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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 you should take, 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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The logo for Hong Kong Exchanges and Clearing Limited (HKEX) features the letters 'HKEX' in a bold, blue, sans-serif font. The 'X' is stylized with a red and blue design element.

香港交易所

香港交易及結算所有限公司

**HONG KONG EXCHANGES AND CLEARING LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock Code: 388)

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**NOTICE OF ANNUAL GENERAL MEETING  
AND  
PROPOSALS FOR  
ELECTION OF DIRECTORS,  
GENERAL MANDATES TO BUY BACK SHARES AND TO ISSUE SHARES,  
AND  
ADJUSTMENT OF NON-EXECUTIVE DIRECTORS' REMUNERATION**

The notice convening the AGM is set out in this circular on pages 4 to 8.

Only light beverages will be served after the meeting.

Whether you are able to attend the AGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Company's registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible, and in any event so that it is received at least 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the meeting or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the meeting (or any adjournment of such meeting) and voting in person should you so wish.

21 March 2018

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## Definitions

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

“2017 Annual Report”	annual report for the year ended 31 December 2017 of the Company;
“AGM”	the annual general meeting of HKEX to be held at the HKEX Connect Hall on the 1st Floor, One and Two Exchange Square, Central, Hong Kong on Wednesday, 25 April 2018 at 4:30 pm, or, where the context so admits, any adjournment of such annual general meeting;
“Articles of Association”	the articles of association of HKEX;
“Board”	the board of directors of HKEX;
“Company” or “HKEX”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong;
“Director(s)”	director(s) of HKEX;
“Elected Director(s)”	Director(s) elected by Shareholders at general meetings;
“Financial Secretary”	Financial Secretary of Hong Kong;
“Government Appointed Director(s)”	Director(s) appointed by the Financial Secretary of Hong Kong pursuant to section 77 of the SFO;
“Group”	HKEX and its subsidiaries;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	13 March 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“SFC”	Securities and Futures Commission;
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	share(s) of HKEX;
“Shareholder(s)”	holder(s) of Shares;

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## Definitions

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of HKEX, being a recognized exchange company under the SFO;
“Takeovers Code”	the Code on Takeovers and Mergers as approved by the SFC;
“UK”	United Kingdom;
“US”	United State of America;
“\$”	Hong Kong dollar; and
“%”	per cent.

References to time and dates in this circular are to Hong Kong time and dates.

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## Letter from the Board of Directors

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# HKEX

## 香港交易所

香港交易及結算所有限公司

HONG KONG EXCHANGES AND CLEARING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 388)

### Independent Non-executive Directors

CHOW Chung Kong (Chairman)

Apurv BAGRI

CHAN Tze Ching, Ignatius

CHEAH Cheng Hye

Timothy George FRESHWATER

FUNG Yuen Mei, Anita

Rafael GIL-TIENDA

HU Zulu, Fred

LEUNG KO May Yee, Margaret

LEUNG Pak Hon, Hugo

John Mackay McCulloch WILLIAMSON

YIU Kin Wah, Stephen

### Registered Office

12th Floor

One International Finance Centre

1 Harbour View Street

Central

Hong Kong

### Executive Director

LI Xiaojia, Charles (Chief Executive)

21 March 2018

Dear Shareholders,

On behalf of the Board, it is my pleasure to invite you to HKEX's annual general meeting to be held at the HKEX Connect Hall on the 1st Floor, One and Two Exchange Square, Central, Hong Kong on Wednesday, 25 April 2018 at 4:30 pm. Registration will start at 3:30 pm.

The notice of the AGM is set out on pages 4 to 8. Information regarding the business to be considered at the AGM is set out on pages 9 to 14. If you do not plan to attend the AGM, I encourage you to appoint a proxy to attend and vote on your behalf at the AGM.

The Board considers that the proposed 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 vote in favour of all the resolutions at the AGM.

Matters regarding Shareholders' rights to attend and vote at the AGM are set out in Appendix III of this circular. If you have any questions concerning the AGM, please contact the Company's registrar at +852 2862 8555.

Your participation at the AGM is welcome and my fellow Directors and I look forward to meeting you at the AGM.

Yours faithfully,

On behalf of the Board

**CHOW Chung Kong**

Chairman

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## Notice of Annual General Meeting

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# HKEX

香港交易所

香港交易及結算所有限公司

HONG KONG EXCHANGES AND CLEARING LIMITED

(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 HKEX Connect Hall on the 1st Floor, One and Two Exchange Square, Central, Hong Kong on Wednesday, 25 April 2018 at 4:30 pm for the following purposes:

1. to receive the audited financial statements for the year ended 31 December 2017 together with the Reports of the Directors and Auditor thereon;
2. to declare a final dividend;
3. to elect Directors;
4. to re-appoint PricewaterhouseCoopers as the Auditor and to authorise the Directors to fix its remuneration;

and to consider and, if thought fit, pass with or without modification the following resolutions as ordinary resolutions:

5. **“THAT:**
  - (a) subject to paragraph (b) of this Resolution, the exercise by the Directors of HKEX during the Relevant Period (as defined below) of all the powers of HKEX to buy back shares of HKEX on The Stock Exchange of Hong Kong Limited 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 of Hong Kong Limited for this purpose, subject to and in accordance with all applicable laws and 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 applicable) as amended from time to time, be and is hereby generally and unconditionally approved;
  - (b) the aggregate number of shares to be bought back pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the number of issued shares of HKEX at the date of the passing of this Resolution (subject to adjustment in the case of any conversion of any or all of the shares of HKEX into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) after the passing of this Resolution), and the said approval shall be limited accordingly; and
  - (c) for the purposes of this Resolution:

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

    - (i) the conclusion of the next annual general meeting of HKEX;

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## Notice of Annual General Meeting

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- (ii) the expiry of the period within which the next annual general meeting of HKEX is required by law to be held; and
- (iii) the passing of an ordinary resolution by shareholders of HKEX in general meeting revoking or varying the authority given to the Directors of HKEX by this Resolution.”

