of independence declared pursuant to Rule 3.13 of the Listing Rules as well as the connected transactions, if any, as disclosed in the 2005 Annual Report. As a good corporate governance practice, every Committee member has abstained from assessing his own independence. The Nomination Committee considers that Mr Dannis J H Lee and Mr David M Webb have fulfilled the definition of independence under Rule 3.13 of the Listing Rules.

Government Appointed Directors

The Financial Secretary has not yet informed HKEx of the persons whom he intends to appoint or re-appoint as Directors upon the retirement of Mr Charles Y K Lee, Mr Tim Freshwater and Dr Lo Ka Shui whose respective terms as Directors will expire at the conclusion of the 2006 AGM. A press release will be issued once HKEx has received the notice of appointments from the Financial Secretary.

3. GENERAL MANDATES

(A) General mandate to repurchase Shares

At the 2005 AGM, an ordinary resolution was passed to grant a general mandate to the Directors to repurchase Shares. This general mandate will lapse at the conclusion of the 2006 AGM. An ordinary resolution will be proposed at the 2006 AGM to grant to the Directors a general mandate to repurchase Shares up to an aggregate nominal amount not exceeding 10 per cent of the aggregate nominal amount of the share capital of HKEx in issue on the date of the passing of the relevant resolution (the "Repurchase Mandate").

Shareholders are referred to the notice of the 2006 AGM, as set out on page 17, for details of the resolution on this general mandate which will be considered at the 2006 AGM. With reference to this resolution, the Board wishes to state that it has no immediate plans to exercise the Repurchase Mandate to repurchase any Shares.

LETTER FROM THE BOARD OF DIRECTORS

An explanatory statement, as required by the Listing Rules to be sent to Shareholders in connection with the Repurchase Mandate, is set out in Appendix II of this circular, which 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 2006 AGM.

(B) General mandate to issue Shares

The Board, after due and careful consideration, has decided not to propose at the 2006 AGM to grant a general mandate to the Directors to issue Shares since there is no immediate need to raise equity capital in the foreseeable future. If capital raising through an issue of Shares is required in the future, the Company will seek the necessary Shareholders' approval at the relevant time.

4. PAYMENT OF REMUNERATION TO NON-EXECUTIVE DIRECTORS

At the 2005 AGM, Shareholders approved a remuneration of HK\$240,000 to be paid to each of the non-executive Directors for their services rendered to the Company during the period from the conclusion of the 2005 AGM to the conclusion of the 2006 AGM. Payment will be made after the conclusion of the 2006 AGM. A Director who has not served the entire period will receive payment in proportion to his period of service.

The Remuneration Committee had at its meeting held on 20 February 2006 reviewed and considered that the existing remuneration of HK\$240,000 paying to each non-executive Director was reasonable under the current market environment. The Remuneration Committee therefore recommended that the remuneration to be paid to the non-executive Directors shall remain unchanged for the coming year.

Article 88(1) of the Articles of Association provides that the ordinary remuneration to Directors shall from time to time be determined by the Company in general meeting. Accordingly, an ordinary resolution will be proposed at the 2006 AGM for Shareholders to consider and if thought fit, approve paying a remuneration of HK\$240,000 to each of the non-executive Directors in office from time to time for services provided to the Company during the period from the conclusion of each annual general meeting of the Company to the conclusion of the annual general meeting to be held in the immediately following year. This resolution will remain in effect until the Shareholders in general meeting otherwise determines. Payment will be made in proportion to the period of service in the case of a Director who has not served the entire period.

Voting on the remuneration resolution

In accordance with the principles as set out in the Code on Corporate Governance Practices of the Listing Rules, no director should be involved in deciding his own remuneration. To demonstrate good corporate governance practices, all non-executive Directors who are Shareholders will abstain from voting on the proposed resolution relating to the proposed remuneration of non-executive Directors at the 2006 AGM.

5. ANNUAL GENERAL MEETING

The notice of the 2006 AGM is set out on page 17. At the 2006 AGM, ordinary resolutions will be proposed to approve a number of matters, including, inter alia, (i) the appointment of Directors; (ii) the grant of general mandate to repurchase Shares; and (iii) the payment of remuneration to non-executive Directors.

A proxy form for use at the 2006 AGM is enclosed. Whether or not you are attending the meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to HKEx's registrar, Hong Kong Registrars Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the proxy form shall not preclude you from attending and voting in person at the 2006 AGM or at any adjourned meeting should you so wish.

