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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, 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 form of proxy to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**Hong Kong Exchanges and Clearing Limited**

**香港交易及結算所有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 388)

**NOTICE OF ANNUAL GENERAL MEETING  
AND PROPOSALS FOR  
APPOINTMENT OF DIRECTORS,  
GENERAL MANDATE TO REPURCHASE SHARES,  
PAYMENT OF REMUNERATION TO NON-EXECUTIVE DIRECTORS, AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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The Notice convening the annual general meeting of Hong Kong Exchanges and Clearing Limited to be held at the Trading Hall of The Stock Exchange of Hong Kong Limited at 1st Floor, One and Two Exchange Square, Central, Hong Kong on Tuesday, 12 April 2005 at 4:30 p.m. at which the above proposals will be considered, is set out in this circular on pages 23 to 29.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's registrar, Hong Kong Registrars Limited, at 46/F, Hopewell Centre, 183 Queen's Road East, 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 meeting or any adjourned meeting should you so wish.

9 March 2005

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## DEFINITIONS

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

“2003 AGM”	the annual general meeting of HKEx held on 15 April 2003;
“2004 AGM”	the annual general meeting of HKEx held on 31 March 2004;
“2005 AGM”	the annual general meeting of HKEx to be held at the Trading Hall of the Stock Exchange at 1st Floor, One and Two Exchange Square, Central, Hong Kong on Tuesday, 12 April 2005 at 4:30 p.m., notice of which is set out on pages 23 to 29 of this circular or, where the context so admits, any adjournment thereof;
“Articles of Association”	the articles of association of HKEx, as originally adopted, or as from time to time altered in accordance with the Companies Ordinance;
“Board”	the board of Directors of HKEx;
“Company” or “HKEx”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange;
“Companies Ordinance” or “Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Director(s)”	the director(s) of HKEx;
“Latest Practicable Date”	2 March 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“SFC”	the Securities and Futures Commission;
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“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
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers.

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## LETTER FROM THE BOARD OF DIRECTORS

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### Hong Kong Exchanges and Clearing Limited

香港交易及結算所有限公司

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 388)

*Independent Non-executive Directors:*

LEE Yeh Kwong, Charles, *Chairman*

FAN Hung Ling, Henry

FONG Hup

FRESHWATER, Timothy George

KWOK Chi Piu, Bill

LEE Jor Hung, Dannis

LEE Kwan Ho, Vincent Marshall

LEONG Ka Chai

LO Ka Shui

STRICKLAND, John Estmond

WEBB, David Michael

WONG Sai Hung, Oscar

*Registered Office:*

12th Floor

One International Finance Centre

1 Harbour View Street

Central

Hong Kong

*Executive Director:*

CHOW Man Yiu, Paul, *Chief Executive*

9 March 2005

*To the Shareholders*

Dear Sir or Madam,

**NOTICE OF ANNUAL GENERAL MEETING  
AND  
PROPOSALS FOR  
APPOINTMENT OF DIRECTORS,  
GENERAL MANDATE TO REPURCHASE SHARES,  
PAYMENT OF REMUNERATION TO NON-EXECUTIVE DIRECTORS, AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

#### **1. INTRODUCTION**

The purpose of this circular is to give you notice of the 2005 AGM, and information on matters to be dealt with at the 2005 AGM. They are: (i) appointment of Directors; (ii) grant of general mandate to repurchase Shares; (iii) payment of remuneration to non-executive Directors; and (iv) amendments to the Articles of Association.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 2. APPOINTMENT OF DIRECTORS

The Board currently consists of thirteen Directors, including:

- (i) six Directors appointed by the Financial Secretary (“Government Appointed Directors”), namely Mr Charles Y K Lee, Mr Henry H L Fan, Mr Fong Hup, Mr Timothy G Freshwater, Mr Leong Ka Chai and Dr Lo Ka Shui. The terms of office of Mr Fan, Mr Fong and Mr Leong will expire at the conclusion of the 2005 AGM, while Mr Lee, Mr Freshwater and Dr Lo will hold office until the conclusion of the annual general meeting to be held in 2006;
- (ii) six Directors appointed by the Shareholders (“Elected Directors”), namely Dr Bill C P Kwok, Mr Dannis J H Lee, Mr Vincent K H Lee, Mr John E Strickland, Mr David M Webb and Mr Oscar S H Wong. Dr Kwok, Mr Dannis Lee, Mr Vincent Lee, Mr Webb and Mr Wong were elected by the Shareholders at the 2003 AGM. Pursuant to Article 93 of the Articles of Association, Mr Wong retired as a director and was re-elected by the Shareholders at the 2004 AGM. Pursuant to Article 92 of the Articles of Association, Mr Strickland, a Director appointed by the Board to fill a casual vacancy after the 2003 AGM, retired as a director and was elected at the 2004 AGM; and
- (iii) the Chief Executive of the Company, Mr Paul M Y Chow, as an *ex-officio* Director.

According to Articles 93(1) and (2) of the Articles of Association, at every annual general meeting after the 2003 AGM, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third of the Directors shall retire from office. The Government Appointed Directors and the Chief Executive are not subject to retirement by rotation. Article 93(3) further provides that the Directors to retire by rotation on each occasion shall be those who have been longest in office since their last appointment or re-appointment, but as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots. Article 93(5) provides that a retiring Director is eligible for re-appointment.

