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

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other registered dealer in securities, a bank manager, solicitor, professional 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.

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**Hong Kong Exchanges and Clearing Limited**  
**香港交易及結算所有限公司**  
*(incorporated in Hong Kong with limited liability)*

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**PROPOSED SHARE OPTION SCHEMES**

**AND**

**GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES**

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A letter from the board of directors of Hong Kong Exchanges and Clearing Limited (the "Company") is set out on pages 3 to 8 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Conference Room 401, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on 31st May, 2000 at 5:00 p.m. is set out on page 19 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Registrar, HKSCC Registrars Limited at 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

15th May, 2000

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## DEFINITIONS

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

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|-----------------------|--|
| “Articles”            | the articles of association for the time being of the Company;   |
| “Board”               | the board of Directors of the Company;   |
| “Company”             | Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability;  |
| “Companies Ordinance” | the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;  |
| “Directors”           | the directors of the Company;  |
| “EGM”                 | the extraordinary general meeting of the Company to be held at Conference Room 401, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on 31st May, 2000 at 5:00 p.m., notice of which is set out on page 19 of this circular; |
| “Eligible Employee”   | any employee of the Company or any Subsidiary including (without limitation) any executive director of the Company or any Subsidiary;  |
| “Futures Exchange”    | Hong Kong Futures Exchange Limited;  |
| “Group”               | the Company and its Subsidiaries;  |
| “Listing Date”        | the date on which dealings commence in the Shares on the Stock Exchange;   |
| “Listing Rules”       | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Merger Date”         | 6th March, 2000;   |
| “Merger Ordinance”    | the Exchanges and Clearing Houses (Merger) Ordinance, Chapter 555 of the Laws of Hong Kong;  |
| “Post-Listing Scheme” | the proposed share option scheme of the Company referred to in the paragraph headed “Adoption of Post-Listing Scheme” in the Letter from the Board of Directors, the principal terms of which are set out in Appendix I of this circular;                  |

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## DEFINITIONS

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| “Pre-Listing Scheme”   | the proposed share option scheme of the Company referred to in the paragraph headed “Adoption of Pre-Listing Scheme” in the Letter from the Board of Directors, the principal terms of which are set out in Appendix II of this circular;   |
| “SFC”                  | the Securities and Futures Commission;  |
| “Scheme Documents”     | the two documents dated 3rd September, 1999 issued by (a) the Stock Exchange relating to the scheme of arrangement between the Stock Exchange and its shareholders, and (b) the Futures Exchange relating to the scheme of arrangement between the Futures Exchange and its shareholders; |
| “Share Option Schemes” | the Pre-Listing Scheme and the Post-Listing Scheme;   |
| “Shareholders”         | holders of Shares;  |
| “Shares”               | shares of HK\$1.00 each in the share capital of the Company;  |
| “Stock Exchange”       | The Stock Exchange of Hong Kong Limited; and  |
| “Subsidiary”           | a company which is for the time being and from time to time a subsidiary (within the meaning of section 2(4) of the Companies Ordinance) of the Company whether incorporated in Hong Kong or elsewhere.   |

*Note:* The English text of this circular shall prevail over the Chinese text.

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## LETTER FROM THE BOARD OF DIRECTORS

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### Hong Kong Exchanges and Clearing Limited

香港交易及結算所有限公司

*(incorporated in Hong Kong with limited liability)*

*Non-executive Directors:*

LEE Yeh Kwong, Charles, *Chairman*  
CHAN Cho Chak, John  
FAN Chor Ho, Paul  
FRESHWATER, Timothy George  
KWOK Chi Piu, Bill  
LEE Hon Chiu  
LEE Jor Hung, Dannis  
LEE Kwan Ho, Vincent  
LEONG Ka Chai  
LIU Jinbao  
LO Ka Shui  
SETO Gin Chung, John  
STRICKLAND, John Estmond  
YUE Wai Keung

*Registered Office:*

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

*Executive Director:*

KWONG Ki Chi, *Chief Executive*

15th May, 2000

*To the Shareholders*

Dear Sir or Madam,

### **PROPOSED SHARE OPTION SCHEMES AND GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES**

#### **1. INTRODUCTION**

As contemplated by the Scheme Documents, the Company is preparing to obtain a listing of its Shares on the Stock Exchange. In connection with such proposed listing, the Directors would like to obtain Shareholders' approval for the adoption of two share option schemes and the grant of general mandates to allow the Directors to issue and repurchase Shares up to certain specified limits. These are matters which are commonly adopted by companies prior to listing and which the Directors consider would be beneficial to the Company.

