

## HONG KONG EXCHANGES AND CLEARING LIMITED

MINUTES OF THE ANNUAL GENERAL MEETING OF HONG KONG EXCHANGES AND CLEARING LIMITED HELD AT THE TRADING HALL OF THE STOCK EXCHANGE OF HONG KONG LIMITED AT 1<sup>ST</sup> FLOOR, ONE AND TWO EXCHANGE SQUARE, CENTRAL, HONG KONG ON TUESDAY, 15 APRIL 2003 AT 4:30 P.M.

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Present	:	Directors:	
		Mr Charles Y K Lee (Chairman)	
		Mr John C C Chan	
		Mr Paul C H Fan	
		Mr Tim Freshwater	
		Dr Bill C P Kwok	
		Mr K C Kwong	
		Mr Dannis J H Lee	
		Mr Vincent K H Lee	
		Mr K C Leong	
		Mr John E Strickland	
		Mr W K Yue	
Absent	:	Dr Liu Jinbao	
		Dr K S Lo	
		Mr John G C Seto	
		Mr Rodney G Ward	
Shareholders	:	As per the attached shareholders' attendance sheet	
In Attendance	:	Mr David Cheung	(Chief Financial Officer)
		Mr Joseph K S Mau	(Company Secretary)
		Mr Stanley Chow	(Allen & Overy)
		Mr Colin Shaftesley	(PricewaterhouseCoopers)
		Mr Bernard Ho	(PricewaterhouseCoopers)

### 1. Quorum and Notice

The Chairman welcomed the shareholders present at the meeting, and after noting that a quorum for the meeting was present, called the meeting to order. As the Notice of Annual General Meeting dated 12 March 2003 ("Notice") had been served, and with the consent of shareholders, the Notice was taken as read.

## 2. Media Attendance

Mr David M Webb, a shareholder, asked the Chairman if media representatives would be permitted to attend and observe the proceedings for transparency of the meeting.

The Chairman invited shareholders' view on the said request.

A shareholder rose to object media attendance at the meeting.

Mr David M Webb opined that Hong Kong Exchanges and Clearing Limited ("HKEx" or "the Company") would set a bad example on corporate governance if media representatives were not permitted to attend and observe the proceedings.

A shareholder said that the general meeting was a meeting of HKEx's shareholders, and media representatives, being not HKEx's shareholders, should not be allowed to attend the meeting.

A shareholder was of the view that, allowing media attendance might interfere with the proceedings.

Mr David M Webb said that, as from the current year, companies constituting the Hang Seng Index, such as Bank of East Asia Limited and HSBC Holdings plc, had permitted media representatives to observe their shareholders' meetings. HSBC Holdings plc had broadcast its shareholders' meeting held in London on its website so as to allow shareholders around the world to observe the meeting. He was of the view that, by inviting media representatives to observe the proceedings from the viewing gallery on the upper floor of the Trading Hall would not interfere with the proceedings.

After having collected the views of shareholders, the Chairman decided to invite media representatives to observe the proceedings from the viewing gallery on the upper floor of the Trading Hall.

## 3. Adjournment of meeting

The Chairman said that, as there were ten candidates competing for six vacancies on the Board, he demanded for a poll in respect of the election of Directors. Furthermore, he proposed a change to the order of proceedings. He invited shareholders to first consider the election of Directors. The proposed change served not to delay the discussion of other items on the agenda by the counting of votes in relation to the election of Directors.

Mr David M Webb proposed that the meeting should first deal with the non-controversial matters, namely, items 1, 2, 4 and 5 on the agenda.

Mr Christopher Cheung, a shareholder, asked about the definition of non-controversial matters.



Mr Wilfred Wong, a shareholder, supported the Chairman's proposed change to the order of proceedings.

Mr David M Webb said that he, as a shareholder and proxy for four other shareholders would demand for a poll in respect of each resolution put to the vote of the meeting. Hence, there would be no difference as to which resolution should first be dealt with. When meeting proceeded to agenda item 3 on the Notice, he would demand for an adjournment of that item in the interest of fairness and transparency. He further said that the complete list of candidates standing for election was not published by HKEx until 8 April 2003 whilst voting through CCASS terminals was closed at 3:45 p.m. on 11 April 2003. Unlike brokers who could easily cast vote through CCASS terminals in their offices, shareholders whose shares were deposited with CCASS might not be able to receive the voting material and they could have less than three days to cast vote on the lately proposed resolutions through CCASS terminals. If the election of directors was not adjourned, some of his supporters might not be able to cast vote against the lately proposed candidates who were broker representatives before the CCASS deadline, and thereby affecting his chance of being elected. According to Article 69(2) of HKEx's Articles of Association, the Chairman of the meeting could, without the consent of the meeting, adjourn the meeting. Since depriving shareholders' right to vote was against corporate governance principle, he therefore requested the Chairman to propose an adjournment of the meeting for fourteen days to 29 April 2003.

The Chairman asked for the views of the legal advisors.

Mr Stanley Chow of Allen & Overy said that HKEx had treated all shareholders fairly and equally, and had strictly complied with the relevant provisions of the Articles of Association and the Listing Rules. He was of the view that shareholders had been given enough time to consider and cast vote on the additional candidates, and adjournment of the meeting was therefore not necessary.