6. PROCEDURES BY WHICH A POLL MAY BE DEMANDED

Pursuant to Article 70 of the Articles of Association, a resolution put to the vote at a general meeting shall be decided on a show of hands unless (before or upon the declaration of the result of the show of hands) a poll is demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy having the right to vote on the resolution; or
- (iii) a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy holding Shares conferring the right to attend and vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll is so demanded and not withdrawn, a declaration by the chairman of the meeting that a resolution, on a show of hands, has been carried, or carried by a particular majority, or lost, or not been carried by a particular majority, shall be conclusive, and an entry to that effect in the books of proceedings of HKEx shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

LETTER FROM THE BOARD OF DIRECTORS

As a good corporate governance practice, the Chairman intends to demand all resolutions set out in the notice of the 2006 AGM to be decided by poll, and will explain at the meeting the detailed procedures for conducting a poll.

The Company will publish an announcement of the results of the proposed resolutions on the next business day following the 2006 AGM.

7. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 21 April 2006 to Wednesday, 26 April 2006, both dates inclusive, during which period, no transfer of shares will be registered. Dividend warrants will be despatched to Shareholders on or about Monday, 8 May 2006. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 20 April 2006.

8. RECOMMENDATIONS

The Board is pleased to recommend Mr Dannis J H Lee and Mr David M Webb to stand for election by Shareholders as Elected Directors. Their biographies are set out in Appendix I for Shareholders' consideration. Shareholders may, if thought fit, appoint the nominated candidates as Directors with effect from the conclusion of the 2006 AGM to fill the vacancies arising from the retirement of Directors. Shareholders are encouraged to actively participate in the election of Directors at the 2006 AGM. The Board also believes that the granting of the Repurchase Mandate, and the payment of the proposed remuneration to non-executive Directors are in the best interests of HKEx and Shareholders, and accordingly recommends you to vote in favour of all the relevant resolutions to be proposed at the 2006 AGM.

Yours faithfully,

By Order of the Board

HONG KONG EXCHANGES AND CLEARING LIMITED

LEE Yeh Kwong, Charles

Chairman

LIST OF CANDIDATES

The two candidates nominated by the Nomination Committee and recommended by the Board, including their personal particulars, are set out below in alphabetical order.

Nominee for Election as Director	Director of HKEx since	HKEx or its subsidiaries' Committee/Panel Memberships	Director's Fee (2005/2006)	Disclosable Interests in HKEx under Part XV of the SFO as at 17 March 2006 (No. of shares)
LEE Jor Hung, Dannis Independent Non-executive Director Aged 51	3 April 2000	HKEx– <ul style="list-style-type: none"> • Executive Committee • Remuneration Committee • Cash Market Consultative Panel (Chairman) 	HK\$240,000	1,610,000 (Corporate interests) <i>(note)</i>
Other major offices	DL Brokerage Limited – chairman CIG Yangtze Ports PLC – non-executive director			
Past offices	Stockmartnet Holdings Limited – non-executive director (2000-2005) The Stock Exchange of Hong Kong Limited – council member (1991-1997) and vice-chairman (1994-1995) Hong Kong Securities Clearing Company Limited – director (1992-1997) and vice-chairman (1995-1997)			
Government appointments	Barristers Disciplinary Tribunal Panel – member Securities and Futures Appeals Panel – member Advisory Committee of SFC – member (1999-2001)			
Community appointments and others	Hong Kong Securities Institute – director Disciplinary Panel A of Hong Kong Institute of Certified Public Accountants – member Hong Kong Stockbrokers Association Limited – permanent honorable president, and chairman (1997-1999)			
Professional qualification and experience	Bachelor of Business Administration and Commerce (University of Alberta, Canada) Master of Business Administration (University of East Asia, Macau) Fellow (The Hong Kong Institute of Directors)			
	Mr Lee has over 20 years of experience in the securities industry.			

Note:

1,610,000 Shares were owned by DL Brokerage Limited, a private company beneficially wholly-owned by Mr Lee.

Nominee for Election as Director	Director of HKEx since	HKEx or its subsidiaries' Committee/Panel Memberships	Director's Fee (2005/2006)	Disclosable Interests in HKEx under Part XV of the SFO as at 17 March 2006 (No. of shares)
WEBB, David Michael Independent Non-executive Director Aged 40	15 April 2003	HKEx– <ul style="list-style-type: none"> • Investment Advisory Committee • Nomination Committee 	HK\$240,000	10 (Personal, family and corporate interests) <i>(note)</i>
Other major office	Webb-site.com – editor			
Past offices	Wheelock Capital Limited – director (1994-1998) BZW Asia Limited – director (1993-1994)			
Government appointments	Takeovers and Mergers Panel of SFC – member Takeovers Appeal Committee of SFC – member Public Shareholders Group of SFC – member			
Community appointment and others	Hong Kong Mensa – chairman (1998-2000)			
Professional qualification and experience	Honours degree in Mathematics (University of Oxford, UK) Full member (Hong Kong Securities Institute) Established and funded “Project Poll” which successfully required blue chip companies to count their votes on a poll and stop using the show-of-hands system (2003) Established “Project Vampire” (Vote Against Mandate for Placings, Issues by Rights Excepted) (2003) Named as “Star of Asia” in the “Opinion Shapers” category (Business Week magazine, 2000) Named as “Global Leader for Tomorrow” (World Economic Forum, 2001) Named as one of the “Global 100” who shape finance (CFO Magazine, 2002) Named as a member of the “Young Global Leaders” (World Economic Forum, 2005) From 1986 to 1991, Mr Webb was a corporate financier in London. Prior to 1986, he was a best-selling author of games and books for the first generation of home computers. He has published wide-ranging articles on the regulatory framework of Hong Kong’s securities markets.			