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## LETTER FROM THE BOARD OF DIRECTORS

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The purpose of this circular is to give you information on these matters and notice of the Extraordinary General Meeting convened for the purpose of considering and, if thought fit, passing resolutions to approve the Share Option Schemes and the grant of the general mandates to issue and repurchase Shares.

### **2. ADOPTION OF POST-LISTING SCHEME**

The Directors believe that employees of the Company and its Subsidiaries should be given the opportunity to obtain equity holdings in the Company through the Post-Listing Scheme in order to attract and retain high calibre staff and motivate them to higher levels of performance.

It is therefore proposed that approval be given at the EGM for the adoption by Shareholders of the Post-Listing Scheme. The Post-Listing Scheme will take effect if approved by the Shareholders at the EGM and is conditional upon the SFC granting approval of the Post-Listing Scheme, any options which may be granted thereunder and the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options granted under the Post-Listing Scheme. As Shareholders may know, pursuant to the Merger Ordinance, the SFC shall, instead of the Stock Exchange, take all actions and make all decisions in relation to the listing of the Company that would normally be taken by the Stock Exchange in relation to other listing applicants or listed issuers.

Under the Post-Listing Scheme, the maximum number of Shares in respect of which options may be granted (together with options exercised and options then outstanding), when aggregated with Shares subject to any other employee share option scheme of the Company including the Pre-Listing Scheme, shall not exceed such number of shares as shall represent 10 per cent. of the issued share capital of the Company from time to time, excluding for this purpose any Shares issued on the exercise of options granted pursuant to the Post-Listing Scheme or any such other scheme.

The subscription price of a Share in respect of any particular option granted under the Post-Listing Scheme shall be such price as the Board may in its absolute discretion determine, save that such price will not be less than the higher of (i) the nominal value of a Share, and (ii) 80% of the average of the closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option. A summary of the principal terms of the Post-Listing Scheme is set out in Appendix I to this circular.

Application will be made to the SFC for the approval of the Post-Listing Scheme and the subsequent granting of options thereunder and for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Post-Listing Scheme. It is expected such approval by the SFC will be given concurrently with the approval of the proposed listing of the Company by the SFC. However, there can be no assurance that such approval will be given by the SFC.

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## LETTER FROM THE BOARD OF DIRECTORS

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The resolution set out as Ordinary Resolution No. 1 in the notice of the EGM will be proposed to approve the adoption of the Post-Listing Scheme. **As required by the Listing Rules, Shareholders who are Eligible Employees must abstain from voting on such resolution.**

### 3. ADOPTION OF PRE-LISTING SCHEME

In addition to the Post-Listing Scheme, the Directors propose that the Company adopt the Pre-Listing Scheme to recognise the contribution of certain employees of the Group to the growth of the Group and/or to the listing of Shares on the Stock Exchange, and to attract, retain and motivate high calibre employees prior to the Listing Date. While no firm decision has been made by the Board, it is currently contemplated that options will be granted under the Pre-Listing Scheme to Eligible Employees of senior manager grade and above who are employees of the Group prior to the Listing Date and that the number of options granted to each such employee will depend on that employee's salary and the aggregate number of options proposed to be made available to Eligible Employees of that grade as a group.

It is therefore proposed that approval be given at the EGM for the adoption by Shareholders of the Pre-Listing Scheme. The Pre-Listing Scheme will take effect if approved by the Shareholders at that EGM and is conditional upon the SFC (for the same reason as above) granting approval of the Pre-Listing Scheme, any options which may be granted thereunder and the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options granted under the Pre-Listing Scheme.

Under the Pre-Listing Scheme, the maximum number of Shares in respect of which options may be granted (together with options exercised and options then outstanding) shall not exceed such number of Shares as shall represent 3.5 per cent. of the issued share capital of the Company from time to time, excluding for this purpose any Shares issued on the exercise of options granted pursuant to the Pre-Listing Scheme or any such other scheme. The subscription price for a Share in respect of any particular option granted under the Pre-Listing Scheme shall be determined by the Board based on the following formula:

$$P = 80\% (A \times B)$$

where:

**P** is the subscription price;

**A** is 18.81, a price/earnings multiple determined by reference to the price/earning multiples of various financial companies listed on the Stock Exchange and/or overseas; and

**B** is the earnings of the Group based on its audited combined results for the year ended 31st December 1999 as if the current group structure had been in existence throughout the year divided by 1,040,664,846 Shares in issue.