Mr David M Webb said that the legal advisor, being not an expert of the custodian operation, would not understand that it was practically impossible for a shareholder to cast vote through CCASS terminals within only three working days.

The Chairman asked Mr Wal Reisch, the Heading of Clearing Business Unit of HKEx to express his views on casting vote through CCASS terminals.

Mr Wal Reisch said that the giving of three business days to shareholders to cast vote through CCASS terminals was considered to be sufficient, as the relevant information of the proposed resolutions had already been publicly announced, and circulated to shareholders. He added that shareholders holding about 200 million shares had cast vote through CCASS terminals during the three-day period before the deadline on 11 April 2003.

Mr David M Webb asked about the total number of votes cast on the first set of eight candidates, compared with the total number of votes cast on the last two candidates, as notified by HKEx subsequently.

Mr Wal Reisch replied that the requested information was confidential.



Mr David M Webb said that Mr Wal Reisch had waived any confidentiality that might exist by providing the 200million figure in respect of the 3-day voting period on the last 2 candidates, and again requested the information in respect of the first 8 candidates. Mr Wal Reisch declined.

The Chairman said that, as HKEx had fully complied with the relevant provisions of the Articles of Association and the Listing Rules, he decided not to adjourn the meeting, as requested.

Mr David M Webb said that it was a general principle under the Listing Rules that all shareholders should be treated equally and fairly. As the Chairman decided not to adjourn the meeting, he, as a shareholder and proxy for four other shareholders, proposed that the Chairman should, in accordance with Article 69(1) of the Articles of Association, be directed to adjourn the meeting for fourteen days until 29 April 2003. He further demanded for a poll in respect of the following resolution -

“That the general meeting be adjourned for fourteen days to 29 April 2003 at 4:30 p.m. to be held at the same place”.

The Chairman declared a short adjournment of the meeting for twenty minutes during which shareholders might cast vote on the proposed resolution by completing and depositing the voting slip into the ballot boxes.

After confirming that no shareholders would further cast vote on the proposed resolution, the Chairman declared that the voting was closed. He further declared a short adjournment of the meeting for an hour for the scrutineers to count the votes.

After noting that a quorum of shareholders was present, the Chairman reconvened the meeting at about 6:30 p.m.

The Chairman reported that 3,930,662 votes were in favour of, and 111,141,703 votes were against, the proposed resolution of adjourning the meeting for fourteen days to 29 April 2003. The Chairman therefore declared that the said resolution was not carried by the majority, and further declared that the meeting continued.

A shareholder rose to complain about the proposed adjournment of the meeting, as the poll result indicated that it was a waste of time to the majority of shareholders present at the meeting.

#### 4. Election of Directors

The Chairman said that shareholders had already been informed in writing of the relevant information about election of Directors. Details were contained in the circulars to shareholders dated 18 March 2003, 8 April 2003 and 9 April 2003, which were tabled before the meeting for identification. As there were ten candidates, competing for six vacancies on the Board, he demanded for a poll in respect of the election of Directors. The Chairman



further noted that seven candidates were proposed in accordance with Article 90(2)(a), and three candidates were proposed in accordance with Article 90(2)(b). The Chairman reminded shareholders that only the six candidates who could have the highest number of net votes cast on the resolutions proposing their respective appointments would be elected as Directors. The ranking of tied votes should be determined by the drawing of lots by the Chairman.

Mr David M Webb suggested the Chairman to demand for a poll in respect of each resolution on the agenda put to the vote of the meeting.

The Chairman agreed with the suggestion, and demanded for a poll in respect of each resolution on the agenda put to the vote of the meeting. Shareholders were invited to cast vote after all resolutions had been proposed and seconded.

The Chairman proposed, and Mr S Y Fung representing Ocean Crown Investments Limited seconded the following seven resolutions each for the appointment of a candidate proposed under Article 90(2)(a) -

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Fan Chor Ho, Paul be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Dr Kwok Chi Piu, Bill be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Lee Jor Hung, Dannis be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”



“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Lee Kwan Ho, Vincent Marshall be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Seto Gin Chung, John be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Wong Sai Hung, Oscar be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Yue Wai Keung be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

The Chairman said that, pursuant to Article 90(2)(b), three shareholders had notified the Company Secretary that they would propose additional candidates to stand for election.

Mr David M Webb representing Fundamental Consultants Limited and Member One Limited proposed and seconded the following resolution -



“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Webb, David Michael be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”) the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

Ms Sabrina Yu representing Compu-Chart Investment Advisor Limited proposed, and Mr Wilfred Wong representing Sanfull Securities Limited seconded the following resolution -

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Chan Henry be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

Mr Lam Kin Hing, Kenneth representing Quam Limited proposed, and Mrs Choi Chen Po Sum representing Wai Tak Po Company Limited seconded the following resolution -

“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 six 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 AGM to be held on 15 April 2003 (“AGM”), Mr Lam Kin Hing, Kenneth be and is hereby appointed as a director of the Company with effect from the conclusion of the AGM, provided that if any two or more of such resolutions record the same number of net votes (the “tied resolutions”), the ranking of the tied resolutions from highest to lowest number of net votes shall be determined by the drawing of lots by the chairman of the meeting.”