Pursuant to Article 93(3), lots have been drawn and Dr Bill C P Kwok and Mr Vincent K H Lee shall retire at the conclusion of the 2005 AGM. Both of them are eligible for re-appointment.

Shareholders are invited to elect up to two Elected Directors at the 2005 AGM to fill the vacancies available due to the retirement of the two said Directors. In light of the proposed amendments to the Articles of Association to provide that all Directors other than the Chief Executive of HKEx will be appointed for a specific term of no more than three years (see Section 5 (Amendments to the Articles of Association) below), it is proposed that the two Directors to be elected at the 2005 AGM be appointed for a specific term of three years expiring at the conclusion of the Company’s annual general meeting to be held in 2008.

Article 90(2) of the Articles of Association provides that no person (other than a Director retiring in accordance with the Articles of Association) shall be appointed or re-appointed as an Elected Director at any general meeting unless:

- (a) he is recommended by the Board; or

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## LETTER FROM THE BOARD OF DIRECTORS

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- (b) not earlier than the day after the despatch of the notice of the meeting and not later than seven days prior to the date appointed for the meeting there has been given to the Secretary of the Company, by a Shareholder (other than the person to be proposed) entitled to vote at the meeting, notice of his intention to propose a resolution for the appointment or reappointment of that person and a notice executed by that person of his willingness to be appointed or reappointed.

Accordingly, if a Shareholder wishes to nominate a person to stand for election as a Director, the following documents must be validly served on the Secretary of the Company, namely (i) his notice of intention to propose a resolution and (ii) a notice executed by the nominated candidate of his willingness to be appointed or reappointed together with (A) the candidate's biographical information referred to under the heading "Requisite information of the candidate(s) nominated by Shareholders" below and (B) the candidate's written consent to the publication of his personal data.

In order to ensure the smooth handling of Shareholders' proposals, Shareholders are urged to submit their proposals as early as practicable, preferably before 23 March 2005 so that a supplementary circular containing particulars of the candidates proposed by Shareholders can be despatched to Shareholders, and an announcement can be placed in the newspapers on or about 24 March 2005.

### **Requisite information of the candidate(s) nominated by Shareholders**

In order to enable Shareholders to make an informed decision on their election, the said notice of intention to propose a resolution by a Shareholder should be accompanied by the following information on the nominated candidate:

- (a) full name and age;
- (b) positions held with HKEx and other members of HKEx group (if any);
- (c) previous experience including other directorships in listed public companies in the last three years and other major appointments and qualifications;
- (d) current employment and such other information (which may include business experience and professional qualifications and educational background) of which Shareholders should be aware, pertaining to the ability or integrity of the candidate;
- (e) length or proposed length of service with HKEx (if any);
- (f) relationships with any Directors or senior management of HKEx, or an appropriate negative statement;
- (g) interests in shares of HKEx within the meaning of Part XV of the SFO, or an appropriate negative statement; and
- (h) contact details and a copy of the candidate's Hong Kong identity card, or if it is not available, a copy of his passport for reference only.

The Shareholder proposing the candidate will be required to read out aloud the proposed resolution, as set out in Appendix I under the heading "Resolutions and Voting", at the 2005 AGM.

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## LETTER FROM THE BOARD OF DIRECTORS

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

The Nomination Committee comprising three independent non-executive Directors, namely, Mr Charles Y K Lee, Dr Bill C P Kwok and Mr Oscar S H Wong, has nominated, and the Board has recommended Dr Bill C P Kwok and Mr Vincent K H Lee to stand for re-election as Directors at the 2005 AGM. Their biographical details are set out in Appendix I to this circular, which also contains an explanation of the resolutions and voting procedures in relation to the election of Directors at the 2005 AGM.

The Nomination Committee is also responsible for, inter alia, assessing the independence of an independent non-executive Director. In assessing the independence of Dr Bill C P Kwok and Mr Vincent K H Lee, the Nomination Committee has reviewed their affirmation of independence declared pursuant to Rule 3.13 of the Listing Rules as well as the connected transactions, if any, as disclosed in the 2004 Annual Report. The Nomination Committee considers that Dr Bill C P Kwok and Mr Vincent K H Lee are independent for these purposes.

### **Government Appointed Directors**

As for the Government Appointed Directors, the terms of office of Mr Henry H L Fan, Mr Fong Hup and Mr Leong Ka Chai will expire at the conclusion of the 2005 AGM. The Financial Secretary has not yet informed HKEx of the persons whom he intends to appoint or re-appoint as Directors with effect from the conclusion of the 2005 AGM. A press release will be issued once HKEx has received the notices of appointment from the Financial Secretary.

## **3. GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES**

### **General mandate to issue Shares**

At the 2004 AGM, an ordinary resolution was passed to grant a general mandate to the Directors to issue Shares not exceeding 20 per cent of the aggregate nominal amount of the share capital of HKEx in issue on the date of the annual general meeting (the "Issue Mandate"). The Board, after due and careful consideration, has decided not to seek renewal of the Issue Mandate at the 2005 AGM since there is no immediate need to raise equity capital in the foreseeable future and the mandate has not been exercised so far. If capital raising through an issue of Shares is required in the future, the Company will seek any necessary Shareholders' approval at the relevant time.

