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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  
ELECTION OF DIRECTORS,  
GENERAL MANDATE TO REPURCHASE SHARES,  
REMUNERATION OF NON-EXECUTIVE DIRECTORS AND  
MEMBERS OF CERTAIN BOARD COMMITTEES, AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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The Notice convening the annual general meeting of Hong Kong Exchanges and Clearing Limited to be held at 4:30 pm on Thursday, 22 April 2010 at the Exchange Auditorium in the Exchange Exhibition Hall of The Stock Exchange of Hong Kong Limited on 1st Floor, One and Two Exchange Square, Central, Hong Kong, at which a number of matters, including the above proposals will be considered, is set out in this circular on page 4.

**Only light beverages will be served at the meeting.**

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 17M 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. Submission 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.

18 March 2010

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## Definitions

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

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|---------------------------|---|
| “AGM”                     | annual general meeting of HKEx to be held at 4:30 pm on Thursday, 22 April 2010, notice of which is set out on page 4 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;   |
| “Companies Ordinance”     | Companies Ordinance, Chapter 32 of the Laws of Hong Kong;   |
| “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;                            |
| “Director(s)”             | director(s) of HKEx;  |
| “Financial Secretary”     | Financial Secretary of the Government of the Hong Kong Special Administrative Region of the People’s Republic of China;   |
| “Latest Practicable Date” | 11 March 2010, 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”          | 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**

Ronald Joseph ARCULLI (Chairman)  
CHA May-Lung, Laura  
CHAN Tze Ching, Ignatius  
CHENG Mo Chi, Moses  
CHEUNG Kin Tung, Marvin  
HUI Chiu Chung, Stephen  
KWOK Chi Piu, Bill  
LEE Kwan Ho, Vincent Marshall  
LEE Tze Hau, Michael  
John Estmond STRICKLAND  
John Mackay McCulloch WILLIAMSON  
WONG Sai Hung, Oscar

#### **Registered Office**

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

#### **Executive Director**

LI Xiaojia, Charles (Chief Executive)

18 March 2010

Dear Shareholders,

#### **1. INTRODUCTION**

I am pleased to invite you to the annual general meeting of the Company, which will be held at 4:30 pm on Thursday, 22 April 2010 at the Exchange Auditorium in the Exchange Exhibition Hall of the Stock Exchange on 1st Floor, One and Two Exchange Square, Central, Hong Kong. The registration will start at 3:45 pm.

#### **2. BUSINESS TO BE CONSIDERED**

The notice of the AGM is set out on page 4. Issues to be considered at the AGM include, inter alia, (i) election of Directors; (ii) renewal of the general mandate to repurchase Shares; (iii) remuneration of non-executive Directors and members of certain Board committees; and (iv) amendments to the Articles of Association. Details are set forth in this circular under the “Business of Annual General Meeting”.

The Board, after due and careful consideration, has decided not to propose at the 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.

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## Letter from the Board of Directors

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### 3. EXERCISE YOUR VOTE

#### Registered Shareholders

The register of members will be closed from Monday, 19 April 2010 to Thursday, 22 April 2010, both dates inclusive, during which period, no transfer of Shares will be registered. In order to qualify for attending and voting at the AGM, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Friday, 16 April 2010.

Whether or not you are attending the AGM, it is important that you are properly represented and your right to vote is exercised at the meeting. If you are unable to attend in person, I strongly recommend you to appoint a proxy to attend the AGM and to vote on your behalf. Please complete and return the enclosed proxy form in accordance with the instructions printed thereon to HKEx's registrar (with address shown on the cover page of this circular) as soon as possible, and in any event not less than 48 hours before the time appointed for holding the AGM. Submission of the proxy form shall not preclude you from attending and voting in person at the AGM or at any adjourned meeting thereof should you so wish, and the appointment of the proxy will be revoked if you vote in person at the meeting.

#### Non-registered Shareholders

If your Shares are held through an intermediary (for example, a bank, a custodian or a securities broker) or registered in the name of your nominee, you will not receive a proxy form. You have to give instruction to your intermediary/nominee to vote on your behalf. If you wish to attend and vote at the AGM, you should seek an authorisation from your intermediary/nominee directly.

### 4. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in the notice of the AGM will be decided by poll. Detailed procedures for conducting a poll are set out in Appendix IV of this circular.

After closure of the AGM, the poll results will be published on the Investor Relations section on the HKEx website at [www.hkex.com.hk](http://www.hkex.com.hk) and HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk).

### 5. BOARD RECOMMENDATIONS

The Board considers that the resolutions, as set out in the notice of the AGM are in the best interests of HKEx and its Shareholders as a whole, and recommends you to vote in favour of all of them at the AGM.

I look forward to seeing you at the AGM.