## 5. Audited Accounts, and Reports of the Directors and Auditors

At the request of the Chairman, Mr Colin Shaftesley and Mr Bernard Ho of PricewaterhouseCoopers read the Report of the Auditors, in English and in Cantonese respectively.

The Audited Accounts, and Reports of the Directors and Auditors had been included in the Annual Report, and sent to all shareholders, a copy of which was tabled before the meeting for identification.



The Chairman proposed, and Ms Audrey Chow representing Audrey Chow Securities Limited seconded the following resolution -

“THAT the Audited Accounts for the year ended 31 December 2002 together with the Reports of the Directors and the Auditors be adopted, as presented.”

## 6. Final Dividend

The Chairman said that the Board of Directors had recommended a final dividend of 43 cents per share for the year ended 31 December 2002. Taking into account the interim dividend of 8 cents per share paid on 12 September 2002, total dividend for the year ended 31 December 2002 amounted to 51 cents per share.

The Chairman proposed the following resolution -

– “THAT a final dividend of 43 cents per share for the year ended 31 December 2002 be paid to shareholders whose names appear on the register of members of HKEx on 15 April 2003.”

Mr David M Webb asked about the basis for determining the proposed final dividend of 43 cents per share. In view of what some investors had suggested was a large capital surplus, he suggested that HKEx should consider paying a one-off special dividend to shareholders.

The Chairman said that the Board recommended the proposed final dividend after having considered the future capital requirement for supporting HKEx’s growth and stability, and the cash needed for prudent risk management and projected strategic investment opportunities. Unlike other stock exchanges, HKEx was also providing clearing services, hence, a certain level of cash had to be retained for risk management purpose. HKEx would continue reviewing its capital structure proactively and on a regular basis in order to ensure an optimal capital structure, and to achieve the best shareholders’ return. Any recommended appropriations would be based on current and projected profitability, current market dividend yields, and projected operating cash flow. The Board had considered but decided not to recommend the payment of a one-off special dividend.

Mr David M Webb asked if HKEx had surplus funds for distribution to shareholders.

The Chairman said that the Board had considered various options including repurchase of shares. However, HKEx had no immediate plans to repurchase any of its issued shares. It was difficult to determine whether there were surplus funds available for further distribution without a thorough study of the capital requirement for risk management.

Mr David M Webb asked if HKEx had any strategic investment in its pipelines.

The Chairman said that the Board was always looking for investment opportunity to enhance shareholders’ value. Each proposed investment would be evaluated on its own merits. Currently, HKEx had no specific investment plan.



Mr David M Webb noted that the management was unable to provide information such as the level of surplus reserves available for strategic investment or for distribution to shareholders. He said that it seemed impossible to know how much capital, if any, was surplus if the budget contained an unknown variable for future investments. He suggested that the Chairman should prepare such information for shareholders' information at the next general meeting.

The Chairman said that the said suggestion would be considered, and he invited a secondor for the proposed resolution in relation to the final dividend for 2002.

Mr David M Webb seconded the resolution, as proposed by the Chairman.

#### 7. Re-appointment of Auditors

The Chairman said that the accounts for the year ended 31 December 2002 were audited by PricewaterhouseCoopers ("PwC"), who had expressed their willingness to continue in office.

Mr Trini Tsang representing Grand Onward Securities Limited proposed, and Mr Wilfred Wong representing Sanfull Securities Limited seconded the following resolution -

"THAT PricewaterhouseCoopers be re-appointed auditors of HKEx until the conclusion of the next annual general meeting, and the Board of Directors be authorised to fix the remuneration of the auditors."

Mr David M Webb asked whether PwC or any of its affiliated companies had, during 2002, provided services other than audit to HKEx, and if so, the amount of fees paid to PwC for such services.

Mr Colin Shaftesley said that HKEx's Audit Committee had imposed a restriction on engaging external auditors for services other than audit and tax consultancy services.

Mr David M Webb asked about the fee paid to PwC for the tax consultancy service in 2002.

Mr David Cheung said that the fee paid to PwC for the tax consultancy service in 2002 was HK\$564,000.

#### 8. General Mandate to issue new shares

The Chairman referred shareholders to the ordinary resolution numbered 5(I), as set out in the Notice in relation to the request for a general mandate to be given by shareholders to the Directors for the issue of new shares not exceeding 20 per cent of the aggregate nominal amount of the issued share capital of HKEx, as at the date of passing this resolution. He further said that the Directors had no immediate plans to issue any new shares pursuant to the general mandate.