### **General mandate to repurchase Shares**

At the 2004 AGM, an ordinary resolution was passed to grant a general mandate to the Directors to repurchase Shares. This general mandate will lapse at the conclusion of the 2005 AGM. An ordinary resolution will be proposed at the 2005 AGM to grant to the Directors a general mandate to repurchase Shares, the aggregate nominal amount of which does not exceed 10 per cent of the aggregate nominal amount of the share capital of HKEx in issue on the date of the passing of the relevant resolution (the "Repurchase Mandate").

Shareholders are referred to the notice of the 2005 AGM, set out on pages 23 to 29, for details of the resolution on this general mandate which will be considered at the 2005 AGM. With reference to this resolution, the Board wishes to state that it has no immediate plans to repurchase any Shares pursuant to the Repurchase Mandate.

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## LETTER FROM THE BOARD OF DIRECTORS

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An explanatory statement, as required by the Listing Rules to be sent to Shareholders in connection with the Repurchase Mandate, is set out in Appendix II to this circular. This contains all the information reasonably necessary to enable Shareholders to make an informed decision on whether or not to vote for or against the ordinary resolution to grant the Repurchase Mandate at the 2005 AGM.

#### **4. PAYMENT OF ORDINARY REMUNERATION TO NON-EXECUTIVE DIRECTORS**

At the 2004 AGM, Shareholders approved that the remuneration of a non-executive Director remained unchanged at the sum of HK\$100,000 for an individual's services to the Company during the period from the conclusion of the 2004 AGM to the conclusion of the 2005 AGM. Payment will be made after the conclusion of the 2005 AGM. A Director who has not served the entire period will receive payment in proportion to his period of service.

Article 88(1) of the Articles of Association of the Company provides that ordinary remuneration to Directors shall from time to time be determined by the Company in general meeting. During 2004, a review on the adequacy of non-executive Directors' remuneration was conducted by the Company with reference to companies of comparable business or scale, with an aim to fairly remunerate the non-executive Directors in view of their public accountability and time and effort spent on the Board and various committees and/or panels' meetings. The Remuneration Committee, comprising Dr Lo Ka Shui, Mr Dannis J H Lee and Mr Vincent K H Lee, has recommended raising the remuneration of a non-executive Director from HK\$100,000 to HK\$240,000. In making this recommendation, the Remuneration Committee has considered the results of a survey report on the remuneration of independent non-executive directors among over 100 Main Board listed companies published by a leading human resources consulting company, and the remuneration survey conducted by the Company on Hang Seng Index ("HSI") companies as well as certain regulatory bodies in the financial sector. Based on the above, the proposed remuneration of HK\$240,000 is comparable to the mean of the average annual non-executive director's fees paid among Main Board listed companies (HK\$212,158) and the median of the fees paid by exchanges with publicly traded shares (HK\$256,484). It is also very close to the annual non-executive director's fees of the SFC (HK\$234,000) and the mean of the average annual non-executive director's fee of the HSI constituent companies (HK\$230,262).

Accordingly, an ordinary resolution will be proposed at the 2005 AGM for Shareholders to consider and if thought fit, approve the remuneration of HK\$240,000 to each non-executive Director for services provided to the Company for the ensuing year calculated from the conclusion of the 2005 AGM to the conclusion of the annual general meeting to be held in 2006. The Remuneration Committee considers that the proposed remuneration is reasonable. Payment will be made in proportion to the period of service in the case of a Director who has not served the entire period.

#### **Voting on the Remuneration Resolution**

In accordance with the principles as set out in the Code on Corporate Governance Practices of the Listing Rules, no director should be involved in deciding his own remuneration. To demonstrate good corporate governance practices, all non-executive Directors of HKEx who are Shareholders will abstain from voting on the proposed resolution relating to the proposed remuneration of non-executive Directors at the 2005 AGM.

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## LETTER FROM THE BOARD OF DIRECTORS

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### 5. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

#### **Service Term of Directors**

The Listing Rules have recently been amended by the Stock Exchange by replacing the Code of Best Practice in Appendix 14 by a new Code on Corporate Governance Practices (the “CG Code”) and adding a new Appendix 23 on the requirements for a Corporate Governance Report to be included in annual reports of listed issuers. Subject to certain transitional arrangements, the amendments took effect on 1 January 2005.

HKEx has reviewed its corporate governance practices with reference to the Code Provisions of the CG Code and believes that it has complied with all requirements except for certain deviations relating to Code Provisions A.4.1 and A.4.2 which recommend that (a) non-executive directors should be appointed for a specific term, subject to re-election, (b) every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years, and (c) all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

According to Article 93, at every annual general meeting after the 2003 AGM, one-third of the Elected Directors shall retire and are eligible for re-election. The Government Appointed Directors and the Chief Executive are not subject to retirement by rotation. The Directors to retire by rotation shall be those who have been longest in office since their last appointment or re-appointment. However, as between persons who became or were last re-appointed on the same day, those to retire shall be determined by drawing of lots (unless they otherwise agree among themselves). As there are six Elected Directors, and one-third of them must retire annually by rotation, barring unforeseen resignations or retirements during a year, each Elected Director is effectively appointed for an average term of three years.

