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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public 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.

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.

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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)*

**(Stock Code: 388)**

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

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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 Thursday, 26 April 2007 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 Rooms 1806-1807, 18th 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.

28 March 2007

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## DEFINITIONS

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

“2006 AGM”	annual general meeting of HKEx held on 26 April 2006;
“2007 AGM”	annual general meeting of HKEx to be held on Thursday, 26 April 2007 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”	articles of association of HKEx, as originally adopted, or as from time to time altered in accordance with the Companies Ordinance;
“Board”	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”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Financial Secretary”	Financial Secretary of the Hong Kong Special Administrative Region of the People’s Republic of China;
“Director(s)”	director(s) of HKEx;
“Latest Practicable Date”	22 March 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“SFC”	Securities and Futures Commission;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shareholder(s)”	holder(s) of Shares;
“Share(s)”	share(s) of HK\$1.00 each in the capital of the Company;
“Stock Exchange” or “SEHK”	The Stock Exchange of Hong Kong Limited; and
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers.

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## LETTER FROM THE BOARD OF DIRECTORS

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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)*  
**(Stock Code: 388)**

*Independent Non-executive Directors*

ARCULLI, Ronald Joseph, *Chairman*  
CHA May-Lung, Laura  
CHENG Mo Chi, Moses  
CHEUNG Kin Tung, Marvin  
FAN Hung Ling, Henry  
FONG Hup  
KWOK Chi Piu, Bill  
LEE Kwan Ho, Vincent Marshall  
LOH Kung Wai, Christine  
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 2007

*To Shareholders*

Dear Sir or Madam,

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

**1. INTRODUCTION**

The purpose of this circular is to give you notice of the 2007 AGM, and information on matters to be dealt with at the 2007 AGM. They are: (i) appointment of Directors; (ii) grant of general mandate to repurchase Shares; and (iii) remuneration of non-executive Directors and members of certain Board committees.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 2. APPOINTMENT OF DIRECTORS

The Board currently consists of 13 Directors, including:

- (i) six Directors appointed by the Financial Secretary (“Government Appointed Directors”), namely Mr Ronald J Arculli, Mrs Laura M Cha, Mr Moses M C Cheng, Dr Marvin K T Cheung, Mr Henry H L Fan and Mr Fong Hup. The terms of office of Dr Marvin K T Cheung, Mr Henry H L Fan and Mr Fong Hup will expire at the conclusion of the 2007 AGM, while Mr Ronald J Arculli, Mrs Laura M Cha and Mr Moses M C Cheng will hold office until the conclusion of the Company’s annual general meeting to be held in 2008;
- (ii) six Directors elected by Shareholders (“Elected Directors”), namely Dr Bill C P Kwok, Mr Vincent K H Lee, Dr Christine K W Loh, Mr John E Strickland, Mr David M Webb and Mr Oscar S H Wong. The terms of office of Mr John E Strickland and Mr Oscar S H Wong will expire at the conclusion of the 2007 AGM, while 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 Dr Christine K W Loh and Mr David M Webb will hold office until the conclusion of the Company’s annual general meeting to be held in 2009; 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 John E Strickland and Mr Oscar S H Wong are eligible for re-appointment.

Shareholders are invited to elect up to two Directors at the 2007 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 2007 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 2010.

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.

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 together with (A) the candidate’s information as required to be disclosed under Rule 13.51(2) of the Listing Rules and other

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## LETTER FROM THE BOARD OF DIRECTORS

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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 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 5:00 p.m. on Tuesday, 10 April 2007 so that a supplemental 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 2007.

### **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 on 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 of, 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) 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 nor there are other matters that need to be brought to the attention of Shareholders; and
- (i) contact details.

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 2007 AGM.

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## LETTER FROM THE BOARD OF DIRECTORS

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### **Recommendations of the Nomination Committee**

The Nomination Committee comprising five independent non-executive Directors, namely, Mr Ronald J Arculli, 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 John E Strickland and Mr Oscar S H Wong to stand for re-election as Directors at the 2007 AGM. As a good corporate governance practice, Mr Oscar S H Wong had abstained from voting at the Nomination Committee meeting when his nomination was being considered, and both Mr John E Strickland and Mr Oscar S H Wong had abstained from voting at the Board meeting when their nominations were considered and approved by the Board for recommending to Shareholders.

The Nomination Committee is also responsible for, inter alia, assessing the independence of non-executive Directors. In doing so, the Nomination Committee had reviewed the individual Director's annual confirmation of independence declared pursuant to Rule 3.13 of the Listing Rules. As a good corporate governance practice, every Committee member had abstained from assessing his own independence. The Nomination Committee considered that Mr John E Strickland and Mr Oscar S H Wong have fulfilled the definition of independence under Rule 3.13 of the Listing Rules.