Note:

2 Shares were held by Mr Webb as beneficial owner, 2 Shares were owned by the spouse of Mr Webb, and 6 Shares were owned by Fundamental Consultants Limited, Member One Limited and Member Two Limited which are under the control of Mr Webb.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to any of the requirements of the Rule 13.51(2) of the Listing Rules.

Relationship with other Directors, senior management and substantial/controlling shareholders

None of Mr Dannis J H Lee and Mr David M Webb is related to other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of HKEx or its subsidiaries.

RESOLUTIONS AND VOTING

In order to comply with section 157A of the Companies Ordinance and Article 91 of the Articles of Association, there must be a separate resolution for the appointment of each candidate, unless a resolution that a single resolution for the appointment of two or more candidates shall be proposed has been first agreed to by the meeting without any vote being cast against it. There will be two Elected Directors vacancies to be filled at the 2006 AGM. In the case if there are more than two candidates standing for election, then in order to select which two candidates will be Elected Directors, the resolutions themselves will contain a method of determining support for a candidate. Each resolution to be proposed at the 2006 AGM will provide as follows:

“**THAT** subject to the number of net votes cast in relation to this resolution (net votes being votes cast in favour minus votes cast against this resolution) being among the two highest number of net votes cast on each of the resolutions for the appointment of a person as a director of the Company at the annual general meeting to be held on 26 April 2006 (the “2006 AGM”) or on the date of its adjournment (where applicable), [name of candidate] be and is hereby appointed as a director of the Company with effect from the conclusion of the 2006 AGM for a term of approximately three years expiring at the conclusion of the Company’s annual general meeting to be held in 2009, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

Given the complexity of the resolutions to be considered at the 2006 AGM, it is expected that the chairman of the meeting will demand that such resolutions be voted by poll. It is also expected that in order to streamline voting procedures for the convenience of Shareholders, the poll on each of the two resolutions will be taken at the same time. On a poll, every Shareholder present in person or by proxy will have one vote for every Share he holds. A Shareholder which is a corporation will be present in person if such Shareholder is present by a duly authorised representative. A Shareholder present in person or by proxy who is entitled to more than one vote does not have to use all his votes (i.e. he can cast less votes than the number of Shares he holds or represents) or to cast all his votes the same way (i.e. he can cast some of his votes in favour of the resolution and some of his votes against the resolution). The Board believes that in most situations, Shareholders (other than nominee companies) usually cast all their votes either in favour of a resolution or against a resolution.

If a resolution is passed by a majority of the votes cast on it, the candidate who is the subject of that resolution will be eligible to be elected a Director. On the other hand, if a resolution is not passed, the candidate who is the subject of that resolution will not be eligible to be elected a Director. If there are less than two resolutions passed by a majority of the votes cast, the Board may appoint any person to fill the vacancy pursuant to Article 92 of the Articles of Association.

Assuming a resolution is passed by a majority of the votes cast on it, the candidate who is the subject of that resolution will only actually be elected to one of the two positions on the Board if the net votes cast in favour of his resolution rank within the top two resolutions passed in terms of net votes. Net votes are calculated by taking the votes cast in favour of a resolution and subtracting the votes cast against that resolution. In the event there is a tie in the net votes for two or more resolutions, the tie will be resolved by the drawing of lots by the chairman of the meeting.

Therefore, if you wish to support a particular candidate, you should vote in favour of his resolution. If you do not wish to support a candidate, you may vote against his resolution or abstain from voting. If you abstain from voting, you should note that your votes will not be counted when calculating the net votes in relation to that candidate.

A specimen of the draft voting slip proposed for use at the 2006 AGM together with examples of how a Shareholder can vote, which do not form part of this circular or the notice of the 2006 AGM, is enclosed with this circular to Shareholders for information only.