Furthermore, existing Article 92 provides that any Director appointed by the Directors to fill a casual vacancy or as an addition to their number will hold office until the next annual general meeting.

To ensure full compliance with the CG Code, the Directors propose to amend the Articles of Association to: (a) specify that all Directors (Government Appointed Directors and Elected Directors), other than the Chief Executive who shall be subject to the term established under his employment contract with HKEx, will be appointed for a specific term of no more than three years, but be eligible for re-appointment upon retirement, and (b) require that any Director appointed by the Board to fill a casual vacancy should be subject to election by Shareholders at the first general meeting of HKEx after such Director’s appointment.

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

In the light of the CG Code and the proposed amendments to the Articles of Association, the term of office of the two Directors to be appointed or re-appointed at the 2005 AGM will be fixed for a period of three years until the conclusion of the Company’s annual general meeting to be held in 2008.

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## LETTER FROM THE BOARD OF DIRECTORS

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In addition, at the 2005 AGM Shareholders will be asked to fix the service term of the remaining four Elected Directors, namely, Messrs Dannis J H Lee, David M Webb, John E Strickland and Oscar S H Wong (all of whom have agreed to the fixing of their terms), as follows:

- Messrs Dannis J H Lee and David M Webb, who were elected by the Shareholders at the 2003 AGM, will continue in office until the conclusion of the annual general meeting to be held in 2006; and
- Messrs John E Strickland and Oscar S H Wong, who were re-appointed by the Shareholders at the 2004 AGM, will continue in office until the annual general meeting to be held in 2007.

The effect of electing two new Directors at the 2005 AGM for a specific three year term and the fixing of the continuing four Elected Directors' terms as detailed above is that within three years, each of the Elected Directors' respective terms of service will end, thus satisfying the CG Code's rotation requirement in an organised fashion. Accordingly, amendments to the Articles of Association will also be proposed for Shareholders' approval at the 2005 AGM which would delete various provisions regarding retirement by rotation that will no longer be necessary as Directors continue to be elected for specific terms of no more than three years.

### *Government Appointed Directors*

All Directors currently appointed by the Financial Secretary under section 77 of the SFO are on specific terms not longer than three years. Messrs Fong Hup and Leong Ka Chai were appointed for a term of two years ending after the conclusion of the 2005 AGM. Mr Charles Y K Lee, Mr Timothy G Freshwater and Dr Lo Ka Shui were appointed for a term of two years ending after the conclusion of the Company's annual general meeting to be held in 2006. Mr Henry H L Fan was appointed on 15 November 2003 to fill the vacancy after the resignation of Dr Liu Jinbao. Mr Fan's service term will last until the conclusion of the 2005 AGM.

The proposed amendments to the Articles of Association will provide that Government Appointed Directors shall be appointed for a specific term of no more than three years, but be eligible for re-appointment by the Financial Secretary.

### **Miscellaneous Amendments**

In addition to the above amendments relating to the CG Code, certain minor housekeeping amendments to the Articles of Association will also be proposed at the 2005 AGM.

### **Details of Amendments**

Details relating to all the proposed amendments to the Articles of Association are set out in Appendix III to this circular.

A special resolution to amend the Articles of Association which requires not less than 75 per cent of the votes cast by the Shareholders attending and entitled to vote at the 2005 AGM will be put forth as special business to be considered and approved by the Shareholders at the 2005 AGM.

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## LETTER FROM THE BOARD OF DIRECTORS

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As Shareholders may know, the Articles of Association may not be amended without the approval in writing of the SFC pursuant to section 67 of the SFO. The proposed amendments to the Articles of Association will be subject to the written approval of the SFC after the passing of the special resolution at the 2005 AGM by the Shareholders. A press release will be issued after HKEx has received the said approval from the SFC.

### **6. ANNUAL GENERAL MEETING**

The notice of the 2005 AGM is set out on pages 23 to 29. At the 2005 AGM, ordinary resolutions will be proposed to approve a number of matters, including, inter alia, (i) the appointment of Directors; (ii) the grant of general mandate to repurchase Shares; and (iii) the payment of remuneration to non-executive Directors. In addition, a special resolution will be proposed to approve amendments to the Articles of Association.

A form of proxy for use at the 2005 AGM is enclosed. Whether or not you are attending the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to HKEx's registrar, Hong Kong Registrars Limited, at 46/F, Hopewell Centre, 183 Queen's Road East, 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 proxy form will not preclude you from attending and voting at the 2005 AGM or at any adjourned meeting if you so wish.