Yours faithfully,  
By Order of the Board  
**HONG KONG EXCHANGES AND CLEARING LIMITED**  
**Ronald Joseph ARCULLI**  
Chairman

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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 4:30 pm on Thursday, 22 April 2010 at the Exchange Auditorium in the Exchange Exhibition Hall of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 1st Floor, One and Two Exchange Square, Central, Hong Kong for the following purposes:

1. To receive the Audited Accounts for the year ended 31 December 2009 together with the Reports of the Directors and Auditor thereon.
2. To declare a Final Dividend.
3. To elect Directors.
4. To re-appoint Auditor 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 and a Special Resolution respectively:

#### Ordinary Resolutions

5. **“THAT:**
  - (a) a general mandate be and is hereby unconditionally given to the Directors of HKEx to exercise during the Relevant Period (as hereinafter defined) 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, provided that the aggregate nominal amount of shares so purchased shall not exceed 10 per cent of the aggregate nominal amount of the share capital of HKEx in issue at the date of the passing of this Resolution, and the said mandate shall be limited accordingly; and
  - (b) for the purpose 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

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## Notice of Annual General Meeting

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(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\$500,000 and HK\$350,000 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, in addition to the remuneration of HK\$50,000, an attendance fee of HK\$2,500 per meeting 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.”

### Special Resolution

7. “**THAT** subject to the written approval of the Securities and Futures Commission pursuant to section 67 of the Securities and Futures Ordinance, the Articles of Association of HKEx be and are hereby amended as follows:

(a) Articles 90(1), 90(1A) and 90(2) of the Articles of Association of HKEx be deleted in their entirety and replaced by the following:

“(1) The Company may by ordinary resolution elect any person to be a Director, but the total number of Directors elected under this paragraph (1) shall not at any time exceed six.

(1A) Subject to any express terms to the contrary in the relevant resolution for appointing any Director under paragraph (1) above, any Director so elected by the Company shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Company held in the third year following the year of his appointment and for the avoidance of doubt, on expiration of his term he shall be deemed a retiring Director and eligible for re-appointment pursuant to Article 93.

(2) No person (other than a Director retiring in accordance with these Articles) shall be appointed or re-appointed a Director at any general meeting under paragraph (1) above unless:

(a) he is recommended by the Directors; or

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## Notice of Annual General Meeting

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(b) he is nominated by notice in writing by a member (other than the person to be proposed) entitled to attend and vote at the meeting, and such notice of nomination shall be given to the Secretary within the 7-day period commencing the day after the despatch of the notice of the meeting (or such other period, being a period of not less than 7 days, commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than 7 days prior to the date appointed for such meeting, as may be determined by the Directors from time to time). The notice of nomination shall be accompanied by a notice signed by the proposed candidate indicating his willingness to be appointed or re-appointed.”

(b) Article 102 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit and may determine the quorum necessary for the transaction of business. Until otherwise determined by the Directors, four Directors shall be a quorum provided always that not less than half of such number of Directors as shall constitute a quorum from time to time shall be Government Appointed Directors. Questions arising at any meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote.”

(c) Article 108(1) of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“(1) A resolution in writing signed or approved in writing by a majority in number of all the Directors or by a majority in number of all the members of a committee for the time being shall be as valid and effectual as if it had been passed at a meeting of the Directors or, as the case may be, such committee duly called and constituted, provided that the signature or approval in writing by a Director who cannot vote on the resolution at a meeting of Directors under these Articles, or by a committee member who cannot vote on the resolution at a committee meeting under these Articles or any regulations that may from time to time be imposed upon such committee by the Directors pursuant to Article 106, as the case may be, shall not be counted, and provided further that the proposed resolution in writing has been sent to all Directors who are entitled to notice of a meeting of the Directors or all committee members who are entitled to notice of a committee meeting, as the case may be. A proposed resolution in writing shall be deemed to be duly sent to a Director or a committee member if it is given to him personally or sent in writing (including in hard copy form or in electronic form) to him at his last known address or any other address given by him to the Company for this purpose. Any signature or approval in writing referred to above may be in hard copy form or in electronic form. Such signature or approval may be contained in one document or in several documents, each signed or approved by one or more of the said Directors or the said members of the committee concerned.”



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## Notice of Annual General Meeting

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- (d) Article 139(3) of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“(3) Where a member or debenture holder of the Company has, in accordance with the Statutes and any rules prescribed by any Relevant Exchange from time to time, consented or is regarded to have so consented to treat the publication of the relevant financial documents and/or the summary financial report on a computer network (including the Company’s website) as discharging the Company’s obligation under the Ordinance to send a copy of the relevant financial documents and/or the summary financial report, then subject to compliance with the publication and notification requirements of the Statutes and any rules prescribed by any Relevant Exchange from time to time, publication by the Company on a computer network (including the Company’s website) of the relevant financial documents and/or the summary financial report at least 21 days before the date of the meeting shall, in relation to each such member or debenture holder of the Company, be deemed to discharge the Company’s obligations under paragraph (2) above.”

