

1. RESPONSIBILITY STATEMENTS

The information in this document relating to the Stock Exchange has been supplied by the Stock Exchange. The issue of this document has been approved by the Council and the Council Members jointly and severally accept responsibility for the accuracy of the information contained in this document (save for the Letter from HKEC, appendices I, III, IV, V, VI) and VII to this document and the information in appendix VIII to this document relating to HKEC, the Futures Exchange Group or the HKSCC Group (the "Excluded Information"). The Council Members confirm, in respect of all information herein other than the Excluded Information, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed herein have been arrived at after due and careful consideration and there are no facts, not contained herein, the omission of which would make any statement herein misleading.

The Excluded Information has been supplied by the HKEC Directors or, in the case of appendix III to this document and other information relating to the Futures Exchange Group, derived by HKEC Directors from the circular relating to the Futures Exchange Proposal enclosed with this document. The issue of this document has been approved by the HKEC Directors, who jointly and severally accept responsibility for the accuracy of the Excluded Information and, in respect of the Excluded Information, confirm, having made all reasonable enquiries that, to the best of their knowledge, opinions expressed therein have been arrived at after due and careful consideration and there are no facts, not contained therein, the omission of which would make any statement therein misleading.

2. DISCLOSURE OF INTERESTS AND DEALINGS

(a) Interests in Stock Exchange Shares

As at the Latest Practicable Date:

- (i) the following Council Members have interests (which, if the SDI Ordinance were to apply to the Council Members and the Stock Exchange, would have been discloseable under Part III of the SDI Ordinance (including interests which the Council Members would be deemed or be taken to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance) ("Interests")) in Stock Exchange Shares:

Council Member	Stock Exchange Shareholder	Number of Stock Exchange Share(s)
Au Chong Kit, Stanley	Delta Asia Securities Limited	3
Syed Bagh Ali Shah Bokhary	Bokhary Securities Limited	1
Cheung Wah Fung	Christfund Securities Limited	6
Chu Ho Miu Hing	Good Harvest Securities Company Limited	1
Tsang Chi Suen, Trini	Grand Onward Securities Limited	1

Each of these Council Members has confirmed that the Stock Exchange Shareholder in which the relevant Council Member has an interest intends to vote in favour of the Stock Exchange Proposal.

- (ii) Mr. Dannis Lee, an HKEC Director, through DL Brokerage Limited (a company beneficially wholly owned by Mr. Dannis Lee), owned two Stock Exchange Shares.
- (iii) Merrill Lynch Far East Limited, a company controlled by the Independent Financial Adviser, beneficially owned four Stock Exchange Shares. Additionally, Merrill Lynch Futures (Hong Kong) Limited, a company under the same control as the Independent Financial Adviser, held one Futures Exchange Share.
- (iv) Mr. Nicholas Peter Etches, Mr. Alan Chung Wah Tang and Mr. Gabriel Chi Kok Tam, partners of KPMG, the accounting adviser to HKEC, are liquidators of Chark Fung Securities Company Limited which, as at the Latest Practicable Date, held two Stock Exchange Shares.

Save as set out above, as at the Latest Practicable Date:

- (i) neither HKEC, nor any of the parties acting in concert with it, owned or controlled any Stock Exchange Shares;
- (ii) none of the Council Members, or the HKEC Directors, had any Interests in any Stock Exchange Shares; and
- (iii) no subsidiary of the Stock Exchange, pension fund of the Stock Exchange or of any subsidiary of the Stock Exchange, or adviser of the Stock Exchange (as specified in paragraph (2) of the definition of "associate" in the Takeovers Code) owned or controlled any Stock Exchange Shares.

(b) Interests in HKEC Shares

As at the Latest Practicable Date:

- (i) neither the Stock Exchange, nor any party acting in concert with HKEC, owned or controlled any HKEC Shares (save for The Financial Secretary Incorporated which beneficially owned two HKEC Shares);
- (ii) none of the Council Members, nor any of the HKEC Directors, had any Interests in any HKEC Shares; and
- (iii) no subsidiary of the Stock Exchange, or any pension fund of the Stock Exchange or of any subsidiary of the Stock Exchange, or adviser of the Stock Exchange (as specified in paragraph (2) of the definition of "associate" in the Takeovers Code), owned or controlled any HKEC Shares.

(c) Dealings in Stock Exchange Shares

Mr. Syed Bokhary, a Council Member, transferred the Stock Exchange Share owned by him to Bokhary Securities Limited, a company wholly controlled by Mr. Bokhary and his wife, for a nominal consideration on 27th November, 1998.