### **7. PROCEDURES BY WHICH A POLL MAY BE DEMANDED**

Pursuant to Article 70 of the Articles of Association, a resolution put to the vote at a general meeting shall be decided on a show of hands unless (before or upon the declaration of the result of the show of hands) a poll is demanded by:

- (i) the chairman of the meeting; or
- (ii) at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy having the right to vote on the resolution; or
- (iii) a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring the right to attend and vote at the meeting on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll is so demanded and not withdrawn, a declaration by the chairman of the meeting that a resolution has, on a show of hands, been carried, or been carried by a particular majority, or lost, or not carried by a particular majority, shall be conclusive, and an entry to that effect in the books of proceedings of HKEx shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

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## LETTER FROM THE BOARD OF DIRECTORS

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For the sake of good corporate governance practices, the Chairman intends to demand all resolutions set out in the notice of the 2005 AGM to be decided by poll, and will explain at the meeting the detailed procedures for conducting a poll.

The Company will publish an announcement of the results of the proposed resolutions on the next business day following the 2005 AGM.

### **8. CLOSURE OF REGISTER OF MEMBERS**

The Register of Members will be closed from Thursday, 7 April 2005 to Tuesday, 12 April 2005, both dates inclusive, during which period no transfer of Shares will be registered. Dividend warrants will be despatched to Shareholders on or about Monday, 25 April 2005. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 6 April 2005.

### **9. RECOMMENDATIONS**

The Board is pleased to recommend Dr Bill C P Kwok and Mr Vincent K H Lee to stand for election by Shareholders as Elected Directors. Their biographies are set out in Appendix I for Shareholders' consideration. Shareholders may, if thought fit, appoint the nominated candidates as Directors with effect from the conclusion of the 2005 AGM to fill the vacancies arising from the retirement of Directors. Shareholders are encouraged to actively participate in the election of Directors at the 2005 AGM. The Board also believes that the granting of the Repurchase Mandate, the payment of the proposed remuneration to non-executive Directors and the amendments to the Articles of Association are in the best interests of HKEx and Shareholders, and accordingly recommends you to vote in favour of all the relevant resolutions to be proposed at the 2005 AGM.

Yours faithfully,

By Order of the Board

**HONG KONG EXCHANGES AND CLEARING LIMITED**

**LEE Yeh Kwong, Charles**

*Chairman*

## LIST OF CANDIDATES

The two candidates nominated by the Nomination Committee and recommended by the Board are set out below in alphabetical order.

The following provides background information on the retiring Directors proposed for re-election.

Nominee for Election as Director	Director of HKEEx since	HKEEx or its subsidiaries' Committee/Panel Memberships	Director's Fee (2004/05)	Disclosable Interests in HKEEx under the SFO as at 28 February 2005 (No. of shares)
<b>KWOK Chi Piu, Bill</b> Independent Non-executive Director	3 April 2000	HKEEx – <ul style="list-style-type: none"> <li>• Nomination Committee</li> <li>• Risk Management Committee</li> <li>• Derivatives Market Consultative Panel (Deputy Chairman)</li> </ul> Other subsidiaries – <ul style="list-style-type: none"> <li>• Disciplinary Appeal Committee of Hong Kong Futures Exchange Limited</li> </ul>	\$100,000	Nil

Dr Kwok, aged 52, is the managing director of Wocom Holdings Limited, and a director of Wing On International Holdings Limited, Wing On Company International Limited and the Investor Compensation Company Limited. He is a member of the Government's Advisory Committee on Human Resources Development in the Financial Services Sector, the Panel of the Securities and Futures Appeals Tribunal, and the Investigation Panel A of the Hong Kong Institute of Certified Public Accountants. He was a director of the Hong Kong Securities Institute from 1997 to 2003 and the Chairman from 1999 to 2001. He was also a director of Hong Kong Futures Exchange Limited from 1991 to 2000 and a vice chairman from 1997 to 2000. Dr Kwok holds a Bachelor of Science (Chemistry) degree and a Bachelor of Arts (Economics) degree from Stanford University as well as a Doctor of Philosophy (Biochemistry) degree from the University of Chicago. He has over 20 years of experience in the securities and futures industry.

Nominee for Election as Director	Director of HKEEx since	HKEEx or its subsidiaries' Committee/Panel Memberships	Director's Fee (2004/05)	Disclosable Interests in HKEEx under the SFO as at 28 February 2005 (No. of shares)
<b>LEE Kwan Ho, Vincent Marshall</b> Independent Non-executive Director	3 April 2000	HKEEx – <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Remuneration Committee</li> <li>• Clearing Consultative Panel (Chairman)</li> </ul> Other subsidiaries – <ul style="list-style-type: none"> <li>• Disciplinary Committee of the Stock Exchange</li> </ul>	\$100,000	3,200,000

Mr Lee, aged 49, is the managing director of the Tung Tai Group of Companies (securities and finance companies), an independent non-executive director of Ocean Grand Holdings Limited, a vice chairman of the Institute of Securities Dealers Limited, and a member of the Securities and Futures Appeals Tribunal. He has extensive experience in banking, corporate and real estate transactions in Hong Kong, Mainland China, the United States and Canada. While engaging as a senior banker with the HSBC group in Hong Kong and Vancouver, and as a Certified Public Accountant with Coopers and Lybrand in Los Angeles and Boston, Mr Lee executed a wide variety of investment transactions, including corporate acquisitions, financing, divestitures, real estate transactions, share offerings and commodities trading. He is actively involved in numerous community activities, including being a founding member (as well as past Governor) of the Canadian International School Foundation Limited. He graduated Magna Cum Laude in Accounting and Finance from the University of Southern California and received a Master degree in Economics from the London School of Economics and Political Science, and has received numerous academic awards and recognition. He has over 20 years of experience in the securities and futures industry.