- (e) Article 142(1) of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“(1) A notice or other document (including, but without limitation, a share certificate and any other corporate communication (as defined in the Rules Governing the Listing of Securities on the Stock Exchange)) may be served on or delivered to any member by the Company either personally or by sending it by mail, postage prepaid (and, in any case where the registered address of a member is outside Hong Kong, by prepaid airmail), addressed to such member at his registered address or by leaving it at that address addressed to the member or by any other means authorised in writing by the member concerned or by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating in Hong Kong. Without limiting the generality of the foregoing but subject to and to the extent permitted by the Statutes and any rules prescribed by any Relevant Exchange from time to time, a notice or other document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned, or by publishing it on a computer network (including the Company’s website) or in such other manner as the member concerned may from time to time agree or be taken to have agreed under the Statutes and any rules prescribed by any Relevant Exchange from time to time.”

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## Notice of Annual General Meeting

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- (f) Article 146 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

**“146. Deemed date of service of notices**

Subject to the Statutes and any rules prescribed by any Relevant Exchange from time to time:

- (a) any notice or other document, if sent by mail, postage prepaid, shall be deemed to have been served or delivered on the day following that on which the letter, envelope, or wrapper containing the same is put into the post. In proving such service it shall be sufficient to prove that the letter, envelope or wrapper containing the notice or document was properly addressed and put into the post as prepaid mail or prepaid airmail (as the case may be);
  - (b) any notice or other document not sent by post but left by the Company at a registered address shall be deemed to have been served or delivered on the day it was so left;
  - (c) any notice or other document, if sent by electronic means (including through any relevant system), shall be deemed to have been given on the day following that on which the electronic communication was sent by or on behalf of the Company;
  - (d) any notice or other document served or delivered by the Company by any other means authorised in writing by the member concerned shall be deemed to have been served when the Company has carried out the action it has been authorised to take for that purpose;
  - (e) any notice or other document published by way of advertisement shall be deemed to have been served or delivered on the day it was so published; and
  - (f) any notice or other document published on a computer network (including the Company’s website) shall be deemed to have been served or delivered on the day on which the notice or other document is first published and made available on the computer network.”
- (g) Article 157 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“157. (repealed).””

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

Hong Kong, 18 March 2010

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## Notice of Annual General Meeting

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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/her 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/she 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 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 registrar, Hong Kong Registrars Limited, at 17M 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 will be closed from Monday, 19 April 2010 to Thursday, 22 April 2010, both dates inclusive, during which period, no transfer of shares will be registered. In order to qualify for the proposed final dividend and be entitled to attend and vote at the above meeting, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Friday, 16 April 2010.
- (5) There will be 2 vacancies to be filled at the above meeting following the retirement of Messrs John E Strickland and Oscar S H Wong. If a shareholder wishes to nominate a person to stand for election as a Director, (i) his/her notice of intention to propose a resolution; and (ii) a notice executed by the nominated candidate of his/her willingness to be appointed together with (A) the candidate's information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), and (B) the candidate's written consent to the publication of his/her personal data, have to be validly served on the Secretary of HKEx, as early as practicable, **preferably before 5:00 pm on Wednesday, 31 March 2010**. Details of the foregoing are set out in Appendix I of the circular dated 18 March 2010.
- (6) 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 to be sought from shareholders is in compliance with the Companies Ordinance and the Listing Rules.
- (7) As a good corporate governance practice, 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.
- (8) Concerning Resolution 7 of this Notice, the English text of the proposed amendments to the Articles of Association shall prevail.
- (9) Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this Notice will be decided by poll at the above meeting.
- (10) The registration for the above meeting will start at 3:45 pm on 22 April 2010.

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**Only light beverages will be served at the above meeting.**

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## **Business of Annual General Meeting**

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### **ORDINARY BUSINESS**

#### **RESOLUTION 1 – RECEIVING THE ANNUAL ACCOUNTS**

The audited financial statements of HKEx for the year ended 31 December 2009 together with the Report of Directors, are set out in the 2009 Annual Report which is available in English and Chinese and may be viewed or downloaded from the Investor Relations section on the HKEx website at [www.hkex.com.hk](http://www.hkex.com.hk) and HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk).

The financial statements have been audited by PricewaterhouseCoopers (“PwC”) and reviewed by the Audit Committee. The reports of the Auditor and the Audit Committee are set out respectively on page 116 and pages 97 to 98 of the 2009 Annual Report.

#### **RESOLUTION 2 – DECLARATION OF FINAL DIVIDEND**

The Directors recommend a final dividend of HK\$2.09 per Share. Subject to the Shareholders’ approval at the AGM, the dividend warrants will be despatched on 3 May 2010 to those Shareholders whose names appear on the register of members on 22 April 2010.

#### **RESOLUTION 3 – ELECTION OF DIRECTORS**

##### **Board of Directors**

The Board currently consists of 13 Directors including:

- (i) 6 Directors appointed by the Financial Secretary, namely Mr Ronald J Arculli, Mrs Laura M Cha, Dr Moses M C Cheng, Dr Marvin K T Cheung, Mr Stephen C C Hui and Mr Michael T H Lee;
- (ii) 6 Directors elected by Shareholders (“Elected Directors”), namely Mr Ignatius T C Chan, Dr Bill C P Kwok, Mr Vincent K H Lee, Mr John E Strickland, Mr John M M Williamson and Mr Oscar S H Wong; and
- (iii) the Chief Executive, Mr Charles X Li, as an ex-officio Director.