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## LETTER FROM THE BOARD OF DIRECTORS

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*Note:* The Directors consider it appropriate to apply a discount of 20 per cent. which would be the maximum permitted discount under the Listing Rules applicable to the Post-Listing Scheme.

Whilst the audited figures for the year ended 31st December, 1999 are not yet available, it is expected that the subscription price for a Share will be approximately \$7.50.

Application will be made to the SFC for the approval of the Pre-Listing Scheme and the subsequent granting of options thereunder and for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Pre-Listing Scheme. It is expected such approval by the SFC will be given concurrently with the approval of the proposed listing of the Company by the SFC. However, there can be no assurance that such approval will be given by the SFC.

The resolution set out as Ordinary Resolution No. 2 in the notice of the EGM will be proposed to approve the adoption of the Pre-Listing Scheme. **As required by the Listing Rules, Shareholders who are Eligible Employees must abstain from voting on such resolution.**

#### 4. GENERAL MANDATE TO ISSUE SHARES

The Directors believe that it is in the interests of the Company to have a general authority from Shareholders to allow the Company to issue, allot and dispose of Shares without having to incur the delay and expense in seeking Shareholders' approval each time the Company would like to issue Shares. While the Directors have no immediate plans to issue new Shares, the Directors believe that such a general authority would provide the Company with the flexibility to take advantage of any attractive fund raising or other opportunities speedily and efficiently. The Directors confirm that such a general authority is regularly given by shareholders of listed companies in Hong Kong.

As such, two ordinary resolutions set out as Ordinary Resolutions Nos. 3 and 5 in the notice of the EGM will be proposed at the EGM, the first, to grant the Directors a general mandate to issue, allot and dispose of additional Shares, provided that the aggregate amount of Shares issued, allotted and disposed of shall not exceed 20 per cent. of the nominal value of the issued share capital of the Company as at the date of such resolution and the second, to add to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company after the granting of the general mandate to repurchase shares described in section 5 below.

#### 5. GENERAL MANDATE TO REPURCHASE SHARES

The Directors also believe that it is in the interests of the Company to have the ability once listed to repurchase its Shares in the market on the Stock Exchange. An ordinary resolution set out as Ordinary Resolution No. 4 in the notice of the EGM will therefore be proposed for Shareholders to grant to the Directors a general mandate to repurchase Shares, the

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## LETTER FROM THE BOARD OF DIRECTORS

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aggregate nominal amount of which shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of the resolution. The Directors confirm that such a general authority is regularly given by shareholders of listed companies in Hong Kong and that they have no immediate plans to repurchase any Shares pursuant to such mandate.

The Explanatory Statement required by the Listing Rules to be sent to Shareholders in connection with the proposed repurchase resolution is set out in Appendix III to this circular. This contains all the information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the repurchase resolution set out as Ordinary Resolution No. 4.

### 6. EXTRAORDINARY GENERAL MEETING

The notice convening the EGM to be held at Conference Room 401, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong at 5:00 p.m. on 31st, May, 2000 is set out on pages 19 to 22 of this circular. At the EGM, ordinary resolutions will be proposed to:

- approve the adoption of the Post-Listing Scheme;
- approve the adoption of the Pre-Listing Scheme;
- grant to the Directors a general mandate to authorise the Directors to allot, issue and deal with Shares with an aggregate nominal value not exceeding 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of such resolution;
- grant to the Directors a general mandate to exercise all powers of the Company to repurchase on the Stock Exchange Shares representing up to 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the repurchase resolution; and
- extend the general mandate which will be granted to the Directors to issue, allot and deal with additional Shares by adding to it the number of Shares repurchased pursuant to the repurchase mandate.

A form of proxy for the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's Registrar, HKSCC Registrars Limited, at 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting should you so wish.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 7. RECOMMENDATIONS

The Directors consider that the adoption of the Share Option Schemes and the general mandates to repurchase Shares and to issue new Shares are in the best interests of the Company and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the EGM.

### 8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of the Company at 12th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong during normal business hours up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company; and
- (ii) a draft (subject to such modification as may be approved by the SFC) of the rules of each of the Pre-Listing and Post-Listing Schemes.