6. **“THAT:**

- (a) subject to paragraphs (b) and (c) of this Resolution, the exercise by the Directors of HKEX during the Relevant Period (as defined below) of all the powers of HKEX to allot, issue and deal with additional shares of HKEX, to grant rights to subscribe for, or convert any security into, shares in HKEX (including the issue of any securities convertible into shares, or options, warrants or similar rights to subscribe for any shares) and to make or grant offers, agreements and options which would or might require the exercise of such power(s) during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;
- (b) other than in respect of an Excluded Issue (as defined below), the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of HKEX pursuant to the approval in paragraph (a) of this Resolution shall not exceed 10 per cent of the number of issued shares of HKEX at the date of the passing of this Resolution (subject to adjustment in the case of any conversion of any or all of the shares of HKEX into a larger or smaller number of shares in accordance with section 170(2)(e) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) after the passing of this Resolution);
- (c) other than in respect of an Excluded Issue (as defined below), any shares of HKEX to be allotted and issued (whether wholly or partly for cash or otherwise) pursuant to the approval in paragraph (a) of this Resolution shall not be at a discount of more than 10 per cent of the Benchmarked Price (as defined below) of such shares of HKEX; and
- (d) for the purposes of this Resolution:

“Benchmarked Price” means the higher of:

- (i) the closing price of the shares of HKEX as quoted on The Stock Exchange of Hong Kong Limited on the date of the agreement involving the relevant proposed issue of shares of HKEX; and
- (ii) the average closing price as quoted on The Stock Exchange of Hong Kong Limited of the shares of HKEX for the 5 trading days immediately preceding the earlier of the date: (A) of announcement of the transaction or arrangement involving the relevant proposed issue of shares of HKEX, (B) of the agreement involving the relevant proposed issue of shares of HKEX and (C) on which the price of shares of HKEX that are proposed to be issued is fixed.

“Excluded Issue” means:

- (i) a Rights Issue (as defined in this paragraph (d));
- (ii) any scrip dividend or similar arrangement pursuant to the Articles of Association of HKEX from time to time;
- (iii) the grant of options or rights to acquire shares in HKEX or an issue of shares in HKEX upon the exercise of options or rights granted under any option scheme or similar arrangement for the time being adopted and approved by shareholders of HKEX; or

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## Notice of Annual General Meeting

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- (iv) the exercise of rights of subscription or conversion under the terms of any options, warrants or similar rights granted by HKEX or any securities which are convertible into shares of HKEX.

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

- (i) the conclusion of the next annual general meeting of HKEX;
- (ii) the expiry of the period within which the next annual general meeting of HKEX is required by law to be held; and
- (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.

“Rights Issue” means an offer of shares of HKEX or an issue of options, warrants or other securities giving the right to subscribe for shares of HKEX, open for a period fixed by the Directors of HKEX to holders of shares of HKEX on the register of members on a fixed record date in proportion to their then holdings of such shares of HKEX (subject to such exclusions or other arrangements as the Directors of HKEX may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

- 7. “**THAT** until shareholders of HKEX in general meeting otherwise determine, remuneration of HK\$2,190,000 and HK\$730,000 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 if the Chairman or a Non-executive Director has not served the entire period.”

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

Hong Kong, 21 March 2018



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## Notice of Annual General Meeting

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Notes:

- (1) An eligible shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her stead at the above meeting (or at any adjournment of it) provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy forms. The proxy does not need to 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 of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of HKEX in respect of the relevant joint holding.
  - (3) In order to be valid, the completed proxy form must be received by HKEX's registrar, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at least 48 hours (excluding any part of a day that is a public holiday) before the time appointed for holding the above meeting or adjourned meeting (as the case may be). If a proxy form is signed by an attorney of a shareholder who is not a corporation, the power of attorney or other authority 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 practice in Hong Kong) must be delivered to HKEX's registrar together with the proxy form. In the case of a corporation, the proxy form must either be executed under its common seal or be signed by an officer or agent duly authorised in writing.
  - (4) For the purposes of determining shareholders' eligibility to attend, speak and vote at the above meeting (or at any adjournment of it), and entitlement to the final dividend, the register of members of HKEX will be closed as set out below:
    - (i) For determining eligibility to attend, speak and vote at the above meeting:

Latest time to lodge transfer documents for registration with HKEX's registrar	At 4:30 pm on Thursday, 19 April 2018
Closure of register of members	Friday, 20 April 2018 to Wednesday, 25 April 2018 (both dates inclusive)
Record date	Wednesday, 25 April 2018
    - (ii) For determining entitlement to the final dividend:

Latest time to lodge transfer documents for registration with HKEX's registrar	At 4:30 pm on Monday, 30 April 2018
Closure of register of members	Wednesday, 2 May 2018 to Thursday, 3 May 2018 (both dates inclusive)
Record date	Thursday, 3 May 2018
- During the above closure periods, no transfer of shares will be registered. To be eligible to attend, speak and vote at the above meeting (or at any adjournment of it), and to qualify for the 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than the aforementioned latest time.
- (5) As the service term of T C Chan, Fred Hu and John Williamson will expire at the conclusion of the above meeting, there will be three vacancies on the Board to be filled at the above meeting. If a shareholder wishes to nominate a person to stand for election as a Director, (i) his/her notice of nomination; and (ii) a notice executed by the nominated candidate of his/her willingness to be appointed together with (A) that 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 given to the Group Company Secretary **no later than Wednesday, 28 March 2018** at 12th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong. Further details are set out in Appendix I to the circular dated 21 March 2018.
  - (6) As a good corporate governance practice, all Non-executive Directors who are shareholders of HKEX will abstain from voting at the above meeting on Resolution 7 regarding the adjustment of the Non-executive Directors' remuneration.

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## Notice of Annual General Meeting

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- (7) 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.
- (8) The registration for attending the above meeting will start at 3:30 pm on 25 April 2018.
- (9) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.
- (10) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 12:00 noon on the date of the meeting, the meeting will be adjourned. HKEX will post an announcement on the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify shareholders of the date, time and place of the adjourned meeting.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situations.

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## Business of Annual General Meeting

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### RESOLUTION 1 – RECEIVING THE AUDITED FINANCIAL STATEMENTS

The audited financial statements of HKEX for the year ended 31 December 2017 together with the Directors' Report, are set out in the 2017 Annual Report which are available in English and Chinese under the Investor Relations (Regulatory Disclosure – Regulatory Reports) section of the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)).