Save as disclosed above, during the period commencing six months prior to 3rd March, 1999 and ending on the Latest Practicable Date:

- (i) neither HKEC, nor any of the parties acting in concert with HKEC, dealt for value in Stock Exchange Shares;
- (ii) none of the Council Members, nor any of the HKEC Directors, dealt for value in any Stock Exchange Shares;
- (iii) no subsidiary of the Stock Exchange, or any pension fund of the Stock Exchange or of any subsidiary of the Stock Exchange, dealt for value in any Stock Exchange Shares; and
- (iv) no adviser of the Stock Exchange (as specified in paragraph (2) of the definition of "associate" in the Takeovers Code) or any other associate of the Stock Exchange dealt for value in any Stock Exchange Shares.

(d) Dealings in HKEC Shares

During the period commencing six months prior to 3rd March, 1999 and ending on the Latest Practicable Date:

- (i) neither the Stock Exchange, nor any of the parties acting in concert with HKEC, dealt for value in HKEC Shares;
- (ii) none of the Council Members, nor any of the HKEC Directors, dealt for value in any HKEC Shares;
- (iii) no subsidiary of the Stock Exchange, nor any pension fund of the Stock Exchange or of any subsidiary of the Stock Exchange, dealt for value in any HKEC Shares; and
- (iv) no adviser of the Stock Exchange (as specified in paragraph (2) of the definition of "associate" in the Takeovers Code) or any other associate of the Stock Exchange dealt for value in any HKEC Shares.

3. LITIGATION

- (a) No company in the Stock Exchange Group is engaged in any litigation or claims of material importance and, so far as the Council Members are aware, no litigation or claims of material importance are pending or threatened by or against any company in the Stock Exchange Group.
- (b) Neither HKEC nor (on the basis of the information contained in the circular relating to the Futures Exchange Proposal enclosed with this document) any company in the Futures Exchange Group or (on the basis of advice to the HKEC Directors from HKSCC) the HKSCC Group is engaged in any material litigation or claims of material importance and, so far as the HKEC Directors are aware, no litigation or claims of material importance are pending or threatened by or against HKEC, or (on the aforesaid basis) the Futures Exchange Group or (on the aforesaid basis) the HKSCC Group.

4. MATERIAL CONTRACTS

- (a) The Stock Exchange has conditionally agreed, under a funding letter entered into with HKEC on 30th July, 1999, to advance a loan of up to HK\$669.0 million to HKEC. The principal terms of the loan are set out in the paragraphs headed "Financing of the Stock Exchange Cash Alternative" in the Letter from HKEC. The advance of the loan is subject to the sanction of the Court under the Stock Exchange Scheme and the Stock Exchange Scheme becoming effective.

On 15th December, 1998 the Stock Exchange entered into an agreement with HKSCC to provide a HK\$100,000,000 revolving loan facility to HKSCC. Details of this loan are set out in note 19 to the financial statements of the Stock Exchange for the year ended 30th June, 1999 in appendix II to this document.

Save for the contracts referred to above, no company in the Stock Exchange Group has, within the two years prior to the Latest Practicable Date, entered into any material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Stock Exchange Group.

- (b) Save for the funding letters both dated 30th July, 1999 from the Exchanges to HKEC and the facilities for HK\$600.0 million granted to HKEC by its banks, of which details are set out in the paragraphs headed "Financing of the Stock Exchange Cash Alternative" in the Letter from HKEC, neither HKEC nor (on the basis of the information contained in the circular relating to the Futures Exchange Proposal enclosed with this document) any company in the Futures Exchange Group or (on the basis of advice to the HKEC Directors from HKSCC) the HKSCC Group has, within the two years prior to the Latest Practicable Date, entered into any material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by HKEC, or (on the aforesaid basis) the Futures Exchange Group or (on the aforesaid basis) the HKSCC Group, as applicable.

5. MISCELLANEOUS

- (a) It is not proposed that any benefits will be given to any Council Member as compensation for loss of office or otherwise in connection with the Stock Exchange Proposal.
- (b) Save in respect of the proposed cancellation of the Stock Exchange Scheme Shares held by Stock Exchange Shareholders and the allotment and issue to Stock Exchange Shareholders of HKEC Shares and/or the payment of cash under the Stock Exchange Cash Alternative, no agreement or arrangement exists between HKEC and any of the Council Members or any other person or between any of the Council Members and any other person which is conditional upon the outcome of the Stock Exchange Proposal or otherwise in connection with the Stock Exchange Proposal.
- (c) No material contract has been entered into by HKEC in which any Council Member has a material personal interest.