**Relationship with other Directors, senior management and substantial/controlling shareholders**

None of Dr Bill C P Kwok and Mr Vincent K H Lee is related to other Directors, senior management, substantial shareholders (as defined in the Listing Rules), or controlling shareholders (as defined in the Listing Rules) of HKEx or its subsidiaries.

**RESOLUTIONS AND VOTING**

In order to comply with section 157A of the Companies Ordinance and Article 91 of the Articles of Association, there must be a separate resolution for the appointment of each candidate, unless a resolution that a single resolution for the appointment of two or more candidates shall be proposed has been first agreed to by the meeting without any vote being cast against it. The resolutions themselves will contain a method of determining support for a candidate. Each resolution to be proposed at the 2005 AGM will provide as follows:

**“THAT** subject to the number of net votes cast in relation to this resolution (net votes being votes cast in favour minus votes cast against this resolution) being among the two highest number of net votes cast on each of the resolutions for the appointment of a person as a director of the Company at the annual general meeting to be held on 12 April 2005 (the “2005 AGM”), [name of candidate] be and is hereby appointed as a director of the Company with effect from the conclusion of the 2005 AGM for a term of approximately three years expiring at the conclusion of the Company’s annual general meeting to be held in 2008, 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.”

Given the complexity of the resolutions to be considered at the 2005 AGM, it is expected that the chairman of the meeting will demand that such resolutions be voted on by way of poll. It is also expected that in order to streamline voting procedures for the convenience of Shareholders, the poll on each of the two resolutions will be taken at the same time. On a poll, every Shareholder present in person or by proxy will have one vote for every Share he holds. A Shareholder which is a corporation will be present in person if such Shareholder is present by a duly authorised representative. A Shareholder present in person or by proxy who is entitled to more than one vote does not need to use all his votes (i.e. he can cast less votes than the number of Shares he holds or represents) or to cast all his votes the same way (i.e. he can cast some of his votes in favour of the resolution and some of his votes against the resolution). The Board believes that in most situations, Shareholders (other than nominee companies) usually cast all their votes either in favour of a resolution or against a resolution.

**If a resolution is passed by a majority of the votes cast on it, the candidate who is the subject of that resolution will be eligible to be elected a Director. On the other hand, if a resolution is not passed, the candidate who is the subject of that resolution will not be eligible to be elected a Director. If there are less than two resolutions passed by a majority of the votes cast, the Board may appoint any person to fill the vacancy pursuant to Article 92.**

**Assuming a resolution is passed by a majority of the votes cast on it, the candidate who is the subject of that resolution will only actually be elected to one of the two positions on the Board if the net votes cast in favour of his resolution rank within the top two resolutions passed in terms of net votes. Net votes are calculated by taking the votes cast in favour of a resolution and subtracting the votes cast against that resolution. In the event there is a tie in the net votes for two or more resolutions, the tie will be resolved by the drawing of lots by the chairman of the meeting.**

**Therefore, if you wish to support a particular candidate, you should vote in favour of his resolution. If you do not wish to support a candidate, you may vote against his resolution or abstain from voting. If you abstain from voting, you should note that your votes will not be counted when calculating the net votes in relation to that candidate.**

A specimen of the draft voting slip proposed for use at the 2005 AGM together with examples of how a Shareholder can vote, which do not form part of this circular or the notice of the 2005 AGM, will be despatched to Shareholders for information purposes only by HKEx's registrar, Hong Kong Registrars Limited, on or around 24 March 2005.

This Appendix serves as an explanatory statement required to be sent to Shareholders under the Listing Rules in connection with the proposed Repurchase Mandate and also constitutes the memorandum required under Section 49BA of the Companies Ordinance.

## 1. THE LISTING RULES

The Listing Rules permit a company with a primary listing on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

*(a) Shareholders' approval*

The Listing Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval of a particular transaction.

Such authority may only continue in force during the period from the passing of the resolution until whichever is the earlier of: (i) the conclusion of the next annual general meeting of the company, (ii) the expiration of the period within which the next annual general meeting of the company is required by law to be held, or (iii) the passing of an ordinary resolution by shareholders in general meeting of the company revoking or varying such mandate.

*(b) Source of funds*

Repurchases must be funded out of funds legally available for such purpose. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

*(c) Trading restrictions*

The shares proposed to be repurchased by a company must be fully paid up. A maximum of 10 per cent of the existing issued share capital as of the date of resolution passed on the grant of a repurchase mandate may be repurchased on the Stock Exchange. A company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange (or in the case of HKEx, the SFC). In addition, a company shall not repurchase shares on the Stock Exchange if the purchase price is higher by 5 per cent or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a company from repurchasing its own securities on the Stock Exchange if the repurchase would result in the number of that company's listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Listing Rules.

(d) *Status of repurchased securities*

The Listing Rules provide that the listing of all repurchased securities is automatically cancelled and that the certificates for those securities must be cancelled and destroyed. The aggregate of the authorised share capital shall remain unchanged.