The financial statements were audited by PricewaterhouseCoopers (“PwC”) and reviewed by the Audit Committee. The reports of the Auditor and of the Audit Committee are set out respectively on pages 98 to 103, and pages 77 to 79 of the 2017 Annual Report.

### RESOLUTION 2 – DECLARATION OF FINAL DIVIDEND (WITH A SCRIP ALTERNATIVE)

The Board recommends the payment of a final dividend of \$2.85 (2016: \$2.04) per Share to Shareholders whose names appear on the register of members of HKEX on 3 May 2018. Along with the interim dividend, the total dividend for the year ended 31 December 2017 amounts to a total of \$5.40 (2016: \$4.25) per Share, which represents a payout ratio of 90% (2016: 90%) of the profit attributable to Shareholders for the year ended 31 December 2017.

Subject to the passing of Resolutions 2 and 6, the proposed final dividend will be payable in cash with a scrip alternative where a 3% discount on the subscription price will be offered to Shareholders who elect the scrip alternative, and eligible Shareholders will have the right to elect to receive the final dividend wholly or partly in the form of new fully paid Shares instead of in cash (“Scrip Dividend Scheme”). In the event that Resolution 6 is declined by Shareholders, the approved final dividend will be paid in cash only. A circular containing details of the Scrip Dividend Scheme, where available, and an election form (where applicable) are expected to be despatched to Shareholders on or about Wednesday, 9 May 2018. The Scrip Dividend Scheme is also conditional upon the SFC's granting the listing of, and permission to deal in, new Shares to be issued pursuant thereto.

Subject to Shareholders' approval, and the SFC's granting the listing of, and permission to deal in, such new Shares, the dividend warrants and definitive certificates for new Shares are expected to be despatched to the respective Shareholders concerned on Friday, 1 June 2018.

### RESOLUTION 3 – ELECTION OF DIRECTORS

#### Board of Directors

The Board currently consists of 13 Directors including:

- (i) six Non-executive Directors who are Government Appointed Directors, namely C K Chow, Tim Freshwater, Anita Fung, Rafael Gil-Tienda, Margaret Leung and Stephen Yiu;
- (ii) six Non-executive Directors who are Elected Directors, namely Apurv Bagri, T C Chan, C H Cheah, Fred Hu, Hugo Leung and John Williamson; and
- (iii) the Chief Executive, Charles Li, as an ex-officio Director.

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## Business of Annual General Meeting

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### Retiring Government Appointed Directors

The service term of C K Chow and Tim Freshwater will expire at the conclusion of the AGM. Pursuant to Article 88(4) of the Articles of Association, both of them are eligible for re-appointment. Mr Chow, who has served as the Chairman of the Board for six consecutive years, is however, pursuant to Article 109(2) of the Articles of Association, ineligible for re-appointment to that position this year.

On 12 February 2018, the Hong Kong Government appointed Cha May-Lung, Laura and Hung Pi Cheng, Benjamin as members of the Board to succeed C K Chow and Tim Freshwater who will retire after the conclusion of the AGM, each for a term of approximately two years from the conclusion of the AGM until the end of the Company's annual general meeting to be held in 2020. Information relating to Laura Cha and Benjamin Hung is set out in HKEX's announcement dated 12 February 2018.

The Board thanks and expresses sincere appreciation to Mr Chow, the Chairman for his leadership and great contributions to the Group. During his six years of service on the Board, he has upheld shareholder value and played a pivotal role in steering HKEX to achieving many strategic milestones, including the acquisition of The London Metal Exchange, mutual market access schemes, as well as the listing regime reform. The Board also expresses its deep gratitude to Mr Freshwater for his valuable contribution and advice to the Board over the past years.

### Retiring Elected Directors

The service term of T C Chan, Fred Hu and John Williamson will expire at the conclusion of the AGM. Pursuant to Article 91(2) of the Articles of Association, all of them are eligible for re-appointment.

### Nomination Policy

To promote Board diversity and strike an appropriate balance between continuity of experience and Board refreshment, HKEX has, since 2015, set a maximum tenure of 12 consecutive years for the Non-executive Directors to be eligible for nomination by the Board to stand for re-election by Shareholders.

T C Chan, Fred Hu and John Williamson are all eligible for nomination by the Board to stand for re-election at the AGM. Each of Mr Chan, Dr Hu and Mr Williamson has indicated his willingness to offer himself for re-election at the AGM.

### Recommendation of the Nomination Committee

On 14 February 2018, the Nomination Committee, having reviewed the Board's composition, nominated T C Chan, Fred Hu and John Williamson to the Board for it to recommend to Shareholders for re-election at the AGM. Mr Chan who is a member of the Nomination Committee abstained from voting at the Committee meeting when his own nomination was being considered.

The nominations were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity, as set out under the Board Diversity Policy. The Nomination Committee had also taken into account the respective contributions of Mr Chan, Dr Hu and Mr Williamson to the Board and their commitment to their roles and it was satisfied with their independence having regard to the independence criteria as set out in Rule 3.13 of the Listing Rules.

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## Business of Annual General Meeting

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Particular attention was given to reviewing the independence of T C Chan and John Williamson, who will have served on the Board for more than nine years by the end of the AGM. The Nomination Committee was satisfied that each of Mr Chan and Mr Williamson has the required character, integrity and experience to continue fulfilling the role of an independent non-executive Director, and their long service on the Board would not affect their exercise of independent judgement.

On 28 February 2018, the Board accepted Nomination Committee's nominations and recommended Mr Chan, Dr Hu and Mr Williamson to stand for re-election by Shareholders at the AGM. The Board considers that the re-election of Mr Chan, Dr Hu and Mr Williamson as Directors is in the best interest of HKEX and Shareholders as a whole. Mr Chan, Dr Hu and Mr Williamson abstained from the discussion and voting at the Board meeting regarding their respective nominations.

The resolutions relating to the re-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.

Information relating to Mr Chan, Dr Hu and Mr Williamson as required to be disclosed under Rule 13.51(2) of the Listing Rules is set out in Appendix I to this circular.

Further information about the Board's composition and diversity (including their gender, age, expertise, skills and length of services), Directors' attendance record at Board/committee meetings, and the number of other public companies directorships held by Directors are disclosed in the Corporate Governance Report of the 2017 Annual Report.