##### **Retiring Elected Directors**

The respective terms of office of Messrs John E Strickland and Oscar S H Wong will expire at the conclusion of the AGM. Pursuant to Article 93(5) of the Articles of Association, both of them are eligible for re-appointment.

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

On 4 March 2010, the Nomination Committee comprising solely independent non-executive Directors, nominated, and the Board recommended Messrs John E Strickland and Oscar S H Wong to stand for election as Directors at the AGM. As a good corporate governance practice, both Mr Strickland and Mr Wong abstained from voting on their nominations at the meetings of the Nomination Committee and the Board.

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## **Business of Annual General Meeting**

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The Nomination Committee is also responsible for, inter alia, assessing the independence of independent non-executive Directors. On 4 March 2010, the Nomination Committee assessed and reviewed the individual Director's annual confirmation of independence based on the independence criteria as set out in Rule 3.13 of the Listing Rules, and affirmed that all non-executive Directors including, Messrs John E Strickland and Oscar S H Wong, remained independent.

Mr Strickland has served on the Board for more than 9 years. As an independent non-executive Director with extensive experience and knowledge, Mr Strickland has been expressing objective views and giving independent guidance to the Company over the years, and he continues demonstrating firm commitment to his role. The Nomination Committee considers that the long service of Mr Strickland would not affect his exercise of independent judgement and is satisfied that Mr Strickland has the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director, and the Board considers Mr Strickland's re-election as a Director is in the best interest of HKEx and Shareholders as a whole.

Information of Messrs John E Strickland and Oscar S H Wong including, their biographical details, interests in Shares, and attendance record at meetings of the Board and other committees and panels (if any), is set out in Appendix I of this circular.

Shareholders may, if thought fit, nominate other candidates to stand for election as Director(s) at the AGM to fill the 2 vacancies available consequent on the retirement of Messrs John E Strickland and Oscar S H Wong.

The resolutions relating to the election of Directors will be proposed under item 3 of the notice of the AGM. Shareholders will be invited to vote on each resolution proposed for a candidate. Sample of the proposed resolution, the method of determining support for a candidate, and matters in relation to nominations by Shareholders are set out in Appendix I of this circular.

### **RESOLUTION 4 – RE-APPOINTMENT OF AUDITOR AND SETTING OF AUDITOR'S FEES**

For the year ended 31 December 2009, the external auditor's fees were HK\$3,738,619 (2008: HK\$3,335,523), of which HK\$3,369,500 (2008: HK\$2,876,500) was for audit services.

Besides determining their fees, the Audit Committee also reviewed the work of the external auditor PwC and was satisfied with their independence and objectivity. The Audit Committee recommended the re-appointment of PwC, which have expressed their willingness to continue in office for the ensuing year.

The resolution under item 4 of the notice of the AGM is the proposed re-appointment of PwC as auditor and authorising the Directors to fix the auditor's remuneration.

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## **Business of Annual General Meeting**

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### **SPECIAL BUSINESS**

#### **RESOLUTION 5 – GENERAL MANDATE TO REPURCHASE SHARES**

Given the general mandate to repurchase Shares granted by Shareholders at the last annual general meeting will lapse at the conclusion of the AGM, an ordinary resolution will be proposed at the 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 at the date of the passing of the relevant resolution (“Repurchase Mandate”).

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 the information reasonably necessary to enable Shareholders to make an informed decision on whether or not to support the proposed resolution.

The Repurchase Mandate to be sought from Shareholders is in compliance with the Companies Ordinance and the Listing Rules. The Board wishes to state that it has no immediate plans to exercise the Repurchase Mandate.

Details of the proposed resolution on the Repurchase Mandate are set out in resolution 5 of the notice of the AGM.

#### **RESOLUTION 6 – REMUNERATION OF NON-EXECUTIVE DIRECTORS AND MEMBERS OF CERTAIN BOARD COMMITTEES**

At the annual general meeting held in April 2007 (“2007 AGM”), Shareholders approved the remuneration of HK\$450,000 and HK\$300,000 per annum be payable to the Chairman of HKEx and each of the other non-executive Directors respectively. In addition, remuneration of HK\$50,000 per annum was also approved 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 (collectively referred as “Committees”). Such remuneration remains unchanged 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 February 2010, a review of the non-executive Directors’ remuneration was conducted with reference to the remuneration level of non-executive directors of Hang Seng Index (“HSI”) constituent companies as well as overseas exchanges with publicly traded shares, with an aim to determine a fair remuneration for the non-executive Directors taking into account their public accountability and time and effort spent on the Board and various committees. Based on information collected from the latest published annual reports of 42 HSI constituent companies and 15 overseas listed exchanges, the annual non-executive directors’ remuneration for year 2008/2009 ranged from HK\$73,333 to HK\$2,301,904 for the HSI constituent companies and from HK\$281,857 to HK\$2,807,605 (Hong Kong dollar equivalent) for overseas exchanges, with the mean of HK\$439,877 and HK\$1,159,104 respectively.