The Chairman proposed, and Mrs Choi Chen Po Sum representing Wai Tak Po Company Limited seconded the ordinary resolution numbered 5(I), as set out in the Notice -

“THAT:

- (a) subject to paragraph (c) below and pursuant to section 57B of the Companies Ordinance, the exercise by the Directors of HKEx during the Relevant Period (as hereinafter defined) of all the powers of HKEx to allot, issue and deal with additional shares of HK\$1.00 each in the capital of HKEx and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of HKEx) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of HKEx during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of HKEx) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of HKEx pursuant to the approval in paragraph (a) above, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined),
  - (ii) an issue of shares as scrip dividends pursuant to the articles of association of HKEx from time to time,
  - (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted and approved by the shareholders of HKEx for the grant or issue to employees of HKEx and/or any of its subsidiaries of shares or rights to acquire shares of HKEx,
  - (iv) an issue of shares in HKEx upon the exercise of the subscription rights attaching to any warrants which may be issued by HKEx provided that the issue of such warrants (and the consequent obligation to issue such shares) has been approved by the shareholders of HKEx, either by specific resolution or as part of a general approval, or
  - (v) any adjustment, after the date of grant or issue of any options, rights to subscribe or other securities referred to in (iii) or (iv) above, in the price at which shares in HKEx shall be subscribed, and/or in the number of shares in HKEx which shall be subscribed, on exercise of relevant rights under such options, warrants or other securities, such adjustment being made in accordance with, or as contemplated by, the terms of such options, rights to subscribe or other securities,

shall not exceed 20 per cent of the aggregate nominal amount of the issued share capital of HKEx at the date of passing this Resolution, and the said approval shall be limited accordingly; and



(d) 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
- (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 in HKEx, or an offer of warrants, options or other securities giving rights to subscribe for shares, open for a period fixed by the Directors of HKEx to the holders of shares of HKEx on the register of members of HKEx on a fixed record date in proportion to their then holdings of such shares as at that date (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, or the expense and delay in determining the extent of 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 which are applicable to HKEx).”

Mr David M Webb said that the Board should set an example to the market by requesting for a general mandate to issue new shares only up to 5% of the issued capital, which percentage limit was in accordance with the international standard. He urged on other shareholders not to cast vote in favour of the proposed resolution of granting the issue mandate.

The Chairman said that the proposed grant of the issue mandate was requested in accordance with the Listing Rules, and since the resolution had been proposed and seconded by shareholders, he would leave it to shareholders to decide if the general mandate should be granted to the Board.

#### 9. General Mandate to repurchase shares

The Chairman referred shareholders to the ordinary resolution numbered 5(II), as set out in the Notice in relation to the request for a general mandate to be given by shareholders to the Directors for repurchase of not exceeding 10 per cent of the aggregate nominal amount of the issued share capital of HKEx, at the date of passing this resolution. Details of the proposed grant of repurchase mandate had been included in the circular dated 18 March 2003, which was tabled before the meeting for identification. He further stated that the Directors had no immediate plans to repurchase any shares pursuant to the repurchase mandate.

The Chairman proposed, and Mr Francis Ka representing RBC Investment Services Ltd. seconded the ordinary resolution numbered 5(II), as set out in the Notice -

“THAT:

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

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

- (i) the conclusion of the next annual general meeting of HKEx;
- (ii) the expiration of the period within which the next annual general meeting of HKEx is required by law to be held; or
- (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.”

#### 10. Extension of the General Mandate to issue new shares

The Chairman referred shareholders to the ordinary resolution numbered 5(III), as set out in the Notice in relation to the request for an extension of the general mandate to issue new shares by including the shares repurchased pursuant to the share repurchase mandate. The passing of the ordinary resolution numbered 5(III) would be conditional upon the passing of the ordinary resolutions numbered 5(I) and 5(II), as set out in the Notice.

The Chairman proposed, and Mr Wilfred Wong representing Sanfull Securities Limited seconded the ordinary resolution numbered 5(III), as set out in the Notice -

“THAT conditional upon the passing of Resolutions 5(I) and 5(II) set out in the notice convening this meeting, the general mandate granted to the Directors of HKEx and for the



time being in force to exercise the powers of HKEx to allot, issue and deal with additional shares pursuant to Resolution 5(I) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of HKEx repurchased by HKEx under the authority granted pursuant to Resolution 5(II) set out in the notice convening this meeting, provided that such amount of shares so repurchased shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of HKEx at the date of the said Resolution.”

#### 11. Payment of remuneration to Non-executive Directors

The Chairman referred shareholders to the ordinary resolution numbered 5(IV), as set out in the Notice in relation to the payment of a remuneration of HK\$100,000 to each of the Non-executive Directors for the period from the conclusion of this meeting to the conclusion of the next annual general meeting.

– Ms Sabrina Yu representing DL Brokerage Limited proposed, and Mr S Y Fung representing Ocean Crown Investment Limited seconded the ordinary resolution numbered 5(IV), as set out in the Notice -

“THAT a remuneration of HK\$100,000 be paid to each of the non-executive Directors of HKEx at the conclusion of the next annual general meeting of HKEx for the period from the conclusion of this meeting to the conclusion of the next annual general meeting of HKEx, provided that such remuneration will be paid in proportion to the period of service in the case of a Director who has not served the entire period.”

#### 12. Amendments to the Memorandum and Articles of Association (“M&A”)

The Chairman referred shareholders to the special resolution numbered 5(V), as set out in the Notice in relation to the amendments to the M&A. The proposed amendments mainly served to align the M&A with the new Securities and Futures Ordinance which became effective on 1 April 2003. After having obtained the shareholders’ approval, written approval of the proposed amendments would be sought, pursuant to Section 67 of the Securities and Futures Ordinance, from the Securities and Futures Commission.