Yours faithfully,

By order of the Board of

**HONG KONG EXCHANGES AND CLEARING LIMITED**

**Lee Yeh Kwong, Charles**

*Chairman*

The following is a summary of the principal terms of the Post-Listing Scheme proposed to be adopted by the Company:

**(a) Who may participate**

The Board may, in its discretion, offer any employees or executive directors of the Company or of any of its Subsidiaries, options to subscribe for such number of Shares as the Board may determine at a subscription price determined in accordance with paragraph (b) below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

**(b) Subscription price**

The subscription price of a Share in respect of any particular option granted under the Post-Listing Scheme shall be such price as the Board may in its absolute discretion determine, save that such price will not be less than the higher of (i) the nominal value of a Share, and (ii) 80% of the average of the closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option.

**(c) Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted under the Post-Listing Scheme, when aggregated with the maximum number of Shares in respect of which options may be granted under any other executive and/or employee share option scheme of the Company, shall be such number which shall represent 10% of the issued share capital of the Company from time to time, excluding for this purpose Shares issued on the exercise of options granted pursuant to the Post-Listing Scheme or any such other scheme. The maximum number of Shares at the commencement of the Post-Listing Scheme shall be 104,066,484 Shares, assuming no options will have been granted under the Pre-Listing Scheme at such time. Further details are contained in paragraph 8.1 of the rules of the Post-Listing Scheme.

**(d) Maximum number of options to any one individual**

No option may be granted to any one person which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the aggregate number of Shares issued and issuable under all the options which may be granted under the Post-Listing Scheme at the time it is proposed to grant the relevant option to that person.

**(e) Time of exercise of option**

An option may be exercised in accordance with the terms of the Post-Listing Scheme at any time during a period to be notified by the Board to each grantee. Such period may

commence on the second anniversary of the date upon which the option is offered (at the earliest) and in any event shall end not later than the 10 years from the date upon which the option is granted and accepted, subject to the provisions for early exercise and/or termination contained in the Post-Listing Scheme.

Subject to any early vesting of options described in paragraphs (j), (k) and (l) below, options granted under the Post-Listing Scheme will vest as follows:

| <b>Date</b>   | <b>Percentage of Shares<br/>comprised in an option<br/>which is exercisable</b> |
|---|---|
| Before the 2nd anniversary of the date on which the option is offered to the Eligible Employee (the “Offer Date”) | Zero  |
| From the 2nd anniversary to the date immediately before the 3rd anniversary of the Offer Date                     | 25 per cent.  |
| From the 3rd anniversary to the date immediately before the 4th anniversary of the Offer Date                     | 50 per cent.  |
| From the 4th anniversary to the date immediately before the 5th anniversary of the Offer Date                     | 75 per cent.  |
| From the 5th anniversary of the Offer Date and thereafter   | 100 per cent.   |

**(f) Rights are personal to grantee**

An option is personal to the grantee and shall not be assignable, and no grantee may in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option.

**(g) Rights on death/ceasing employment**

If the grantee of an option ceases to be an employee of the Company or any Subsidiary for any reason other than his death or the termination of his employment by reason of misconduct or certain other grounds, the grantee may exercise the option up to the grantee’s vested entitlement at the date of cessation of his employment (to the extent vested and not already exercised) within the period of one month from the date of such cessation, which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

If the grantee of an option ceases to be an employee of the Company or the relevant Subsidiary by reason of his death, his personal representative(s) may exercise the option in full (to the extent vested and not already exercised) within a period of 12 months from the date of death, or such longer period as the Board may determine, failing which it will lapse.

**(h) Rights on dismissal**

If the grantee of an option leaves the service of the Company or the relevant Subsidiary by reason of misconduct or on certain other grounds, his option (to the extent not already exercised) will thereupon lapse.

**(i) Effect of alterations to capital**

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, such corresponding adjustments (if any) shall be made to the number or nominal amount of Shares in respect of which options may be granted subject to outstanding options so far as unexercised; and/or the aggregate number of Shares subject to outstanding options; and/or the subscription price per Share of each outstanding option; and/or the method of exercise of the option, as the auditors of the Company shall certify in writing to the Board to be in their opinion fair and reasonable. Any such alterations will be made on the basis that the proportion of the issued share capital of the Company to which a grantee is entitled after such adjustment shall remain as nearly as possible the same as but no greater than that to which he was entitled before such adjustment. No such adjustment will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares as consideration in a transaction is not to be regarded as a circumstance requiring any such adjustments.