The biographical details of both Mr Strickland and Mr Wong 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 2007 AGM. The resolutions under item 3 of the notice of the 2007 AGM, as set out on page 17, relating to the election and re-election of Directors will be individually voted on by Shareholders.

### **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 Dr Marvin K T Cheung, Mr Henry H L Fan and Mr Fong Hup whose respective terms as Directors will expire at the conclusion of the 2007 AGM. An announcement will be made once HKEx has received the notices of appointment from the Financial Secretary.

### **3. GENERAL MANDATES**

#### **(A) General mandate to repurchase Shares**

At the 2006 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 2007 AGM. An ordinary resolution will be proposed at the 2007 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 2007 AGM, as set out on page 17, for details of the resolution on this general mandate which will be considered at the 2007 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.

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## LETTER FROM THE BOARD OF DIRECTORS

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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 2007 AGM.

### **(B) General mandate to issue Shares**

The Board, after due and careful consideration, has decided not to propose at the 2007 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. REMUNERATION OF NON-EXECUTIVE DIRECTORS AND MEMBERS OF CERTAIN BOARD COMMITTEES**

At the 2006 AGM, Shareholders approved that the remuneration of non-executive Directors remained unchanged at the sum of HK\$240,000 for the services rendered by each non-executive Director 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 Shareholders in general meeting otherwise determine. A Director who has not served the entire period will receive payment in proportion to his/her period of service.

Article 88(1) of the Articles of Association provides that ordinary remuneration of Directors shall from time to time be determined by the Company in general meeting. In 2006, a review of the adequacy of non-executive Directors' remuneration was conducted by the Company with reference to companies of comparable business or scale, particularly against the non-executive directors' remuneration of overseas exchanges with publicly traded shares, with an aim to fairly remunerate the non-executive Directors in view of their public accountability and time and effort spent on the Board and various committees. Based on the results of the survey on the 36 Hang Seng Index ("HSI") constituent companies as well as the overseas exchanges with publicly traded shares, the annual non-executive directors' remuneration for year 2005/2006 varied considerably from about HK\$25,000 to HK\$1,100,000 for the HSI constituent companies and about HK\$236,000 to HK\$1,100,000 (Hong Kong dollar equivalent) for the overseas exchanges, with the mean of HK\$292,089 and HK\$521,120 respectively. The Remuneration Committee reviewed and recommended raising the remuneration of the Chairman of HKEx and each of the other non-executive Directors from the existing HK\$240,000 per annum to HK\$450,000 and HK\$300,000 per annum respectively. In addition, a remuneration of HK\$50,000 per annum was recommended by the Remuneration Committee to be paid to the chairman and every member (excluding executive Director) of the Executive Committee, Audit Committee, Remuneration Committee and Investment Advisory Committee of HKEx (the "Committees"). A Director or any person acting as a member of any of the Committees, who has not served the entire period will receive payment in proportion to the length of his/her service.

The difference in remuneration of the Chairman of HKEx and other non-executive Directors is to reflect the heavier workload and responsibilities of the Chairman. The proposed remuneration structure is also in alignment with the practice adopted by other major listed companies in differentiating the remuneration for the chairman and other board



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## LETTER FROM THE BOARD OF DIRECTORS

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members, and paying additional compensation for non-executive directors' time spent on various committees. The proposed changes will bring the remuneration of non-executive Directors in line with that of the market.

Accordingly, ordinary resolutions will be proposed at the 2007 AGM for Shareholders to consider, and if thought fit, approve the resolutions as set out in the notice of the 2007 AGM. The Remuneration Committee considers that the proposed remuneration is reasonable. These proposed resolutions will remain in effect until Shareholders in general meeting otherwise determine.

### **Voting on the remuneration resolutions**

The proposed resolutions 6(a) and 6(b) as set out in the notice of the 2007 AGM will be voted separately by Shareholders at the 2007 AGM. 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 a good corporate governance practice, all non-executive Directors who are Shareholders will abstain from voting on the resolutions relating to the proposed remuneration of non-executive Directors and members of the Committees at the 2007 AGM.

### **5. ANNUAL GENERAL MEETING**

The notice of the 2007 AGM is set out on page 17. At the 2007 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 remuneration of non-executive Directors and members of the Committees.

A proxy form for use at the 2007 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 Rooms 1806-1807, 18th 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 2007 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 in aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or

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## LETTER FROM THE BOARD OF DIRECTORS

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- (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 the demand is 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.