- (d) None of the Council Members has a service contract with any member of the Stock Exchange Group in force which has more than 12 months to run or which has been entered into or amended within the period commencing 6 months before 3rd March, 1999 and ending on the Latest Practicable Date. The terms of the current service contract of Alec Tsui Yiu Wa, Chief Executive of the Stock Exchange, are as follows:
- (i) the expiry date of the service contract is 31st January, 2000;
 - (ii) the amount of fixed remuneration payable to him under the service contract (excluding arrangements for provident fund contributions) is HK\$5,212,800 per year; and
 - (iii) there are no variable payments relating to remuneration under the contract.

The Stock Exchange has exercised its option to extend the appointment of Alec Tsui Yiu Wa as Chief Executive from 1st February, 2000 for a period of two years, but the terms of his appointment have not yet been discussed.

- (e) No agreement, arrangement or understanding exists whereby any new Stock Exchange Shares to be issued to HKEC pursuant to the Stock Exchange Scheme will be transferred to any other person.
- (f) The Stock Exchange was incorporated in Hong Kong on 7th July, 1980. Its registered office is at 1st Floor, One and Two Exchange Square, Central, Hong Kong.
- (g) HKEC was incorporated in Hong Kong on 8th July, 1999. Its registered office is at 18th Floor, Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong.
- (h) The Secretary of the Stock Exchange is Tsang Chiu Wan.
- (i) It is estimated that the costs, charges and expenses of and incidental to the Stock Exchange Scheme and the costs of carrying the same into effect to be borne by the Stock Exchange will amount to approximately HK\$20 million. HKEC will bear its own costs, charges and expenses in connection with the Stock Exchange Scheme.
- (j) As required under the Takeovers Code, all announcements in relation to the Stock Exchange Proposal, in respect of which the Executive has confirmed that it has no further comments, must be published as paid announcements in the Newspapers.
- (k) As required under the Takeovers Code, HKEC shall immediately inform the Executive that the Stock Exchange Scheme has been revised or extended, has expired or has become or has been completed and shall publish an announcement in accordance with paragraph (j) above on the following day to that effect.
- (l) The English text of this document and the accompanying forms of proxy and Form of Election shall prevail over the Chinese text.
- (m) The registered office of HKEC's Financial Adviser is at 1 Queen's Road Central, Hong Kong. HKEC's Financial Adviser is an exempt dealer under the Securities Ordinance and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

- (n) The registered office of the Independent Financial Adviser is at 15th Floor, St George's Building, 2 Ice House Street, Central, Hong Kong. The Independent Financial Adviser is a registered securities dealer and investment adviser under the Securities Ordinance.

6. CONSENTS

HKEC's Financial Adviser, the Independent Financial Adviser, Ernst & Young, KPMG and PricewaterhouseCoopers have given and have not withdrawn their respective written consents to the issue of this document with the inclusion therein of copies of their respective reports and/or letters and/or the references to their names and/or their reports, and/or letters, in the form and context in which they respectively appear.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Stock Exchange at 1st Floor, One and Two Exchange Square, Central, Hong Kong and at the offices of Linklaters at 10th Floor, Alexandra House, Chater Road, Hong Kong during normal business hours on any business day until the Effective Date:

- (a) the Memorandum and Articles of Association of the Stock Exchange and the Memorandum and Articles of Association of HKEC;
- (b) the proposed amended Memorandum of Association and Articles of Association of the Stock Exchange that will take effect immediately subject to the amendments being approved at the Extraordinary General Meeting;
- (c) the proposed amended Memorandum of Association and the proposed new Articles of Association of the Stock Exchange, both of which will take effect upon completion of the Stock Exchange Proposal subject to their being approved at the Extraordinary General Meeting;
- (d) the proposed new Articles of Association of HKEC which are summarised in appendix V;
- (e) the audited consolidated financial statements of the Stock Exchange for each of the years ended 30th June, 1998 and 1999;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 14 to 28 of this document;
- (g) the material contracts of the Stock Exchange referred to under the heading "Material contracts" in this appendix;
- (h) the letters of consent referred to under the heading "Consents" in this appendix;
- (i) the Policy Paper; and
- (j) the Position Paper.