**(j) Rights on a general offer**

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares, the Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms *mutatis mutandis*, and assuming that they will become, by the exercise in full of the option granted to them, Shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the grantee shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

**(k) Rights on winding up**

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court is made for the winding-up of the Company, the Company shall give notice thereof (“winding-up notice”) to all grantees on the same day as such resolution is passed or order is made. The grantee may by notice in writing to the Company within 21 days after the date of the winding-up notice elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the grantee’s notice, such notice to be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the grantee will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election.

**(l) Rights on a compromise or arrangement**

If, pursuant to the Companies Ordinance, a compromise or arrangement between the Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all grantees on the same date as it despatches to each Shareholder or creditor of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon on the day immediately preceding the date of the meeting directed to be convened by the Court for the purposes of consideration such compromise or arrangement. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine.

**(m) Ranking of Shares**

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles of the Company and will rank *pari passu* with the other fully-paid Shares in issue on the date of issue, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of issue.

**(n) Period of Post-Listing Scheme**

Subject to earlier termination by the Company in general meeting, the Post-Listing Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Post-Listing Scheme by Shareholders.

**(o) Alteration of Post-Listing Scheme**

The provisions of the Post-Listing Scheme relating to, among other things, the following matters cannot be altered to the advantage of the participants without the prior approval of Shareholders in general meeting:

- (i) the participants;
- (ii) the total amount of the securities subject to the Post-Listing Scheme;
- (iii) the fixed maximum entitlement for participants;
- (iv) the period within which the securities must be taken up;
- (v) the basis for determining the subscription price;
- (vi) the voting, dividend, transfer and other rights, including those arising on liquidation of the Company, attaching to the securities and to any options (if appropriate);
- (vii) the duration of the Post-Listing Scheme; and
- (viii) the provisions for the adjustment of the subscription price or the number or amount of securities subject to options already granted and to the Post-Listing Scheme, in the event of a capitalisation issue, rights issue, sub-division, consolidation of Shares or reduction of capital.

Any alterations to the terms and conditions of the Post-Listing Scheme which are of a material nature shall be subject to the approval of the SFC save where the alterations take effect automatically under the existing terms of the Post-Listing Scheme.

**(p) Condition of the Post-Listing Scheme**

The Post-Listing Scheme is conditional on the SFC granting approval of such scheme and the grant of options thereunder and granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options granted pursuant thereto.

The principal terms of the Pre-Listing Scheme are the same as the terms of the Post-Listing Scheme set out in Appendix I except for the following amendments:

**(a) Subscription price**

The subscription price for a Share in respect of any particular option granted shall be determined by the Board based on the following formula:

$$P = 80\% (A \times B)$$

where:

**P** is the subscription price;

**A** is 18.81, a price/earnings multiple determined by reference to the price/earning multiples of various financial companies listed on the Stock Exchange and/or overseas; and

**B** is the earnings of the Group based on its audited combined results for the year ended 31st December 1999 as if the current group structure had been in existence throughout the year divided by 1,040,664,846 Shares in issue.

**(b) Maximum number of Shares**

The maximum number of Shares in respect of which options may be granted (together with options exercised and options then outstanding) subject to the Pre-Listing Scheme shall be such number which shall represent 3.5 per cent. of the issued share capital of the Company from time to time. The maximum number of Shares at the commencement of the Pre-Listing Scheme shall be 36,423,269 Shares. Further details are contained in paragraph 8.1 of the rules of the Pre-Listing Scheme.

**(c) When options may be granted**

The Directors may offer to grant options under the Pre-Listing Scheme between the date on which the scheme is approved by Shareholders and the Listing Date (including the former but excluding the latter). No offer to grant any options under the Pre-Listing Scheme will be made on or after the Listing Date.

**(d) Time of exercise of option**

An option may be exercised in accordance with the terms of the Pre-Listing Scheme at any time during a period to be notified by the Board to each grantee. Such period may commence on the second anniversary of the Merger Date (at the earliest) and in any event shall end not later than the 10 years from the date upon which the option is granted and accepted, subject to the provisions for early exercise and/or termination contained in the Pre-Listing Scheme.