The Chairman proposed, and Mr Trini Tsang representing Grand Onward Securities Limited seconded the special resolution numbered 5(V), as set out in the Notice -

“THAT subject to the written approval of the Securities and Futures Commission pursuant to Section 67 of the Securities and Futures Ordinance:

- (a) Clause 3(d) of the Memorandum of Association of HKEx be deleted in its entirety and replaced by the following:

“(d) in this clause:

- (i) “assets” includes property, rights and interests of every description, whether present or future, actual or contingent and wherever situate and, in the case of the Company, its uncalled capital;
  - (ii) “charge” includes any mortgage, pledge, lien or other form of security;
  - (iii) “dispose of”, in relation to an asset, includes selling or transferring it or surrendering or extinguishing it, and also creating or granting it or any interest or right out of or in respect of it;
  - (iv) “liabilities” includes debts and obligations of every description, whether present or future, actual or contingent;
  - (v) “person” includes any partnership or other body of persons, whether corporate or unincorporate, and any country, territory, public authority and international organisation; and
  - (vi) “subsidiary” has the meaning ascribed to it in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).”
- (b) Article 2 of the Articles of Association of HKEx be amended by:
- (i) deleting the definitions of “clearing house” and “Commission” in Article 2(1) and replacing with the following:
 

“clearing house	a recognised clearing house within the meaning of Schedule 1 of the SFO or a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted with the permission of the Company on a stock exchange in such jurisdiction;
Commission	the Securities and Futures Commission established under the Securities and Futures Commission Ordinance (now repealed) which continues in existence in its original name under the SFO;”
  - (ii) adding a new definition to Article 2(1):
 

“SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);”
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  - (iii) deleting the definition of “Merger Ordinance” from Article 2(1).
- (c) Article 55 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:



- “(1) Pursuant to section 61 of the SFO, a person, either alone or with any associated person or persons, is not permitted to be entitled to exercise, or control the exercise of, 5 per cent. or more of the voting power at any general meeting of the Company except in certain limited circumstances.
- (2) For the purposes of this Article:
- (a) “associated person” shall have the meaning ascribed to it in section 18 of the SFO;
  - (b) “minority controller” shall have the meaning ascribed to it in section 61(20) of the SFO in relation to a recognised exchange controller;
  - (c) “Permitted Person” means any person or class of persons who is permitted to be a minority controller of the Company pursuant to the SFO;
  - (d) “recognised exchange controller” shall have the meaning ascribed to it in Schedule 1 of the SFO;
  - (e) “Relevant Share Capital” means securities of the Company which carry (or may, according to their terms, in certain circumstances carry) the right to vote on any resolution at any general meeting of the Company (whether or not the right is exercisable in relation to all resolutions at all general meetings);
  - (f) “Restricted Person” means any person who is a minority controller of the Company and is not a Permitted Person; and
  - (g) “Restricted Shares” means the securities to which section 1(9) of Part 6 of Schedule 3 to the SFO applies (with references to “the corporation concerned” in that section being interpreted as references to the Company).
- (3) No person shall become a minority controller of the Company except in accordance with the provisions of the SFO and other applicable law.
- (4) (a) Every person shall forthwith provide written notice to the Company if:
- (i) he/it becomes a minority controller of the Company or a company of which the Company is a subsidiary; or
  - (ii) he/it has been served with a notice (a “Commission Notice”) from the Commission pursuant to section 61(9)(b) of the SFO or section 1(2) of Part 6 of Schedule 3 to the SFO.
- (b) A notice given in relation to paragraph (a)(i) above shall include details of that person’s and his/its associated persons’ interests in the Relevant Share Capital and either the basis on which that person is permitted to be a

minority controller under the SFO (a “Permitted Person Notice”) or a statement that the person is not permitted to be such a minority controller (a “Restricted Person Notice”). The Directors may forward any notices to the Commission for further investigation and enforcement.

- (c) A notice given in relation to paragraph (a)(ii) above (also, a “Restricted Person Notice”) shall include a copy of the relevant Commission Notice.
  - (d) The Directors may by notice in writing (a “Disclosure Notice”) require any member, or any other person appearing to be interested or appearing to have been interested in the securities of the Company, to disclose to the Company in writing such information (supported if the Directors so require by a statutory declaration and/or by independent evidence) as the Directors shall require relating to the ownership of or interests in the securities in question as lies within the knowledge of such member or other person, including (without prejudice to the generality of the foregoing):
    - (i) any information which the Company would be entitled to seek pursuant to section 329 of the SFO;
    - (ii) any information which the Directors shall deem necessary or desirable in order to determine whether any securities or rights to subscribe for, or convert into, securities of the Company are Restricted Shares; and
    - (iii) any information which the Directors shall deem necessary or desirable in order to determine whether any person is or is deemed to be a Restricted Person or otherwise in relation to the application or potential application of this Article.
  - (e) A Disclosure Notice pursuant to paragraph (4)(d) of this Article may be given by the Directors at any time. One or more Disclosure Notices may be given in respect of the same securities in the Company to a member and/or any other person appearing to be, or to have been, interested in those securities.
  - (f) The Directors may forward any response in respect of a Disclosure Notice to the Commission for further investigation and enforcement. Furthermore, where the holder of any securities or rights to subscribe for, or convert into, securities in the Company, or any person appearing to be interested in such securities or rights, fails to comply within 14 days with a Disclosure Notice, the Directors may notify the Commission of such non-compliance together with such other information as the Directors deem necessary or desirable in this connection.
- (5) If the Directors shall become aware (as a result of having received a Restricted Person Notice or a Commission Notice pursuant to Section 1(10) of Part 6 of Schedule 3 to the SFO or otherwise) that any person has become a Restricted



Person, the Directors may serve a written notice on all persons (other than persons referred to in paragraph (9) of this Article) who appear to the Directors to have interests in (and, if different, are the registered holders of) the Restricted Shares. Such notice shall set out the restrictions referred to in paragraph (6) of this Article.