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## **Business of Annual General Meeting**

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The current remuneration for non-executive Directors approved at the 2007 AGM was based on the published data of 2005/2006. Between 2005 and 2009, the average remuneration of non-executive directors for HSI constituent companies increased by over 50 per cent. As the responsibilities of non-executive directors continue to expand and they are held more accountable, it is anticipated that the remuneration for non-executive directors in general will continue to increase at a steady pace.

It is important that the level of Board remuneration should be sufficient to attract and retain high calibre directors. Based on the review in February 2010, the Remuneration Committee recommended and the Board endorsed raising the remuneration of the Chairman of HKEx and each of the other non-executive Directors to HK\$500,000 and HK\$350,000 per annum respectively. The additional remuneration for the chairman and every member (excluding executive Director) of the Committees is recommended to remain unchanged at HK\$50,000 per annum but an attendance fee of HK\$2,500 per meeting is proposed to reflect the variable workload and time commitment of the Committees' members. The above recommendation serves to bring the remuneration of non-executive Directors that has remained unchanged in the past 3 years closer to that of the market.

Accordingly, ordinary resolutions will be proposed at the AGM for Shareholders to consider, and if thought fit, approve the proposed changes. The Remuneration Committee considers that the proposed remuneration is reasonable, and if approved by Shareholders, will remain in effect until otherwise determine in general meeting.

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

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

### **RESOLUTION 7 – AMENDMENTS TO ARTICLES OF ASSOCIATION**

A special resolution to amend the Articles of Association, which requires not less than 75 per cent of the votes cast by the Shareholders attending and entitled to vote, either in person or by proxy, will be put forth to be considered and, if thought fit, approved by Shareholders at the AGM.

The proposed amendments to the Articles of Association address some practicable issues in relation to (i) resolutions in writing by Directors and committees; (ii) the period in which notices for the nomination of Directors for election at a general meeting may be given by a Shareholder; and (iii) the despatch of the Company's corporate communications to Shareholders by posting them on its website upon the permission of using such facility by Hong Kong-incorporated listed companies under the relevant laws of Hong Kong. In addition, some housekeeping amendments are proposed to update the Articles of Association.

An explanatory statement in connection with the proposed changes is set out in Appendix III to this circular. Details of the proposed amendments to the Articles of Association are set out in the resolution 7 of the notice of the AGM.

HKEx's independent legal advisers confirmed that the proposed amendments comply with the requirements of the Listing Rules and the laws of Hong Kong.

Pursuant to section 67 of the SFO, amendments to the Articles of Association are subject to the SFC's approval in writing. HKEx will issue an announcement thereof upon receipt of the SFC's approval.



## LIST OF CANDIDATES

Information of the 2 candidates standing for election as Directors at the AGM, Messrs John E Strickland and Oscar S H Wong, is set out below in alphabetical order:

**1. Mr John Estmond STRICKLAND** GBS, JP  
Independent Non-executive Director (aged 70)

| Director since  | Board/committee/panel memberships held within HKEx group  | Meetings attended/held in 2009 |      | Emoluments received for 2009/2010 (HK\$) |
|---|---|--------------------------------|------|--|
| 3 April 2000<br>(Note 1)  | HKEx –  |                                |      |  |
|   | • Board   | 12/12                          | 100% | 300,000                                  |
|   | • Investment Advisory Committee (chairman)  | 4/4                            | 100% | 50,000                                   |
|   | • Nomination Committee  | 1/1                            | 100% | –  |
|   | Stock Exchange –  |                                |      |  |
|   | • Listing Appeals Committee (deputy chairman)   | 2/2                            | 100% | –  |
|   | • Listing Nominating Committee  | 1/1                            | 100% | –  |
|   |   |                                |      | 350,000                                  |
| <b>Interests in Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date (no. of shares)</b> |   |                                |      | 18,000<br>(Personal interests) (Note 2)  |
| <b>Other major offices</b>  | <ul style="list-style-type: none"> <li>• Esquel Holdings Inc – non-executive director (2001~)</li> <li>• Integrated Distribution Services Group Limited – non-executive director (2004~)</li> </ul>   |                                |      |  |
| <b>Past offices</b>   | <ul style="list-style-type: none"> <li>• HSBC, Hong Kong &amp; London (1971-1998 and 1966-1969)</li> <li>• The Hongkong and Shanghai Banking Corporation Limited – chairman (1996-1998)</li> <li>• Yoma Strategic Holdings Ltd (listed on the Singapore Exchange) – non-executive director (2006-2009)</li> </ul>   |                                |      |  |
| <b>Public service</b>   | <ul style="list-style-type: none"> <li>• Hong Kong Cyberport Management Company Limited – chairman (2003~)</li> <li>• Hong Kong Domain Name Registration Company Limited – non-executive chairman and non-executive director (2009~)</li> <li>• Hong Kong Internet Registration Corporation Limited – non-executive director (2008~) and non-executive chairman (2009~)</li> </ul>  |                                |      |  |
| <b>Qualifications</b>   | <ul style="list-style-type: none"> <li>• Degree in Physics (Jesus College, University of Cambridge, UK)</li> <li>• Honorary Doctorate in Business Administration (City University of Hong Kong)</li> <li>• Honorary Doctorate in Technology (The Hong Kong Polytechnic University)</li> <li>• Distinguished fellow (Hong Kong Computer Society)</li> <li>• Honorary fellow (The Hong Kong Institute of Bankers)</li> <li>• Honorary university fellowship (The University of Hong Kong)</li> <li>• Fellow (The Hong Kong Management Association)</li> </ul> |                                |      |  |

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 from 8 July 1999. Mr Strickland is currently an Elected Director.
- (2) Such Shares were held by Mr Strickland as beneficial owner.