Subject to any early vesting of options described in paragraphs (j), (k) and (l) of Appendix I, options granted under the Pre-Listing Scheme will vest as follows:

| <b>Date</b>   | <b>Percentage of Shares<br/>comprised in an option<br/>which is exercisable</b> |
|---|---|
| Before the 2nd anniversary of the Merger Date   | Zero  |
| From the 2nd anniversary to the date immediately before<br>the 3rd anniversary of the Merger Date | 25 per cent.  |
| From the 3rd anniversary to the date immediately before<br>the 4th anniversary of the Merger Date | 50 per cent.  |
| From the 4th anniversary to the date immediately before<br>the 5th anniversary of the Merger Date | 75 per cent.  |
| From the 5th anniversary of the Merger Date and thereafter  | 100 per cent.   |

This appendix serves as an explanatory statement given to Shareholders as required under the Listing Rules in connection with the proposed general mandate for the repurchase by the Company of its own shares (the “Repurchase Mandate”) and also constitutes the memorandum required under section 49BA of the Companies Ordinance.

- (i) Exercise in full of the Repurchase Mandate, on the basis of 1,040,664,846 shares of HK\$1.00 each in the share capital of the Company (the “Shares”) in issue immediately after the listing of the Shares on the Stock Exchange would accordingly result in up to 104,066,484 Shares being repurchased by the Company during the period prior to the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the Company’s Articles or the Companies Ordinance or any other applicable laws of Hong Kong to be held or when revoked or varied by an ordinary resolution of the Shareholders in general meeting of the Company, whichever occurs first.

The Shares proposed to be repurchased by a company must be fully paid up. The total number of securities which a company is authorised to repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10 per cent. of its existing issued share capital and outstanding warrants to subscribe for shares in the company representing up to 10 per cent. of all such warrants then outstanding at the date of the relevant approving resolution. A company may not make or announce a proposed issue of new securities of the type that has been repurchased for a period of 30 days immediately following a repurchase of securities, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities, which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange (or in the case of the Company, the SFC). In addition, all repurchases of securities on the Stock Exchange in any given calendar month are limited to a maximum of 25 per cent. of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from making repurchases of its own securities on the Stock Exchange if the repurchase would result in the number of that company’s listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Listing Rules.

The Listing Rules further prohibit a company from purchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

The Company shall procure that any broker appointed by it to effect the repurchase of securities shall disclose to the SFC such information with respect to repurchases made on behalf of the Company as the SFC may request.

- (ii) The Directors believe that it is in the best interests of the Company and Shareholders to have a general authority from Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.
- (iii) In repurchasing securities, the Company may only apply funds legally available for such purchase in accordance with its Memorandum and Articles of the Company, the laws of Hong Kong and the Listing Rules. Repurchases pursuant to the Repurchase Mandate will be made out of funds of the Company legally permitted to be utilised in this connection, including capital paid up on the repurchased Shares or out of the funds of the Company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for such purpose. Any premium payable on a purchase over the par value of the Shares to be purchased must be provided for out of funds of the Company otherwise available for dividend or distribution or out of sums standing to the credit of the Company's share premium account.
- (iv) The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company. However, there might be a material adverse impact on the working capital or gearing position of the Company, as compared with the position disclosed in any listing document to be issued by the Company in connection with the proposed listing, in the event that the Repurchase Mandate is exercised in full.
- (v) None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, their respective associates (as defined in the Listing Rules), have any present intention, if the Repurchase Mandate is approved by Shareholders and exercised, to sell any Shares to the Company or its Subsidiaries.
- (vi) The Directors will undertake to the SFC that, so far as the same may be applicable, they will exercise the Repurchase Mandate only in accordance with the Listing Rules and the applicable laws of Hong Kong.
- (vii) If as a result of a repurchase of securities pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). Accordingly, a shareholder or a group of shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the shareholders' interest, could obtain or consolidate control of the Company and thereby become obliged to make a

mandatory offer in accordance with Rule 26 of the Code, and provisions of the Code may otherwise apply as a result of any such increase. At present, the Directors are not aware of any consequences which would arise under the Code as a consequence of any repurchases made pursuant to the Repurchase Mandate.

(viii) The Listing Rules prohibit a company from knowingly repurchasing its securities on the Stock Exchange from a “connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or an associate (as defined in the Listing Rules) of any of them, and a connected person is prohibited from knowingly selling his securities in the company back to the company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## **GENERAL**

The Listing Rules provide that the listing of all repurchased securities (whether on the Stock Exchange or otherwise) are automatically cancelled and delisted upon purchase and the relevant company must apply for listing of any further issue of that type of securities in the normal way. The certificates for the securities must be cancelled and destroyed.