As a good corporate governance practice, the Chairman intends to demand all the resolutions set out in the notice of the 2007 AGM to be decided by poll, and will explain at the meeting the detailed procedures for conducting a poll. It is also expected that in order to streamline voting procedures for the convenience of Shareholders, the poll on each of all the 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.

A specimen of the draft voting slip proposed for use at the 2007 AGM together with examples of how a Shareholder can vote, which do not form part of this circular or the notice of the 2007 AGM, is enclosed with this circular to Shareholders for information only.

The Company will publish an announcement of the poll results of the proposed resolutions on the next business day following the 2007 AGM.

### **7. CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Monday, 23 April 2007 to Thursday, 26 April 2007, both dates inclusive, during which period, no transfer of shares will be registered. Dividend warrants will be despatched to Shareholders on or about Tuesday, 8 May 2007. 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 4:30 p.m. on Friday, 20 April 2007.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 8. RECOMMENDATIONS

The Board is pleased to recommend Mr John E Strickland and Mr Oscar S H Wong 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 2007 AGM to fill the vacancies arising from the retirement of Directors. Shareholders are encouraged to actively participate in the election of Directors at the 2007 AGM. The Board also believes that the grant of the Repurchase Mandate, and the proposed remuneration of non-executive Directors and members of the Committees 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 2007 AGM.

Yours faithfully,

By Order of the Board

**HONG KONG EXCHANGES AND CLEARING LIMITED**

**Ronald Joseph ARCULLI**

*Chairman*

## LIST OF CANDIDATES

The personal particulars of the two candidates nominated by the Nomination Committee and recommended by the Board are set out below in alphabetical order:

1. **Mr STRICKLAND, John Estmond**, GBS, JP, Independent non-executive Director (aged 67)

Director of HKEx since	HKEx or its subsidiaries' Committee/Panel Memberships	Director's Fee (2006/2007)	Disclosable Interests in HKEx under Part XV of the SFO as at the Latest Practicable Date (No. of shares)
3 April 2000 (Note 1)	HKEx – ● Audit Committee (chairman) SEHK – ● Listing Nominating Committee	HK\$240,000	18,000 (Personal interests) (Note 2)
Other major offices	<b>Esquel Holdings Inc</b> – non-executive director <b>Integrated Distribution Services Group Limited</b> – non-executive director <b>Yoma Strategic Holdings Ltd</b> (listed on the Singapore Exchange) – non-executive director		
Past offices	<b>Airport Authority Hong Kong</b> – board member (1999-2005) <b>The Hongkong and Shanghai Banking Corporation Limited</b> – chairman (1996-1998) <b>HSBC Hong Kong &amp; London</b> (1966-1969 and 1971-1998) <b>Mass Transit Railway Corporation</b> – board member (1989-1992)		
Public service	<b>Hong Kong Cyberport Management Company Limited</b> – chairman <b>Operations Review Committee of Independent Commission Against Corruption</b> – member		
Community activities and others	<b>Council of The University of Hong Kong</b> – member <b>The Outward Bound Trust of Hong Kong Limited</b> – president <b>The Community Chest of Hong Kong</b> – director <b>Committee of The Boys' and Girls' Clubs Association of Hong Kong</b> – member <b>Committee of Hong Kong Youth Hostels Association</b> – member <b>Salvation Army Advisory Board</b> – member <b>Council of Hong Kong Adventure Corps</b> – member <b>International Council of Asia Society</b> – member		
Professional qualification and experience	<b>Degree in Physics</b> (Jesus College, University of Cambridge, UK) <b>Honorary Doctorate in Business Administration</b> (City University of Hong Kong) <b>Honorary Doctorate in Technology</b> (The Hong Kong Polytechnic University) <b>Honorary fellow</b> (Hong Kong Computer Society, The Hong Kong Institute of Bankers, The Hong Kong Management Association and The University of Hong Kong)		

## Notes:

- (1) Prior to his appointment as Director on 3 April 2000 by the Financial Secretary under the Exchanges and Clearing Houses (Merger) Ordinance (repealed), Mr Strickland was also a member of the Preparatory Board since 8 July 1999. Mr Strickland is currently an Elected Director.
- (2) 18,000 Shares were held by Mr Strickland as beneficial owner.