- (6) A holder of a Restricted Share on whom a notice has been served under paragraph (5) above shall not in respect of those securities be entitled, until such time as the relevant person notifies the Company in writing (together with such confirmation from the Commission or other evidence as may be required by the Directors) that such person has ceased to be a Restricted Person, to attend or vote at any general meeting of the Company or meeting of the holders of Relevant Share Capital or of any class thereof, and the rights to attend (whether in person or by proxy), to speak and to demand and vote on a poll which but for the provisions of this paragraph would have attached to the Restricted Share shall vest in the chairman of such meeting. The manner in which the chairman exercises or refrains from exercising any such rights shall be entirely at his discretion. The chairman of any such meeting as aforesaid shall be informed by the Directors of any securities becoming or being deemed to be a Restricted Share or ceasing to be a Restricted Share.
- (7) The Directors may assume without enquiry that a person is a Permitted Person or is not a Restricted Person.
- (8) The Directors may take such action and do such things which they believe to be necessary or desirable in order to ensure that the Company (a) does not assist in or permit the contravention of any restrictions imposed on any person and/or securities by the Commission pursuant to any Commission Notice (including without limitation refusing to register any transfer of any securities), and (b) does not commit an offence under section 2 of Part 6 of Schedule 3 to the SFO or any other applicable law.
- (9) The Directors shall not be obliged to serve any notice required under this Article to be served upon any person if either his identity or his address is not known to them. The absence of service of such notice in such circumstances as aforesaid, and any accidental error in or failure to give any notice to any person upon whom notice is required to be served under this Article, shall not prevent the implementation of or invalidate any procedure under this Article.
- (10) If any Director believes that a person is a Restricted Person he shall inform the other Directors of that fact.
- (11) The provisions of these Articles regarding the giving of notice to members shall apply to the giving to a member of any notice required by this Article. Any notice required by this Article to be given to a person who is not a member, or who is a member whose registered address is not within Hong Kong and who has not given to the Company an address within Hong Kong at which notices may be



given to him, shall be deemed validly given if it is sent by mail (or airmail if the address is outside Hong Kong) in a prepaid envelope addressed to that person at the address (or if more than one, at one of the addresses), if any, at which the Directors believe him to be resident or carrying on business or to his last known address as shown on the register of members. The notice shall in such a case be deemed to have been given on the day following that on which the envelope containing the same is posted, unless it was sent by airmail, in which case it shall be deemed to have been given on the fifth day following that on which it was posted. Proof that the envelope was properly addressed and put into post as prepaid mail or prepaid airmail (as the case may be) shall be conclusive evidence that the notice was given.

(12) Any resolution or determination of, or decision or exercise of any discretion or power by, the Directors or any Director or the chairman of any meeting under or pursuant to the provisions of this Article shall be final and conclusive; and any act or thing done, by or on behalf of, or on the authority of, the Directors or any Director pursuant to the foregoing provisions of this Article shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Directors shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this Article.

(13) This Article shall apply notwithstanding any provision in these Articles to the contrary.”

(d) Article 90(3) of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“(3) Subject to the provisions of section 77 of the SFO, the Financial Secretary may at any time:

- (a) appoint any person as a Director representing the public interest; and
- (b) remove from office any person so appointed (whether or not his term has been completed);

provided that the number of Directors from time to time appointed by the Financial Secretary shall not exceed eight.”

(e) Article 106 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“The Directors may from time to time appoint committees (including, but without limitation, a Risk Management Committee in compliance with section 65 of the SFO) consisting of such member or members of their body and/or such other person(s) as they think fit, and may delegate any of their powers to any such committee, and from time to time revoke any such delegation and discharge any such committee wholly or



in part. Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Directors. Without limiting the generality of this Article 106, any committee so formed may be authorised by the Directors to sub-delegate all or any of the powers, authorities or discretions for the time being vested in it.”

- (f) Article 111(2) and (3) of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“(2) Any appointment of a person to the office of Chairman by the Directors shall be subject to (and effective only upon) the written approval of such appointment by the Chief Executive of Hong Kong. The Chairman shall be a non-executive Director and shall be appointed for an initial term coinciding with his term as a non-executive Director and may be re-appointed in accordance with the provisions of this Article for a further period or periods up to a maximum of the longer of six consecutive years or six consecutive annual general meetings (including the initial term as aforesaid but disregarding any annual general meeting held in the year 2000). For greater certainty, a person who has served as Chairman for the maximum consecutive period as aforesaid shall not be eligible for reappointment until the later of one year after he ceases to be Chairman or the next annual general meeting after he ceases to hold such office. A person may only be removed from his office as Chairman by:

- (a) a resolution of the Directors passed by two-thirds in number of the Directors from time to time; or
- (b) written notice from the Chief Executive of Hong Kong removing him from his office in accordance with section 69 of the SFO.