## 2. Mr WONG Sai Hung, Oscar

Independent Non-executive Director (aged 54)

| Director since  | Board/committee/panel memberships held within HKEx group  | Meetings attended/held in 2009 |      | Emoluments received for 2009/2010 (HK\$) |
|---|---|--------------------------------|------|--|
| 15 April 2003   | HKEx –  |                                |      |  |
|   | • Board   | 11/12                          | 92%  | 300,000                                  |
|   | • Investment Advisory Committee (deputy chairman)   | 4/4                            | 100% | 50,000                                   |
|   | • Nomination Committee  | 1/1                            | 100% | –  |
|   | • Panel Member Nomination Committee   | 1/1                            | 100% | –  |
|   | • Clearing Consultative Panel (chairman)  | 2/2                            | 100% | –  |
|   | Hong Kong Securities Clearing Company Limited –   |                                |      |  |
|   | • Disciplinary Appeals Committee (chairman)   | –/–                            | N/A  | –  |
|   |   |                                |      | 350,000                                  |
| <b>Interests in Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date (no. of shares)</b> |   |                                |      | –  |
| <b>Other major offices</b>  | <ul style="list-style-type: none"> <li>• ARN Asian Enterprise Fund Limited (listed on the Irish Stock Exchange) – non-executive director (2006~)</li> <li>• China Bio-Med Regeneration Technology Limited – non-executive director (2008~) and non-executive vice-chairman (2009~)</li> <li>• ICBC (Asia) Investment Management Company Limited – chief executive and executive director (2008~)</li> </ul> |                                |      |  |
| <b>Past offices</b>   | <ul style="list-style-type: none"> <li>• BOCI-Prudential Asset Management Limited – chief executive officer (2001-2005)</li> <li>• INVESCO Asia Limited – deputy chief executive (1998)</li> <li>• Prudential Portfolio Managers Asia – regional managing director (1999-2000)</li> </ul>   |                                |      |  |
| <b>Public service</b>   | <ul style="list-style-type: none"> <li>• Hong Kong Housing Authority – member of Finance Committee (2008~)</li> </ul>   |                                |      |  |
| <b>Qualifications</b>   | <ul style="list-style-type: none"> <li>• Higher Diploma in Business Studies (Marketing) (The Hong Kong Polytechnic University)</li> </ul>   |                                |      |  |

Neither Messrs John E Strickland nor Oscar S H Wong is related to any other Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of HKEx.

Neither Messrs John E Strickland nor Oscar S H Wong has any service contract with any member of the HKEx group.

The candidate(s), if elected, will be appointed as a Director with effect from the conclusion of the AGM for a term of not more than approximately 3 years expiring at the conclusion of the Company's annual general meeting to be held in 2013.

The current remuneration of the Chairman of the Board is HK\$450,000 per annum, and that of a non-executive Director is HK\$300,000 per annum. An additional remuneration of HK\$50,000 per annum will also be payable to a non-executive Director for each committee membership held on the Executive Committee, Audit Committee, Remuneration Committee and Investment Advisory Committee. The remuneration is payable to Directors for services rendered by each of them for the period between annual general meetings of HKEx, 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.

Subject to the Shareholders' approval at the AGM, the remuneration of non-executive Directors would be revised in accordance with the proposed resolutions 6(a) and 6(b) as set out in the notice of AGM.

Save for the information disclosed above, both candidates have indicated that there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules nor any other matters that need to be brought to Shareholders' attention.

#### **NOMINATIONS BY SHAREHOLDERS**

Shareholders are invited to elect up to 2 Directors at the AGM to fill the vacancies available following the retirement of Messrs John E Strickland and Oscar S H Wong. According to Article 90(1A) of the Articles of Association, the 2 newly elected Directors will each have a term of not more than approximately 3 years expiring at the conclusion of the Company's annual general meeting to be held in 2013.

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/she 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 7 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/her intention to propose a resolution for the appointment or re-appointment of that person and a notice executed by that person of his/her 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/her notice of intention to propose a resolution; and (ii) a notice executed by the nominated candidate of his/her 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 information, as referred to under the heading "Required information of the candidate(s) nominated by Shareholders" below, and (B) the candidate's written consent to the publication of his/her personal data.