Shareholders may, if thought fit, nominate other candidates to stand for election as Directors at the AGM. Matters in relation to nomination by Shareholders, and a sample of resolution for determining which three candidates to be elected where there are more than three candidates standing for election at the AGM are set out in Appendix I of this circular.

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

For the year ended 31 December 2017, the external auditor's fees were approximately \$19 million (2016: \$20 million), of which about \$14 million (2016: \$14 million) was for audit services.

Besides approving its remuneration, the Audit Committee also reviewed the work of PwC, the external auditor, and was satisfied with its independence, objectivity, qualification, expertise, resources and the effectiveness of the audit process. The Audit Committee recommended to the Board, and the Board accepted, to recommend the re-appointment of PwC which has expressed its 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 the auditor and authorising the Directors to fix the auditor's remuneration.

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## **Business of Annual General Meeting**

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### **RESOLUTION 5 – GENERAL MANDATE TO BUY BACK SHARES**

Given the general mandate to buy back 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 buy back Shares up to an aggregate number of Shares not exceeding 10% of the number of issued Shares at the date of the passing of the relevant resolution (subject to adjustment in the case of any conversion of any or all of the Shares into a larger or smaller number of Shares in accordance with section 170(2)(e) of the Companies Ordinance after the passing of the relevant resolution) (“Buy-back Mandate”).

An explanatory statement, as required by the Listing Rules in connection with the Buy-back Mandate and also constituting the memorandum required under section 239(2) of the Companies Ordinance, 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 Buy-back Mandate to be sought from Shareholders is in compliance with the Companies Ordinance and the Listing Rules.

Details of the proposed resolution on the Buy-back Mandate are set out in Resolution 5 of the notice of the AGM.

### **RESOLUTION 6 – GENERAL MANDATE TO ISSUE SHARES**

Under sections 140 and 141 of the Companies Ordinance, directors of a company shall not, without shareholders’ prior approval, exercise any power to allot shares in the company or to grant rights to subscribe for, or to convert any security into, shares in the company, unless the offer is made to all shareholders in proportion to their shareholdings or a general issue mandate has been approved by shareholders. Given the general mandate to issue Shares granted by Shareholders at the last annual general meeting will lapse at the conclusion of the AGM, it is proposed to renew the mandate at the AGM.

As explained in Resolution 2 above, the Directors propose to offer Shareholders the right to receive their dividends in the form of Shares instead of cash. The proposed general mandate given to Directors to issue and allot Shares as set out in Resolution 6 would, among other things, give Directors greater flexibility to exclude any Shareholders from the Scrip Dividend Scheme where it would be necessary or expedient to do so on account of either: (i) the legal restrictions under the laws of the relevant place; or (ii) the requirements of the relevant regulatory body or stock exchange in that place.

The proposed mandate size is limited to, and does not exceed, 10% of the number of issued Shares (other than in respect of an Excluded Issue as defined in Resolution 6) at the date of passing the relevant resolution (subject to adjustment in the case of any conversion of any or all of the Shares into a larger or smaller number of Shares in accordance with section 170(2)(e) of the Companies Ordinance after the passing of the relevant resolution) (“Issue Mandate”). Any Shares to be allotted and issued (other than in respect of an Excluded Issue as defined in Resolution 6), whether for cash or otherwise, under the authority granted by the proposed Issue Mandate shall not be at a discount of more than 10% to the “benchmarked price” (as described in Rule 13.36(5) of the Listing Rules).

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## Business of Annual General Meeting

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The purpose of the proposed Issue Mandate is to give the Directors flexibility to issue and allot Shares pursuant to (i) the Scrip Dividend Scheme and (ii) any capital raising need that may arise from time to time where the Directors believe it is in the best interests of Shareholders to do so.

HKEX has always believed in maintaining a strong balance sheet and maximum strategic flexibility bearing in mind the volatile market place and rapidly changing landscape in which it operates. It is the intention of the Board to keep the proposed Issue Mandate on a long-term basis to give HKEX the financial flexibility which it needs to grow its business and maximise shareholder value.

Details of the proposed resolution on the Issue Mandate are set out in Resolution 6 of the notice of the AGM.

### **RESOLUTION 7 – ADJUSTMENT OF THE NON-EXECUTIVE DIRECTORS’ REMUNERATION**

Article 86(1) of the Articles of Association provides that the Directors’ ordinary remuneration shall from time to time be determined by the Company in general meeting.

McLagan, a professional firm specialising in performance and rewards for financial services industry, was appointed to conduct an independent and overall review of the non-executive directors’ remuneration for HKEX and certain subsidiaries. The consultant conducted a detailed analysis of market practices and advised on any adjustments required to ensure the relevant non-executive directors’ remuneration is competitive and appropriate. The analysis included a benchmarking exercise covering listed exchanges, banks, the FTSE100 constituent companies and Hang Seng Index constituent companies.

After reviewing the market information and recommendation provided by McLagan, the Remuneration Committee recommended and the Board endorsed and proposed an inflationary adjustment of the remuneration for HKEX’s Chairman and other Non-executive Directors as set out below for Shareholders’ approval at the AGM.

	Current fee for 2017/2018 (\$)	Proposed fee for 2018/2019 onwards (\$)
The Board		
– Chairman	2,100,000	<b>2,190,000</b>
– Other Non-executive Director	700,000	<b>730,000</b>

None of the Board members participated in the decision on his or her remuneration. The Chairman abstained from discussion and voting on the proposed Chairman’s fee and all Non-executive Directors abstained from discussion and voting on the proposed Non-executive Directors’ fee.

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## Business of Annual General Meeting

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Other than the proposed changes as set out above, the current remuneration of Non-executive Directors for serving on certain Board Committees as set out below will remain unchanged.

	(\$)
Audit Committee	
– Chairman	200,000
– Other member	120,000
– Attendance fee per meeting	3,000
Executive Committee, Investment Advisory Committee, Project Oversight Committee, Remuneration Committee and Risk Committee	
– Chairman	180,000
– Other member	120,000
– Attendance fee per meeting	3,000

The composition and terms of reference of the Board and the Board committees are available under About HKEX (Organisation) section of the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)). Information about the attendance record of and time spent by the Non-executive Directors on various Board committees is disclosed in the Corporate Governance Report of the 2017 Annual Report.