This Appendix serves as an explanatory statement required to be sent to Shareholders 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 a 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 passing of an ordinary resolution by 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, a company shall not repurchase shares on the Stock Exchange if the purchase price is higher by 5 per cent or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. 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. In particular, a company may not repurchase securities on the Stock Exchange, unless the circumstances are exceptional, during the period of one month immediately preceding the earlier of (i) the date of the board meeting for the approval of the company's results for any year, half-year, quarterly or any other interim period and (ii) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement. 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 9:00 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 securities 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 the Latest Practicable Date, the issued share capital of HKEx comprised 1,063,408,846 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 following the Latest Practicable Date and up to the date of the 2006 AGM, exercise in full of the Repurchase Mandate could accordingly result in up to 106,340,884 Shares being repurchased by HKEx during the period from the date of the 2006 AGM 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 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 Board believes that it is in the best interests of HKEx and its 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 Board believes 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 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 the 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 2005, in the event that the Repurchase Mandate is exercised in full at any time. However, the Board does 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 the HKEx group of companies or its gearing levels which, in the opinion of the Board, 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 Board has undertaken to the SFC that, so far as the same may be applicable, it 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 Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers 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 Takeovers Code. Save as aforesaid, the Board is not aware of any consequences which would arise under the Takeovers 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 (whether on the Stock Exchange or otherwise).

7. SHARE PRICES

During each of the previous twelve months preceding the Latest Practicable Date, the highest and lowest prices at which the Shares were traded on the Stock Exchange were as follows:

	Share Prices (per share)	
	Highest (HK\$)	Lowest (HK\$)
2005		
March	20.20	19.45
April	20.25	18.75
May	19.40	18.70
June	20.40	18.75
July	24.70	20.05
August	25.45	23.20
September	27.30	23.80
October	27.80	24.90
November	29.35	25.85
December	32.20	27.65
2006		
January	37.90	32.20
February	40.65	36.50



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)

(Stock Code: 388)

NOTICE IS HEREBY GIVEN THAT the annual general meeting of the shareholders of Hong Kong Exchanges and Clearing Limited (“HKEx”) will be held at the Exchange Auditorium in the Exchange Exhibition Hall of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) at 1st Floor, One and Two Exchange Square, Central, Hong Kong on Wednesday, 26 April 2006 at 4:30 p.m. for the following purposes:

1. To receive and consider the Audited Accounts for the year ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend.
3. To elect Directors.
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

5. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of HKEx during the Relevant Period (as hereinafter defined) of all powers of HKEx to repurchase shares of HKEx on the Stock Exchange or on any other stock exchange on which the shares of HKEx may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares which HKEx is authorised to repurchase pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of HKEx on the date of the passing of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (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

NOTICE OF ANNUAL GENERAL MEETING

(iii) the passing of an ordinary resolution by shareholders of HKEx in general meeting revoking or varying the authority given to the Directors of HKEx by this Resolution.”

6. “**THAT** until the shareholders of HKEx in general meeting otherwise determines, a remuneration of HK\$240,000 be payable to each of the non-executive Directors of HKEx in office from time to time for the period from the conclusion of each annual general meeting of HKEx to the conclusion of the annual general meeting of HKEx to be held in the immediately following year, provided that such remuneration will be paid in proportion to the period of service in the case of a Director who has not served the entire period.”

By Order of the Board
HONG KONG EXCHANGES AND CLEARING LIMITED
Joseph Mau
Company Secretary

Hong Kong, 28 March 2006

Notes:

- (1) A shareholder entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. The proxy need not be a shareholder of HKEx.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of HKEx in respect of such shares shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practise in Hong Kong), must be deposited at HKEx’s registrar, Hong Kong Registrars Limited, at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the above meeting or adjourned meeting (as the case may be).
- (4) The register of members of HKEx will be closed from Friday, 21 April 2006 to Wednesday, 26 April 2006, both days inclusive, during which period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKEx’s registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 20 April 2006.
- (5) Concerning Resolution 5 of this Notice, the Board wishes to state that there are no immediate plans to repurchase any shares of HKEx. The general mandate is being sought from shareholders in compliance with the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).
- (6) There will be two elected Director vacancies to be filled at the above meeting. If a shareholder wishes to nominate a person to stand for election as a Director, (i) his notice of intention to propose a resolution, and (ii) a notice executed by the nominated candidate of his willingness to be appointed or re-appointed together with (A) the candidate’s information as required to be disclosed under Rule 13.51(2) of the Listing Rules and (B) the candidate’s written consent to the publication of his personal data, have to be validly served on the Secretary of HKEx, as early as practicable, preferably before Monday, 10 April 2006. Details of the foregoing are set out in the circular containing this Notice of Annual General Meeting under the heading “Letter from the Board of Directors – 2. Appointment of Directors”.
- (7) As a good corporate governance practice, the Chairman intends to demand poll voting at the above meeting for all the resolutions set out in this Notice of Annual General Meeting, and all non-executive Directors of HKEx who are shareholders of HKEx will abstain from voting at the above meeting on Resolution 6 concerning remuneration to non-executive Directors.