In order to ensure Shareholders have sufficient time to receive and consider the information of the nominated candidate(s), Shareholders are therefore urged to submit their proposals as early as practicable, **preferably before 5:00 pm on Wednesday, 31 March 2010** so that an announcement can be issued on or about 31 March 2010 and a supplemental circular containing information of the candidate(s) proposed by Shareholders can be despatched to Shareholders on or about 7 April 2010.

**Required 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(s):

- (a) full name and age;
- (b) positions held with HKEx and/or other members of the HKEx group (if any);
- (c) experience including (i) other directorships held in the past 3 years in public companies of which the securities are listed on any securities market in Hong Kong and overseas, and (ii) other major appointments and professional qualifications;
- (d) current employment and such other information (which may include business experience and academic qualifications) 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;
- (f) relationships with any Directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of HKEx, or an appropriate negative statement;
- (g) interests in Shares 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 to be disclosed pursuant to 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 any other matters relating to standing for election as a Director that need to be brought to Shareholders' attention; and
- (i) contact details.

The Shareholder proposing the candidate will be required to read out aloud the proposed resolution, as set out under "Resolutions and Voting" below, at the 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 2 or more candidates shall be proposed has been first agreed to by the general meeting without any vote being cast against it. There will be 2 vacancies to be filled at the AGM following the

retirement of Messrs John E Strickland and Oscar S H Wong. In the case if there are more than 2 candidates standing for election, then in order to determine who shall be elected, the resolutions themselves will contain a method of determining support for a candidate. Each resolution to be proposed at the 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 2 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 22 April 2010 or on the date of its adjournment (where applicable) (the “2010 AGM”), [name of candidate] be and is hereby appointed as a director of the Company with effect from the conclusion of the 2010 AGM for a term of approximately 3 years expiring at the conclusion of the Company’s annual general meeting to be held in 2013, provided that if any 2 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 (ie, it has been carried by the 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 2 resolutions passed by the majority of the votes cast, the Board may, pursuant to Article 92 of the Articles of Association, appoint any person to fill the vacancy.**

**Assuming a resolution is passed by the majority of the votes cast on it, the candidate who is the subject of that resolution will be elected to one of the 2 positions on the Board if the net votes cast in favour of his/her resolution rank within the top 2 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 2 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/her resolution. If you do not wish to support a candidate, you may vote against his/her 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.**

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## **Appendix II Explanatory Statement on the Share Repurchase Mandate**

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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 issued share capital of a company as at 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 Stock Exchange's prior approval (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 5 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 under the Listing Rules.

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## **Appendix II Explanatory Statement on the Share Repurchase Mandate**

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### **(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 submitted for publication to the Stock Exchange by not later than 9:00 am (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.

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## **Appendix II Explanatory Statement on the Share Repurchase Mandate**

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### **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of HKEx comprised 1,076,734,846 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 AGM, exercise in full of the Repurchase Mandate could accordingly result in up to 107,673,484 Shares being repurchased by HKEx during the period from the date of the 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 HKEx's net asset value and/or its earnings per Share and will only be made when the Board believes that such repurchases will benefit HKEx and its Shareholders as a whole.

### **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 internal funds legally permitted to be utilised in this connection, including the funds 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 internal funds 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 2009, 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.



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## **Appendix II Explanatory Statement on the Share Repurchase Mandate**

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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, 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 an exercise of the Repurchase Mandate.

### **6. SHARE REPURCHASES MADE BY HKEx**

HKEx has not repurchased any Shares during the 6 months prior to the Latest Practicable Date (whether on the Stock Exchange or otherwise).

### **7. SHARE PRICES**

During each of the previous 12 months prior to the printing of this circular, the highest and lowest prices at which the Shares were traded on the Stock Exchange were as follows:

|   | <b>Share Prices (per share)</b> |                          |
|---|---------------------------------|--------------------------|
|   | <b>Highest<br/>(HK\$)</b>       | <b>Lowest<br/>(HK\$)</b> |
| <b>2009</b>   |                                 |                          |
| March   | 79.20                           | 53.40                    |
| April   | 93.00                           | 71.95                    |
| May   | 125.70                          | 92.80                    |
| June  | 133.00                          | 113.60                   |
| July  | 148.00                          | 114.00                   |
| August  | 153.70                          | 134.50                   |
| September   | 150.00                          | 133.50                   |
| October   | 146.80                          | 132.50                   |
| November  | 143.80                          | 133.30                   |
| December  | 142.40                          | 133.40                   |
| <b>2010</b>   |                                 |                          |
| January   | 154.00                          | 130.90                   |
| February  | 136.50                          | 124.00                   |
| March (up to and including the Latest Practicable Date) | 135.00                          | 128.70                   |



This Appendix serves as an explanatory statement to Shareholders in connection with the proposed amendments to the Articles of Association.

## **1. RESOLUTIONS IN WRITING OF DIRECTORS AND COMMITTEES**

Article 108(1) of the Articles of Association currently requires a resolution in writing of Directors or members of a committee to be signed or approved in writing by all members entitled to notice of meeting in order to be valid and effective. Hence, decision making by way of a resolution in writing is of no avail if any of the Directors or committee members are not contactable, or are unable to sign for reasons such as being away from Hong Kong.