(e) *Suspension of repurchases*

The Listing Rules prohibit any repurchase of securities at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, a company may not repurchase securities on the Stock Exchange, unless the circumstances are exceptional, during the period of one month immediately preceding the earlier of (i) the date of the board meeting for the approval of the company's results for any year, half-year, quarterly or any other interim period and (ii) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement. In addition, the Stock Exchange (or in the case of HKEx, the SFC) reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has committed a breach of the Listing Rules.

(f) *Reporting requirements*

Under the Listing Rules, repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange (in the case of HKEx, the SFC and the Stock Exchange) by not later than 9:00 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report is required to disclose details regarding repurchases of securities made during the year including the number of securities repurchased each month, the repurchase price for each such securities or the highest and lowest price paid for each repurchase where relevant, and the aggregate price paid for such purchases and the reasons of the directors of the company for making such repurchases.

A company shall procure that any broker appointed by the company to effect the repurchase of securities shall disclose to the Stock Exchange (or in the case of HKEx, the SFC) such information with respect to repurchases made on behalf of that company as the Stock Exchange (or in the case of HKEx, the SFC) may request.

(g) *Connected parties*

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities in the company back to the company. No connected person (as defined in the Listing Rules) has notified HKEx that he has a present intention to sell Shares to HKEx, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of HKEx comprised 1,056,668,846 Shares. Subject to the passing of the ordinary resolution approving the Repurchase Mandate and on the basis that no further Shares are issued or repurchased following the Latest Practicable Date and up to the date of the 2005 AGM, exercise in full of the Repurchase Mandate could accordingly result in up to 105,666,884 Shares being repurchased by HKEx during the period from the date of the 2005 AGM up to (i) the conclusion of the next annual general meeting of HKEx, (ii) the expiration of the period within which the next annual general meeting of HKEx is required by law to be held, or (iii) the passing of an ordinary resolution by the Shareholders in general meeting of HKEx revoking or varying the Repurchase Mandate, whichever occurs first.

**3. REASONS FOR REPURCHASES**

The Board believes that it is in the best interests of HKEx and its Shareholders to have a general authority from Shareholders to enable HKEx to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of HKEx and/or its earnings per Share and will only be made when the Board believes that such repurchases will benefit HKEx and its Shareholders.

**4. FUNDING OF REPURCHASES**

In repurchasing securities, HKEx may only apply funds legally available for such purchase in accordance with its Memorandum and Articles of Association, the laws of Hong Kong and the Listing Rules. Repurchases pursuant to the Repurchase Mandate will be made out of funds of HKEx legally permitted to be utilised in this connection, including the funds of HKEx otherwise available for dividend or distribution or 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 HKEx otherwise available for dividend or distribution or out of sums standing to the credit of HKEx's share premium account.

There might be a material adverse effect on the working capital or gearing position of the HKEx group of companies, as compared with the position disclosed in the audited accounts contained in the annual report of HKEx for the year ended 31 December 2004, in the event that the Repurchase Mandate is exercised in full at any time. However, the Board does not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the HKEx group of companies or its gearing levels which, in the opinion of the Board, are from time to time appropriate for HKEx.

**5. GENERAL**

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, their respective associates (as defined in the Listing Rules), have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to HKEx or its subsidiaries.

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

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of HKEx increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholders' interest, could obtain or consolidate control of HKEx and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Board is not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases of Shares pursuant to the Repurchase Mandate.

#### 6. SHARE REPURCHASES MADE BY HKEx

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

#### 7. SHARE PRICES

During each of the previous twelve months preceding the Latest Practicable Date, the highest and lowest prices at which the Shares were traded on the Stock Exchange were as follows:

	Share Prices (per share)	
	Highest (HK\$)	Lowest (HK\$)
<b>2004</b>		
March	21.15	16.30
April	17.30	15.05
May	16.90	14.40
June	16.25	14.70
July	17.10	15.70
August	17.45	15.40
September	18.95	17.10
October	18.85	16.80
November	20.15	17.45
December	20.85	19.40
<b>2005</b>		
January	20.95	18.50
February	20.50	19.35

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## APPENDIX III                      AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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This appendix sets out the proposed amendments to the Articles of Association to reflect the changes for stricter compliance with the new Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Listing Rules as well as certain minor housekeeping amendments. The proposed amendments to the Articles of Association have been marked up for ease of reference.

### **Amendments Relating to the CG Code**

#### *Article 63 – Special business and business of annual general meetings*

To reflect Directors’ retirement upon expiration of their specified term rather than by rotation, Article 63 will be amended as follows:

#### **“63. Special business and business of annual general meetings**

All business shall be deemed special that is transacted at an extraordinary general meeting, and all business that is transacted at an annual general meeting shall also be deemed special with the exception of:

- (a) declaring dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the report of the directors and other documents required to be annexed to the accounts;
- (c) the election of Directors in place of those retiring (~~by rotation upon expiration of his term~~ or otherwise);
- (d) the re-appointment of the retiring Auditors provided that they were last appointed to such office by the Company in general meeting; and
- (e) the fixing of remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.”