Details of the proposed resolution on the adjustment of the remuneration of Non-executive Directors are set out in Resolution 7. If the proposed resolution is approved by Shareholders at the AGM, they will remain in effect until otherwise determined in a general meeting.

As a good corporate governance practice, all Non-executive Directors who are Shareholders will abstain from voting on the proposed resolution relating to their remuneration at the AGM.



## PARTICULARS OF THE CANDIDATES

Information of the three incumbent Directors standing for re-election at the AGM, T C Chan, Fred Hu and John Williamson, is set out below in alphabetical order:

1. **CHAN Tze Ching, Ignatius** BBS, JP

Independent Non-executive Director (aged 61)

Director since	Board/committee/panel memberships held with the Group	Meetings attended/held in 2017		Remuneration for 2017 (\$)
23 April 2009	HKEX			
	• Board	9/9	100%	700,000
	• Audit Committee	4/4	100%	132,000
	• Nomination Committee	1/1	100%	–
	• Risk Committee	3/4	75%	129,000
	• Risk Management Committee (statutory)	4/4	100%	–
	• Panel Member Nomination Committee (chairman)	-/- <sup>1</sup>	N/A	–
	• Clearing Consultative Panel (chairman)	2/2	100%	–
	HKFE Clearing Corporation Limited			
	• Participant Admission Appeals Committee <sup>2</sup> (chairman)	-/- <sup>1</sup>	N/A	–
	Hong Kong Securities Clearing Company Limited			
	• Disciplinary Appeals Committee (chairman)	-/- <sup>1</sup>	N/A	–
	• Participant Admission Appeals Committee <sup>2</sup> (chairman)	-/- <sup>1</sup>	N/A	–
	The SEHK Options Clearing House Limited			
	• Participant Admission Appeals Committee <sup>2</sup> (chairman)	-/- <sup>1</sup>	N/A	–
				961,000
<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>• AFFIN Holdings Berhad (listed on Bursa Malaysia) – non-executive director (2013–)</li> <li>• CVC Capital Partners Limited – senior adviser (2010–)</li> <li>• Mongolian Mining Corporation * – independent non-executive director (2010–)</li> <li>• Rizal Commercial Banking Corporation (listed on the Philippine Stock Exchange) – non-executive director (2011–)</li> <li>• The Bank of East Asia Limited * – senior adviser (2009–)</li> </ul>			
<b>Past offices</b>	<ul style="list-style-type: none"> <li>• Bank of China (Hong Kong) Limited – deputy chief executive (2008)</li> <li>• Citigroup (1980-2007: Citigroup country officer for Hong Kong and head of corporate and investment banking business for Greater China (2005-2007), chief operating officer for Greater China (2004-2005), and Citigroup country officer for Taiwan (2003-2005))</li> </ul>			
<b>Public service</b>	<ul style="list-style-type: none"> <li>• Financial Reporting Council – member (2014–)</li> <li>• Hong Kong Tourism Board – member (2013–)</li> <li>• Investor Education Centre (established by the SFC) – member of Executive Committee (2012–)</li> <li>• Standing Commission on Civil Service Salaries and Conditions of Service – member (2014–)</li> <li>• Standing Committee on Judicial Salaries and Conditions of Services – member (2017–)</li> <li>• The Hong Kong Polytechnic University – chairman of council (2016–)</li> </ul>			
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>• Bachelor of Business Administration and Master of Business Administration (University of Hawaii, US)</li> <li>• Certified Public Accountant (American Institute of Certified Public Accountants)</li> </ul>			
	<sup>1</sup> No meeting was held in 2017			
	<sup>2</sup> These committees were established on 31 March 2017.			
	* Listed on the Stock Exchange			

The following particulars relating to Mr Chan are disclosed pursuant to Rule 13.51(2)(l) of the Listing Rules:

T C Chan is an Independent Non-executive Director of Mongolian Mining Corporation (“MMC”), a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (stock code: 975). MMC is principally engaged in mining, processing, transportation and sale of coal products. During the period from July 2016 to April 2017, MMC published announcements about its proposed offshore debt restructuring. As announced by MMC on 4 May 2017, the debt restructuring was implemented on 4 May 2017. For details, please refer to the relevant announcements and documents published by MMC.

## 2. HU Zulu, Fred

Independent Non-executive Director (aged 54)

Director since	Board/committee/panel memberships held with the Group	Meetings attended/held in 2017		Remuneration for 2017 (\$)
10 November 2014	HKEX			
	• Board	8/9	89%	700,000
	• Investment Advisory Committee	4/4	100%	132,000
	• Nomination Committee <sup>1</sup>	1/1	100%	–
	• Project Oversight Committee <sup>2</sup>	3/4	75%	90,000
	• Remuneration Committee <sup>1</sup>	2/2	100%	96,000
				1,018,000
<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>• Dalian Wanda Commercial Properties Co Ltd (formerly listed on the Stock Exchange) – independent non-executive director (2014~)</li> <li>• Hang Seng Bank Limited * – independent non-executive director (2011~)</li> <li>• Primavera Capital Limited – founder and chairman (2011~)</li> <li>• Tsinghua University – professor and co-director of National Center for Economic Research (1996~)</li> <li>• Yum China Holdings, Inc (listed on the New York Stock Exchange) – non-executive chairman (2016~)</li> </ul>			
<b>Past offices</b>	<ul style="list-style-type: none"> <li>• Goldman Sachs Group Inc (1997-2010: chairman of Greater China (2008-2010) and managing director (2000-2010))</li> <li>• Great Wall Pan Asia Holdings Limited * – independent non-executive director (2010-2016)</li> <li>• International Monetary Fund, Washington DC – economist (1991-1996)</li> </ul>			
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>• Master and Doctor of Philosophy (Economics) (Harvard University, US)</li> <li>• Master of Science (Engineering Science) (Tsinghua University, China)</li> </ul>			
<sup>1</sup> Dr Hu was appointed to the Remuneration Committee on 27 April 2017 and ceased to be a member of the Nomination Committee on the same date.				
<sup>2</sup> The remuneration of the Non-executive Directors for their service on the Project Oversight Committee was approved by the Shareholders at the 2017 annual general meeting.				
* Listed on the Stock Exchange				

### 3. John Mackay McCulloch WILLIAMSON

Independent Non-executive Director (aged 59)