## 2. Mr WONG Sai Hung, Oscar, Independent non-executive Director (aged 51)

Director of HKEx since	HKEx or its subsidiaries' Committee/Panel Memberships	Director's Fee (2006/2007)	Disclosable Interests in HKEx under Part XV of the SFO as at the Latest Practicable Date (No. of shares)
15 April 2003	HKEx – <ul style="list-style-type: none"> <li>● Investment Advisory Committee (deputy chairman)</li> <li>● Nomination Committee</li> <li>● Panel Member Nomination Committee</li> <li>● Clearing Consultative Panel (deputy chairman)</li> </ul>	HK\$240,000	–
Other major offices	<b>China Enterprise Fund Management Limited</b> – executive director <b>Revelation Fund Management Limited</b> – executive director <b>One Asset Management Limited</b> (Thailand) – non-executive director <b>ARN Asian Enterprise Fund Limited</b> (listed on the Irish Stock Exchange) – non-executive director		
Past offices	<b>BOCI-Prudential Asset Management Limited</b> – chief executive officer (2001-2005) <b>Prudential Portfolio Managers Asia</b> – regional managing director (1999-2000) <b>INVESCO Asia Limited</b> – deputy chief executive (1998) <b>LGT Asset Management Limited</b> (1977-1998), including LGT, Hong Kong (1977-1986), involved in managing equity portfolios with investments in the Japanese and other Asia Pacific markets; seconded to run an investment management joint venture in Taipei and assisted in starting other similar investment management joint ventures of LGT in Thailand, Indonesia and the Mainland China (1987-1990); deputy managing director of LGT (1990-1994); responsible for LGT's mutual fund marketing operations in Canada, a business which he helped to establish in 1994 (1994-1997); head of LGT's Asian operations (1998)		
Community activity	<b>Investigation Panel A of Hong Kong Institute of Certified Public Accountants</b> – member		
Professional qualification and experience	<b>Higher Diploma in Business Studies (Marketing)</b> (The Hong Kong Polytechnic University)		
	Mr Wong has over 25 years of experience in the fund management industry.		

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

None of Mr John E Strickland and Mr Oscar S H Wong 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.

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 nor there are other matters that need to be brought to the attention of Shareholders in respect of the Directors who stand for re-election at the 2007 AGM.

## 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 2007 AGM. In the case if there are more than two candidates standing for election, then in order to select which two candidates as the Elected Directors, the resolutions themselves will contain a method of determining support for a candidate. Each resolution to be proposed at the 2007 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 (the “2007 AGM”) to be held on 26 April 2007 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 2007 AGM for a term of approximately three years expiring at the conclusion of the Company’s annual general meeting to be held in 2010, 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.”

**If a resolution is passed (i.e. it has been carried 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 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.**

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 (or 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 repurchases 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 1,066,780,346 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 2007 AGM, exercise in full of the Repurchase Mandate could accordingly result in up to 106,678,034 Shares being repurchased by HKEx during the period from the date of the 2007 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 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 repurchase 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 repurchase over the par value of the Shares to be repurchased 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 2006, 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 12 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\$)
<i>2006</i>		
March	48.25	37.50
April	59.75	46.90
May	65.80	49.00
June	56.40	44.75
July	51.65	47.80
August	55.80	49.60
September	59.10	52.50
October	64.95	56.20
November	70.95	61.30
December	85.60	67.05
<i>2007</i>		
January	93.50	79.90
February	90.45	79.10

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## NOTICE OF ANNUAL GENERAL MEETING

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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)*  
(Stock Code: 388)

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of 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 Thursday, 26 April 2007 at 4:30 p.m. for the following purposes:

1. To receive and consider the Audited Accounts for the year ended 31 December 2006 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

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## NOTICE OF ANNUAL GENERAL MEETING

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(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
- (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(a). “**THAT** until shareholders of HKEx in general meeting otherwise determine, the remuneration of HK\$450,000 and HK\$300,000 respectively be payable to the Chairman and each of the other non-executive Directors of HKEx 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 be payable in proportion to the period of service in the case of a Director who has not served the entire period.”

6(b). “**THAT** until shareholders of HKEx in general meeting otherwise determine, remuneration of HK\$50,000 be payable to the chairman and every member (excluding executive Director) of the Executive Committee, Audit Committee, Remuneration Committee and Investment Advisory Committee of HKEx 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 be payable in proportion to the period of service in the case of a committee member 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 2007

*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 needs 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 with HKEx’s

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## NOTICE OF ANNUAL GENERAL MEETING

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registrar, Hong Kong Registrars Limited, at Rooms 1806-1807, 18th 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 Monday, 23 April 2007 to Thursday, 26 April 2007, both dates 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 4:30 p.m. on Friday, 20 April 2007.
- (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 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 5:00 p.m. on Tuesday, 10 April 2007. 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 Resolutions 6(a) and 6(b) concerning remuneration of non-executive Directors and members of certain Board committees of HKEx.