The Company proposes to amend Article 108(1) to cater for such special situations, in which case a majority of Directors or members of the relevant committee can pass the proposed resolution in writing by signing in hard copy or in electronic form. This will help balance the pursuit of good corporate governance and timely decision making.

## **2. PERIOD FOR NOMINATION OF DIRECTORS**

Article 90(2)(b) currently sets out the period in which notices for the nomination of Directors for election at a general meeting may be given by a Shareholder to the Company, which ends on the date falling 7 days prior to the date appointed for the meeting. In accordance with Rule 13.70 of the Listing Rules, upon receipt of such notice, the Company shall publish an announcement or issue a supplementary circular to provide further details in relation to such candidates at least 14 days before the date of the relevant general meeting to consider the subject matter. Therefore, under the current arrangement, there is a possibility that such a meeting would have to be adjourned in order to ensure that Shareholders have at least 14 days to consider the nomination.

The Company considers it appropriate to revise Article 90(2)(b) in order to avoid the need for an adjournment of meetings whilst still complying with the requirements of the Listing Rules. The Company proposes that by default, the period during which Shareholder notices for the nomination of Directors may be given is a 7-day period commencing on the day after the despatch of the notice of the meeting. The Board has the discretion to determine a different period, but any such period will be determined in accordance with paragraphs 4(4) and 4(5) of Appendix 3 to the Listing Rules, being a period of not less than 7 days, commencing no earlier than the day after the despatch of the notice of the meeting and ending no later than 7 days prior to the date appointed for the meeting.

**3. USE OF WEBSITES FOR COMMUNICATION WITH SHAREHOLDERS**

The Listing Rules have been amended in January 2009 by the Stock Exchange, permitting a listed company, subject to the applicable laws in its jurisdiction of incorporation, to send corporate communications to its shareholders by posting them on the listed company's website if shareholders agree, or are deemed to have so agreed in accordance with the procedure set out in the Listing Rules. Since there are currently no similar provisions in the Companies Ordinance, Hong Kong-incorporated listed companies are not able to make use of such mode of communication.

In the Companies (Amendment) Bill 2010 published in the Gazette on 22 January 2010, changes are proposed to the Companies Ordinance to allow Hong Kong-incorporated listed companies to enjoy the flexibility as provided by the abovementioned amendments to the Listing Rules.

The Company proposes to amend Articles 139(3), 142(1) and 146 to permit the Company to deliver to, or serve any notice or other document (including any corporate communication) on, its Shareholders by publishing it on a computer network (including the Company's website) if the Shareholders agree, or are deemed to have so agreed under the Listing Rules, and if permitted under the statutes.

The proposed changes would not restrict a Shareholder's right to receive hard copies of such notices or documents, if and when they so wish. However, the changes would enable the Company to reduce its use of paper and thus contribute towards costs savings, efficiency and environmental protection.

**4. MINOR HOUSEKEEPING AMENDMENTS**

In addition to the above amendments, certain minor housekeeping amendments to Articles 90(1), 90(1A), 102 and 157 will also be proposed at the AGM to delete certain obsolete provisions therein.

The chairman of the meeting will at the AGM demand, pursuant to Article 70(1)(a) of the Articles of Association, poll voting on all resolutions set out in the notice of the AGM.

On a poll, pursuant to Article 74 of the Articles of Association, subject to any special rights or restrictions as to voting for the time being attached to any Shares and to the provisions of the Articles of Association, every Shareholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or proxy, shall have one vote for every Share of which he/she is the holder.

A Shareholder present in person or by proxy or by authorised representative who is entitled to more than one vote does not have to use all his/her votes (ie, he/she can cast less votes than the number of Shares he/she holds or represents) or to cast all his/her votes the same way (ie, he/she can cast some of his/her votes in favour of the resolution and some of his/her votes against the resolution). It is believed that in most situations, Shareholders (other than nominee companies) usually cast all their votes either in favour of a resolution or against a resolution.

The poll voting slip will be distributed to Shareholders or their proxies or authorised representatives upon registration of attendance at the AGM. Shareholders who want to cast all their votes entitled may mark a “✓” in either “FOR” or “AGAINST” box corresponding to the resolution to indicate whether he/she supports that resolution. For Shareholders who do not want to use all their votes or want to split votes in casting a particular resolution shall indicate the number of votes cast on a particular resolution in the “FOR” or “AGAINST” box, where appropriate, but the total votes cast must not exceed his/her entitled votes, or otherwise, the voting slip will be spoiled and the Shareholder’s vote will not be counted.

HKEx’s registrar, Hong Kong Registrars Limited, will send a specimen of the draft voting slip proposed for use at the AGM together with examples of how a Shareholder can vote, to Shareholders for information. The same will also be posted on the HKEx website at [www.hkex.com.hk](http://www.hkex.com.hk) under Circulars of the Investor Relations section. Shareholders are advised to read the guidance notes before attending the AGM.

After closing the poll, HKEx’s registrar will count the votes and the poll results will be subject to scrutiny by an independent scrutineer appointed for such purpose.