Director since	Board/committee/panel memberships held with the Group	Meetings attended/held in 2017		Remuneration for 2017 (\$)
18 June 2008	HKEX			
	• Board	9/9	100%	700,000
	• Audit Committee	4/4	100%	132,000
	• Environmental, Social and Governance Committee	1/1	100%	–
	• Nomination Committee <sup>1</sup>	1/1	100%	–
	• Project Oversight Committee <sup>1</sup>	1/1	100%	93,000
	• Remuneration Committee	2/3	67%	126,000
				1,051,000
<b>Interests in Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date (no. of Shares)</b>				–
<b>Past offices</b>	<ul style="list-style-type: none"> <li>• HKEX – member of Clearing Consultative Panel (2000-2007)</li> <li>• Morgan Stanley Dean Witter Asia Limited – managing director, and head of infrastructure and operational risk (1998-2007)</li> <li>• NatWest Investment Services, London – managing director (1992-1994)</li> <li>• NatWest Securities Asia Holdings Limited – chief operating officer (1994-1998)</li> <li>• SAIL Advisors Limited – chief executive officer (2011-2018)</li> <li>• Search Investment Group Limited (2007-2018: senior managing director (2012-2018), chief financial officer (2007-2018), and managing director (2007-2011))</li> </ul>			
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>• Bachelor of Arts (Accountancy &amp; Computer Science) (Heriot-Watt University, UK)</li> <li>• Chartered Accountant (The Institute of Chartered Accountants of Scotland)</li> <li>• Fellow (Chartered Institute for Securities and Investment, UK)</li> <li>• Senior Fellow (Hong Kong Securities and Investment Institute)</li> </ul>			
<sup>1</sup> Mr Williamson was appointed as a member of Project Oversight Committee on 27 April 2017 and ceased to be a member of the Nomination Committee on the same date.				

None of T C Chan, Fred Hu and John Williamson is related to any other Directors, senior management, substantial Shareholders or controlling Shareholders (as defined in the Listing Rules) of HKEX. None of them has any service contract with any member of the Group. The candidate(s), if re-elected, will be appointed as a Director with effect from the conclusion of the AGM 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 2021.

The current remuneration of Non-executive Directors for their service on the Board and, where applicable, on certain of its committees is set out below.

	(\$)
The Board	
- Chairman	2,100,000
- Other Non-executive Director	700,000
Audit Committee	
- Chairman	200,000
- Other member	120,000
- Attendance fee per meeting	3,000
Executive Committee, Investment Advisory Committee, Project Oversight Committee, Remuneration Committee and Risk Committee	
- Chairman	180,000
- Other member	120,000
- Attendance fee per meeting	3,000

The remuneration is payable to Non-executive Directors for service rendered by each of them for the period between the conclusion of each annual general meeting and the conclusion of the annual general meeting to be held in the immediately following year until Shareholders otherwise determine, provided that such remuneration be payable in proportion to the period of service in the case of a Non-executive Director who has not served the entire period.

Subject to Shareholders' approval at the AGM, the remuneration of HKEX's Chairman and other Non-executive Directors would be revised in accordance with the proposed Resolution 7 as set out in the notice of AGM.

Save for the information disclosed above, T C Chan, Fred Hu and John Williamson each confirmed that there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and HKEX is not aware of any other matters in relation to their standing for re-election as Directors that need to be brought to Shareholders' attention.

## NOMINATIONS BY SHAREHOLDERS

### Nomination Period

Shareholders are invited to elect up to three Directors at the AGM to fill the vacancies available following the retirement of T C Chan, Fred Hu and John Williamson. The newly elected Directors at the AGM will have a term of not more than approximately three years expiring at the conclusion of the Company's annual general meeting to be held in 2021.

Article 88(3) 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 a Director at any general meeting unless:

- (a) he/she is recommended by the Directors; or

- (b) he/she 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 Company Secretary within the seven-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 seven days, commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than seven 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/her willingness to be appointed or re-appointed.

If Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly given to the Group Company Secretary **no later than Wednesday, 28 March 2018** at 12th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong, namely (i) his/her notice of nomination; and (ii) a notice executed by the nominated candidate of his/her willingness to be appointed together with (A) that candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules and such other information, as set out in the below heading "Required Information of the Candidate(s) Nominated by Shareholders", and (B) the candidate's written consent to the publication of his/her personal data. The relevant Shareholder(s) and the nominated candidate(s) are recommended to read the Personal Information Collection Statement set out on page 22.

Upon receiving a valid nomination, a supplemental circular containing information of the candidate(s) proposed by Shareholder(s) will be despatched to Shareholders as soon as practicable on or about Monday, 9 April 2018.

#### **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 above described notice of nomination 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 of companies (if any);
- (c) experience including (i) directorships held in the past three years in public companies, the securities of which are listed on any securities market in Hong Kong or 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, 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 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 that nominated candidate's standing for election as a Director that should be brought to Shareholders' attention;
- (i) a statement made by the nominated candidate as to whether he/she meets the independence criteria as set out under Rule 3.13 of the Listing Rules; and
- (j) 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. Each nominated candidate may provide us with a statement of approximately 250 words to explain his/her reasons for seeking election as a Director for inclusion in the supplemental circular for the Shareholders' information.

#### **RESOLUTIONS AND VOTING**

As the number of Elected Directors on the Board is restricted to six persons under the Articles of Association, HKEX must adopt a method to determine which candidates would be appointed as Elected Directors where the number of Elected Director candidates exceeds the number of Elected Director vacancies. Since 2017, HKEX has adopted a "gross-vote" method to determine which candidates would be appointed as Elected Directors, where the number of Elected Director candidates exceeds the number of Elected Director vacancies.

Provided that a candidate receives over 50% of votes cast in favour of him/her, the 'gross-vote' method would fill Elected Director vacancies from those candidates receiving the highest number of votes in favour, to those with successively lower number of votes in favour until all the Elected Director vacancies are filled. In the event of a tie of the number of votes received in favour between two or more candidates, the ranking of the relevant candidates will be determined by the drawing of lots by the chairman of the meeting.

HKEX considers that the 'gross-vote' method for determining which Elected Director candidates would be appointed to the Board will be more easily understood by its Shareholders, while still ensuring that the overall will of the Shareholders at the AGM in relation to the election of Directors is determined on a fair and objective basis.