- (3) Any appointment of a person to the office of Chief Executive or Chief Operating Officer by the Directors shall be subject to (and effective only upon):

- (a) the Chairman providing his prior written recommendation to the appointment of the relevant person to the relevant office; and
- (b) the written approval of the Commission.

A person may only be removed from his office as Chief Executive or Chief Operating Officer by:

- (i) a resolution of the Directors passed by a simple majority in number of the Directors from time to time if such removal has been recommended by the Chairman; or
- (ii) written notice from the Commission removing him from his office in accordance with section 70 of the SFO.

A person removed from office by the Commission pursuant to subparagraph 3(ii) above shall be entitled to appeal his removal to the Chief Executive in Council (having the same meaning as used in section 73 of the SFO) in accordance with the provisions of section 73 of the SFO.”

### 13. Other Business

Mr David M Webb asked if the Board had been informed by the Government of the appointment of the new Public Interest Directors.

The Chairman said that, he was informed that the Government would announce the appointment of the six Public Interest Directors after the conclusion of this meeting.

Mr David M Webb suggested that shareholders should, in future, be informed of the newly appointed Public Interests Directors at the general meeting, so as to allow shareholders to have full information of the constitution of the Board.

### 14. Adjournment of meeting

As all resolutions had been proposed and seconded by shareholders, the Chairman declared a short adjournment of the meeting for twenty minutes during which shareholders might cast vote on the proposed resolutions by completing and depositing the voting slip into the ballot boxes.

After confirming that no shareholders would further cast vote on the proposed resolutions, the Chairman declared that the voting was closed. He further adjourned the meeting until 10:00 p.m. for the scrutineers to count the votes.

### 15. Poll Results

After noting that a quorum of shareholders was present, the Chairman reconvened the meeting at about 10:00 p.m.

The Chairman first announced the poll results of election of Directors in the sequence of the highest net votes -

- (i) there were 218,120,413 votes in favour of, and 115,057,296 votes against, the proposed Resolution 3(VI) of appointing Mr Wong Sai Hung, Oscar as a Director. The net positive votes were 103,063,117. The Chairman declared that the said resolution was carried by the majority, and that Mr Wong Sai Hung, Oscar was elected as a Director;
- (ii) there were 182,872,427 votes in favour of, and 125,325,598 votes against, the proposed Resolution 3(IV) of appointing Mr Lee Kwan Ho, Vincent Marshall as a Director. The net positive votes were 57,546,829. The Chairman declared that the said resolution was carried by the majority, and that Mr Lee Kwan Ho, Vincent Marshall was elected as a Director;



- (iii) there were 165,065,347 votes in favour of, and 128,344,333 votes against, the proposed Resolution 3(II) of appointing Dr Kwok Chi Piu, Bill as a Director. The net positive votes were 36,721,014. The Chairman declared that the said resolution was carried by the majority, and that Dr Kwok Chi Piu, Bill was elected as a Director;
- (iv) there were 159,544,913 votes in favour of, and 133,033,804 votes against, the proposed Resolution 3(VIII) of appointing Mr Webb, David Michael as a Director. The net positive votes were 26,511,109. The Chairman declared that the said resolution was carried by the majority, and that Mr Webb, David Michael was elected as a Director;
- (v) there were 156,441,750 votes in favour of, and 131,618,471 votes against, the proposed Resolution 3(III) of appointing Mr Lee Jor Hung, Dannis as a Director. The net positive votes were 24,823,279. The Chairman declared that the said resolution was carried by the majority, and that Mr Lee Jor Hung, Dannis was elected as a Director;
- (vi) there were 139,545,288 votes in favour of, and 147,838,933 votes against, the proposed Resolution 3(I) of appointing Mr Fan Chor Ho, Paul as a Director. The net negative votes were 8,293,645. The Chairman declared that the said resolution was not carried by the majority;
- (vii) there were 176,025,081 votes in favour of, and 188,244,223 votes against, the proposed Resolution 3(VII) of appointing Mr Yue Wai Keung as a Director. The net negative votes were 12,219,142. The Chairman declared that the said resolution was not carried by the majority;
- (viii) there were 161,896,388 votes in favour of, and 192,307,679 votes against, the proposed Resolution 3(V) of appointing Mr Seto Gin Chung, John as a Director. The net negative votes were 30,411,291. The Chairman declared that the said resolution was not carried by the majority;
- (ix) there were 79,850,147 votes in favour of, and 117,698,189 votes against, the proposed Resolution 3(IX) of appointing Mr Chan, Henry as a Director. The net negative votes were 37,848,042. The Chairman declared that the said resolution was not carried by the majority; and
- (x) there were 59,985,843 votes in favour of, and 108,529,732 votes against, the proposed Resolution 3(X) of appointing Mr Lam Kin Hing, Kenneth as a Director. The net negative votes were 48,543,889. The Chairman declared that the said resolution was not carried by the majority.