The Listing Rules require any securities repurchase programme to be suspended after a price sensitive development has occurred or has been the subject of a decision of the directors of the relevant company until such time as the price sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of a company’s annual results or the publication of the company’s interim report, a company (other than an investment company listed pursuant to the provisions of Chapter 21 of the Listing Rules) may not repurchase securities on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange (in the case of the Company, the SFC) reserves the right to prohibit the repurchase of securities on the Stock Exchange if a company breaches the Listing Rules.

Under the Listing Rules, repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange (in the case of the Company, the SFC and the Stock Exchange) by not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company’s annual report is required to disclose details regarding securities repurchases made during the year, including the number of securities repurchased each month, the repurchase price for each such security or the highest and lowest price paid for each repurchase where relevant, and the aggregate price paid for such purchases. The directors’ report is required to refer to the purchases made during the year and the directors’ reasons for making such purchases.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Hong Kong Exchanges and Clearing Limited

香港交易及結算所有限公司

*(incorporated in Hong Kong with limited liability)*

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of the shareholders of Hong Kong Exchanges and Clearing Limited (the “Company”) will be held at Conference Room 401, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on 31st May, 2000 at 5:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as Ordinary Resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon the Securities and Futures Commission (the “SFC”) granting approval of the Post-Listing Scheme (the draft rules of which, subject to such amendments as may be approved by the SFC, are set out in the document marked “A” produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and any options which may be granted thereunder and the listing of and permission to deal in any shares falling to be issued pursuant to the exercise of any such options, approval be and it is hereby given to the adoption by the Company of the Post-Listing Scheme and the Directors of the Company be and they are hereby authorised to grant options to subscribe for shares thereunder and to allot, issue and deal with shares pursuant to the exercise of options granted thereunder and to do all acts and things as they may consider necessary or expedient to implement the rules of the Post-Listing Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same.”
2. **“THAT** subject to and conditional upon the Securities and Futures Commission (the “SFC”) granting approval of the Pre-Listing Scheme (the draft rules of which, subject to such amendments as may be approved by the SFC, are set out in the document marked “B” produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and any options which may be granted thereunder and the listing of and permission to deal in any shares falling to be issued pursuant to the exercise of any such options, approval be and it is hereby given to the adoption by the Company of the Pre-Listing Scheme and the Directors of the Company be and they are hereby authorised to grant options to subscribe for shares thereunder and to allot, issue and deal with shares pursuant to the exercise of options granted thereunder and to do all acts and things as they may consider necessary or expedient to implement the rules of the Pre-Listing Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. “**THAT** subject to and conditional upon the Securities and Futures Commission granting the listing of, and permission to deal in, the shares of the Company in issue:

- (a) subject to paragraph (c) below and pursuant to section 57B of the Companies Ordinance, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares of HK\$1.00 each in the capital of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and it is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) 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 the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue, (ii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its Subsidiaries of shares or rights to acquire shares of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company 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 the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held;
- (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register 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 the Company 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 the Company).”

4. “**THAT** subject to and conditional upon the Securities and Futures Commission (the “**SFC**”) granting the listing of, and permission to deal in, the shares of the Company in issue:

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all powers of the Company to repurchase securities of the Company on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of securities which the Company 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 the Company 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 the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held;
- (iii) the date of the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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5. “**THAT** subject to and conditional upon the Securities and Futures Commission granting the listing of, and permission to deal in, the shares of the Company in issue and subject to the passing of Resolution Nos. 3 and 4 set out in the notice convening this meeting, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot issue and deal with additional shares pursuant to Resolution No. 3 set out in the notice convening this meeting be and it is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company under the authority granted pursuant to Resolution No. 4 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 the Company at the date of the said Resolution.”

By order of the Board of  
**HONG KONG EXCHANGES AND CLEARING LIMITED**  
**Lee Yeh Kwong, Charles**  
*Chairman*

Hong Kong, 15th May, 2000

*Registered Office:*

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

**Notes:**

- (1) A member entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead in accordance with the Company’s articles of association. A proxy need not be a member of the Company.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the extraordinary general meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the extraordinary general meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the enclosed form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong), must be deposited at the office of the Company’s Registrar, HKSCC Registrars Limited at 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, not less than 48 hours before the time fixed for holding the extraordinary general meeting or adjourned meeting (as the case may be).