As the service term of T C Chan, Fred Hu and John Williamson will expire at the conclusion of the AGM, there will be three vacancies on the Board to be filled at the AGM. If there are more than three candidates standing for election at the AGM, each resolution proposing that a candidate be appointed as a Director will provide for a method to determine which three candidates shall be elected as Directors as follows:

**“THAT** subject to the number of votes cast in favour of this resolution being among the three highest number of votes cast in favour 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 25 April 2018 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 2018 annual general meeting for a term of approximately three years expiring at the conclusion of the Company’s annual general meeting to be held in 2021, provided that if any two or more of such resolutions record the same number of votes cast in favour of them (the “Tied Resolutions”), the ranking of the Tied Resolutions from highest to lowest number of votes cast in favour 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 in favour of 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 three resolutions passed, the Board may, pursuant to Article 90 of the Articles of Association, appoint any person to fill the relevant vacancy or vacancies (as the case may be).**

**Assuming a resolution is passed by the majority of the votes cast in favour of it, the candidate who is the subject of that resolution will be elected to one of the three positions on the Board if the number of votes cast in favour of his/her resolution is among the top three resolutions passed in terms of the highest number of votes cast in favour. In the event there is a tie in terms of votes cast in favour for two or more resolutions, the ranking of the Tied Resolutions from highest to lowest number of votes cast in favour shall be determined 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.**

**PERSONAL INFORMATION COLLECTION STATEMENT**

“Personal Data” in these statements has the same meaning as “personal data” in the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong (“PDPO”).

The supply of the nominated candidate’s Personal Data to HKEX is on a voluntary basis. Failure to provide sufficient information may result in HKEX being unable to process the Shareholder’s nomination of a person to stand for election as a Director at the AGM.

The nominated candidate’s Personal Data will be disclosed in a supplemental circular to be despatched to Shareholders and may be disclosed or transferred by HKEX to its subsidiaries, its share registrar, and/or other companies or bodies for any of the stated purposes, and retained for such period as may be necessary for HKEX’s verification and record purposes.

The nominated candidate has the right to request access to and/or correction of his/her Personal Data in accordance with the provisions of the PDPO. Any such request for access to and/or correction of the nominated candidate’s Personal Data should be in writing to HKEX’s Group Company Secretary at 12th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.

Please refer to HKEX’s Privacy Policy Statement which is available on the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)) for further details.



This Appendix serves as an explanatory statement required to be sent to Shareholders under the Listing Rules in connection with the proposed Buy-back Mandate and also constitutes the memorandum required under section 239(2) of the Companies Ordinance.

## 1. THE LISTING RULES

The Listing Rules permit a company with a primary listing on the Stock Exchange to buy back its shares 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 share buy-backs 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 the earlier of: (i) the conclusion of the next annual general meeting of the company; (ii) the expiry of the period within which the next annual general meeting of the company is required by law to be held; and (iii) the passing of an ordinary resolution by shareholders in general meeting of the company revoking or varying such mandate.

### (b) Source of Funds

Share buy-backs must be funded out of funds legally available for such purpose. A listed company may not buy back its own shares 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 bought back by a company must be fully paid up. A maximum of 10% of the number of issued shares of a company as at the date of resolution passed on the grant of a buy-back mandate may be bought back 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 buy-back (other than an issue of shares pursuant to an exercise of share options or similar instruments requiring the company to issue shares which were outstanding prior to such share buy-back) without the Stock Exchange's prior approval (or in the case of HKEX, the SFC). In addition, a company shall not buy back its own shares on the Stock Exchange if the purchase price is higher by 5% 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 buying back its own shares on the Stock Exchange if the buy-back would result in the number of that company's listed shares which are in the hands of the public falling below the relevant prescribed minimum percentage under the Listing Rules.

**(d) Status of Shares Bought Back**

The Listing Rules provide that the listing of all shares bought back is automatically cancelled and that the certificates for those shares must be cancelled and destroyed.

**(e) Suspension of Buy-backs**

The Listing Rules prohibit any share buy-backs at any time after inside information has come to a company's knowledge until the information is made publicly available. In particular, a company may not buy back its own shares 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 a company from buying back its own shares on the Stock Exchange if the Stock Exchange considers that the company has committed a breach of the Listing Rules.

**(f) Reporting Requirements**

Under the Listing Rules, information on share buy-backs on the Stock Exchange or otherwise must be submitted for publication to the Stock Exchange by not later than 8:30 am on the following business day. In addition, a company's annual report is required to disclose details regarding buy-backs made during the year including the number of shares bought back each month, the buy-back price for each such shares or the highest and lowest price paid for each buy-back where relevant, and the aggregate price paid for such buy-backs and the reasons of the directors of the company for making such buy-backs.

A company shall procure that any broker appointed by the company to effect the share buy-backs shall disclose to the Stock Exchange (or in the case of HKEX, the SFC) such information with respect to buy-backs 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 buying back shares on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his shares in the company back to the company. No core connected person (as defined in the Listing Rules) of HKEX has notified HKEX that he has a present intention to sell Shares to HKEX, or has undertaken not to do so, if the Buy-back Mandate is exercised.

## 2. SHARE CAPITAL

As at the Latest Practicable Date, the total number of Shares in issue was 1,239,809,477 Shares. Subject to the passing of the ordinary resolution approving the Buy-back Mandate and on the basis that no further Shares are issued or bought back following the Latest Practicable Date and up to the date of the AGM, exercise in full of the Buy-back Mandate could accordingly result in up to 123,980,947 Shares being bought back by HKEX during the period from the passing of the Buy-back Mandate at the AGM up to (i) the conclusion of the next annual general meeting of HKEX, (ii) the expiry 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 Buy-back Mandate, whichever occurs first.

## 3. REASONS FOR BUY-BACKS

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 buy back Shares in the market. Such buy-backs 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 buy-backs will benefit HKEX and its Shareholders as a whole.

## 4. FUNDING OF BUY-BACKS

In buying back Shares, HKEX may only apply funds legally available for such buy-backs in accordance with its Articles of Association, the laws of Hong Kong and the Listing Rules. Share buy-backs pursuant to the Buy-back 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.