The Chairman repeated that the following persons had been elected as Directors with effect from the conclusion of this meeting -

Dr Kwok Chi Pui, Bill  
Mr Lee Jor Hung, Dannis  
Mr Lee Kwan Ho, Vincent Marshall  
Mr Webb, David Michael, and  
Mr Wong Sai Hung, Oscar

The Chairman further declared that, as there were only five candidates elected to fill the six available vacancies, the Board would, in accordance with Article 92, consider and appoint a suitable candidate to fill the casual vacancy, as soon as possible.

The Chairman then announced the poll results of other resolutions -

- (i) there were 294,426,900 votes in favour of, and 210,000 votes against, the proposed Resolution 1 of adopting the Audited Accounts for the year ended 31 December 2002. The net positive votes were 294,216,900. The Chairman declared that the said resolution was carried by the majority;
- (ii) there were 345,499,900 votes in favour of, and 675,000 votes against, the proposed Resolution 2 of approving the final dividend of 43 cents per share. The net positive votes were 344,824,900. The Chairman declared that the said resolution was carried by the majority;
- (iii) there were 291,257,556 votes in favour of, and 3,734,500 votes against, the proposed Resolution 4 of re-appointing PricewaterhouseCoopers as the auditors of HKEx. The net positive votes were 287,523,056. The Chairman declared that the said resolution was carried by the majority;
- (iv) there were 244,139,002 votes in favour of, and 50,955,054 votes against, the proposed Resolution 5(I) of granting the general mandate to issue new shares. The net positive votes were 193,183,948. The Chairman declared that the said resolution was carried by the majority;
- (v) there were 285,079,710 votes in favour of, and 9,744,346 votes against, the proposed Resolution 5(II) of granting the general mandate to repurchase shares. The net positive votes were 275,335,364. The Chairman declared that the said resolution was carried by the majority;
- (vi) there were 282,416,202 votes in favour of, and 12,677,854 votes against, the proposed Resolution 5(III) of extending the general mandate to issue new shares to include the repurchased shares. The net positive votes were 269,738,348. The Chairman declared that the said resolution was carried by the majority;
- (vii) there were 332,671,556 votes in favour of, and 12,388,500 votes against, the proposed Resolution 5(IV) of approving the payment of remuneration to each of the Non-

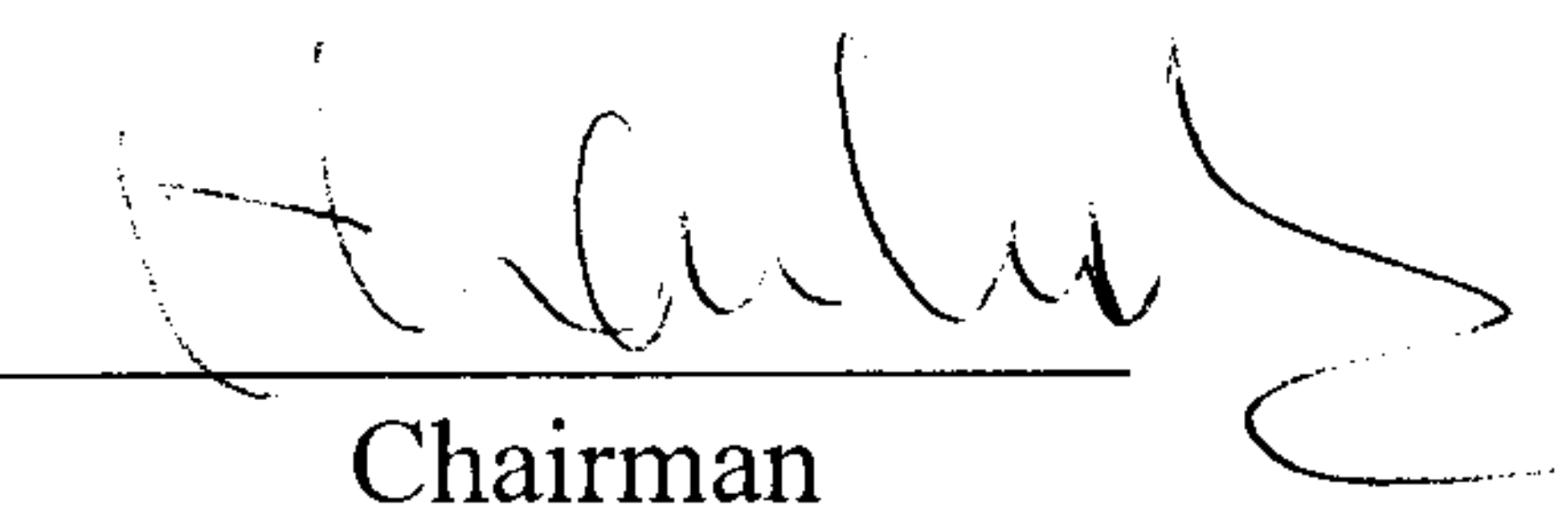


executive Directors. The net positive votes were 320,283,056. The Chairman declared that the said resolution was carried by the majority; and

- (viii) there were 290,071,556 votes in favour of, and 2,645,500 votes against, the proposed Resolution 5(V) of approving the amendments to the Memorandum and Articles of Association. The net positive votes were 287,426,056. The Chairman declared that the said special resolution was carried by more than three-quarters of the vote cast.

16. Close of meeting

There being no other business, the Chairman declared the meeting closed at about 10:40 p.m.

  
Chairman