There might be a material adverse effect on the working capital or gearing position of the Group, as compared with the position disclosed in the audited financial statements contained in the 2017 Annual Report, in the event that the Buy-back Mandate is exercised in full at any time. However, the Board does not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group 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 close associates (as defined in the Listing Rules), have any present intention, if the Buy-back Mandate is granted by Shareholders, to sell any Shares to HKEX.

The Board has undertaken to the SFC that, so far as the same may be applicable, it will exercise the Buy-back Mandate only in accordance with the Listing Rules and the applicable laws of Hong Kong.

If as a result of a buy-back 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 Buy-back Mandate.

## 6. SHARE BUY-BACKS MADE BY HKEX

HKEX has not bought back 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 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:

	Share prices (per Share)	
	Highest (\$)	Lowest (\$)
<b>2017</b>		
March	200.8	188.9
April	197.5	189.5
May	198.5	188.5
June	208.4	195.6
July	224.2	197.8
August	233.2	206.4
September	222.4	208.0
October	230.2	211.2
November	257.6	217.8
December	242.6	218.6
<b>2018</b>		
January	306.0	241.8
February	297.2	255.2
March (up to and including the Latest Practicable Date)	292.4	277.2

## 1. WHO IS ELIGIBLE TO ATTEND AND VOTE

Shareholders whose names appeared on the register of members on 25 April 2018 (the date of the AGM) are eligible to attend, speak and vote at the AGM.

The register of members of HKEX will be closed and no transfer of Shares will be registered from Friday, 20 April 2018 to Wednesday, 25 April 2018, both dates inclusive. In order to be eligible to attend, speak and vote 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, Wan Chai, Hong Kong no later than 4:30 pm on Thursday, 19 April 2018.

## 2. HOW TO VOTE

### Registered Shareholders

#### (a) Attending in person

You are entitled to attend, speak and vote at the AGM in person or, in the case of a corporation, by its duly authorised representative. A corporation must submit a properly executed proxy form or corporate representative authorisation.

#### (b) By proxy

If you do not plan to attend the AGM, you may appoint the chairman of the AGM or a person of your choice, who needs not be a Shareholder, to attend, speak and vote on your behalf.

You may appoint more than one proxy to represent you provided that if more than one proxy is so appointed, the appointment shall specify the number of Shares in respect of which each such proxy is so appointed. In any event, the total number of Shares represented by your proxy(ies) must not exceed your entitled votes.

### Non-registered Shareholders

If you are a non-registered Shareholder, ie, 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 directly from HKEX, and you have to give instructions to your intermediary/nominee to vote on your behalf. If you wish to attend, speak and vote at the AGM, you should seek an authorisation from your intermediary/nominee directly.

## 3. PROXY APPOINTMENT

### Form of proxy

A form of proxy is enclosed with this circular or can be downloaded from the Investor Relations (Regulatory Disclosure – Circulars and Listing Documents) section of the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)). If you appoint more than one proxy, you must specify the number of Shares each proxy is appointed to represent.

### **Voting by proxies**

If you have properly completed and returned a proxy form, the person named in the proxy form will be authorised to attend the AGM and vote on your behalf. If you have clearly specified in the proxy form how you wish your votes to be cast, your proxy must cast your votes in accordance with your specified instructions. In the absence of any instructions given in respect of a resolution, your proxy will be entitled to cast your votes at his/her discretion or to abstain from voting in respect of that resolution. Your proxy will also be entitled to cast your votes at his/her discretion or to abstain from voting on any other resolution properly put to the AGM.

In order to be valid, you are requested to complete the proxy form in accordance with the instructions printed on it and return the completed proxy form to HKEX's registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible so that it is received at least 48 hours (excluding any part of a day that is a public holiday) before the time appointed for the meeting or adjourned meeting (as the case may be) ("Closing Time"). For the avoidance of doubt, proxy form sent by facsimile or electronic means is not accepted. Submission of a proxy form shall not preclude you from attending the AGM or any adjourned meeting and voting in person should you so wish.

## **4. HOW TO REVOKE A PROXY GIVEN**

### **Registered Shareholders**

If you have returned a proxy form, you may revoke it by completing and signing a proxy form bearing a later date, and lodging it with HKEX's registrar. In order to be valid for voting purpose, this latter proxy form should be received by HKEX's registrar before the Closing Time.

You should also note that your proxy's authority to vote on a resolution is to be regarded as revoked if you attend in person at the AGM and vote on that particular resolution.

### **Non-registered Shareholders**

If you are a non-registered Shareholder and wish to revoke an authorization appointing a person to vote on your behalf, you should contact your intermediary or nominee directly to revoke your authorisation.

## **5. VOTING ARRANGEMENTS**

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. The chairman of the AGM will demand, pursuant to Article 67(1)(a) of the Articles of Association, that all resolutions set out in the notice of the AGM be decided by poll.

Article 71 of the Articles of Association provides that on a poll, 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 and the Companies Ordinance, every Shareholder who, in case of an individual, is present in person or by proxy or, in the case of a corporation, is present by its duly authorised representative or proxy, shall have one vote for every Share of which he/she/it is the holder.

Electronic voting system will be used at the AGM for enhancing efficiency and transparency in the vote counting process. On arrival, Shareholders (or their proxies) will be given a hand-held voting device together with a personalised smart card to be used for the electronic poll voting.

With an electronic voting system, votes will be recorded instantly with the results be displayed live on-screen. Instructions on how to use the voting device will be given before the AGM commences.

It is believed that in most cases, Shareholders (other than nominee companies) usually cast all their votes either in favour of a resolution or against a resolution. In the event that Shareholders who do not want to vote all of their Shares or want to split their votes cast on a resolution shall (a) upon arrival, express their intention to the staff at the registration counter if they attend in person at the AGM; or (b) clearly specify in the proxy form the number of votes cast on that particular resolution in the “FOR” and/or “AGAINST” box if a proxy is appointed to attend and vote in their stead. In any event, the total votes cast on a resolution must not exceed the entitled votes.

## **6. POLL RESULTS**

After verified by the scrutineer, the poll results will be published on the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)).

## **7. TYPHOON OR BLACK RAINSTORM WARNING ARRANGEMENTS**

If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 12:00 noon on the date of the meeting, the meeting will be adjourned. HKEX will post an announcement on the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)) and the HKEXnews website ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify Shareholders of the date, time and place of the adjourned meeting.

The meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather conditions bearing in mind their own situation.