#### *Article 90 – Appointment of Directors and Public Interest Directors*

The CG Code provides that all non-executive directors should be appointed for a specific term, subject to re-election, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

To reflect the Company’s intended manner of complying with this requirement as well as the use of the term “Government Appointed Director” instead of “Public Interest Director”, Article 90 will be amended as follows:

#### **“90. Appointment of Directors and ~~Public Interest~~ Government Appointed Directors**

- (1) The Company may by ordinary resolution elect any person to be a Director, ~~either to fill a causal vacancy or by way of an addition to their number, but so that~~ but the total number of Directors elected under this paragraph (1) shall not at any time exceed six. All the Directors (the “**Inaugural Elected Directors**”) elected by the Company at the first general meeting called to elect Directors after the date on which these Articles become effective shall be elected for a term commencing on a specified date not later than seven

days after the date of the aforesaid general meeting and expiring at the conclusion of the annual general meeting of the Company to be held in 2003. In the event any Inaugural Elected Director ceases to be a Director prior to the expiration of his term, the Directors may appoint any person to replace him pursuant to Article 92 until the next following annual general meeting and thereafter any person elected by ordinary resolution to fill the vacancy created by such Inaugural Elected Director shall be elected for the remaining unexpired term of such Inaugural Elected Director's term.

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

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

(a) he is recommended by the Directors; or

(b) not earlier than the day after the despatch of the notice of the meeting and not later than 7 days prior to the date appointed for the meeting there has been given to the Secretary, by a member (other than the person to be proposed) entitled to vote at the meeting, notice of his intention to propose a resolution for the appointment or reappointment of that person and a notice executed by that person of his willingness to be appointed or re-appointed, provided however that this provision shall not apply in respect of:

(i) the first general meeting called to appoint Directors after the date on which these Articles become effective; and

(ii) any general meeting at which a person is to be appointed a Director to fill any vacancy created by an Inaugural Elected Director prior to the expiration of his term in 2003.

(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, and any Director so appointed shall be appointed for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Company held in the third year following the year of his appointment and for the avoidance of doubt, on expiration of his term he shall retire but be eligible for re-appointment pursuant to paragraph (5) below.

- (4) The person appointed pursuant to Article 111 as Chief Executive shall, ex-officio, be a Director and for the avoidance of doubt, such Director's term will be deemed to be the term of his employment as Chief Executive as established in his employment contract and on expiry of his term upon termination or expiry of his employment as the Chief Executive, he shall retire and be eligible for re-appointment.
- (5) (a) Any appointment of a ~~Public Interest Government Appointed~~ Director under paragraph (3) shall be in writing and shall be accompanied, if the appointee is not already a Director, by the appointee's signed consent to such appointment and such appointment may be specified to be for a particular period;
- (b) Any removal of a ~~Public Interest Government Appointed~~ Director under paragraph (3) shall be in writing;
- (c) The appointment or removal of a ~~Public Interest Government Appointed~~ Director shall become effective when the documentation referred to in subparagraphs 5(a) and 5(b) above is received by the Company at its registered office or, if later, on the effective date of appointment or removal as specified in the documentation, at which time such person shall be a Director or cease to be a Director, as the case may be, without further formality;
- (d) Subject to subparagraph (e) below, a ~~Public Interest Government Appointed~~ Director shall retire from office upon the expiration of any particular period specified in his most recent appointment or reappointment pursuant to paragraph (3); and
- (e) A person may at any time be re-appointed as a ~~Public Interest Government Appointed~~ Director in the same manner as applies to an appointment under paragraph (3)."

*Article 92 – The Directors' power to appoint additional Directors*

The CG Code provides that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. To reflect this requirement as well as the use of the term "Government Appointed Director" instead of "Public Interest Director", Article 92 will be amended as follows:

**"92. The Directors' power to appoint additional Directors**

Without prejudice to the power of the Company in general meeting in accordance with any of the provisions of these Articles to appoint any person to be a Director, the Directors may, at any time, and from time to time, appoint any person to be a Director (other than a ~~Public Interest Government Appointed~~ Director), either to fill a casual vacancy or by way of addition to their number, but so that the total number of Directors (other than ~~Public Interest Government Appointed~~ Directors) shall not exceed the maximum number fixed by Article 90(1). Any Director so appointed by the Directors shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number), and shall then be eligible for reappointment."

*Article 93 – Retirement of Directors*

As all Directors elected by the Shareholders will be appointed for a maximum specific term of three years, there will no longer be a need to have Directors retire by rotation every three years. Accordingly, Article 93 will be amended as follows:

**“93. Retirement of Directors**

- (1) ~~At every annual general meeting after the annual general meeting in year 2003, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one-third shall retire from office, but, if there are fewer than three Directors who are subject to retirement by rotation, they shall retire.~~(repealed).
- (2) ~~None of the Public Interest Directors and the Chief Executive shall whilst holding office as such be subject to retirement by rotation or be taken into account in determining the number of Directors to retire at each annual general meeting~~(repealed).
- (3) ~~Subject to the provisions of the Ordinance and of these Articles, the Directors to retire by rotation on each occasion shall be those who have been longest in office since their last appointment or reappointment, but as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the board of Directors at the start of business on the date of the notice convening the annual general meeting and no Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after that time on the date of the notice but before the close of the meeting.~~(repealed).
- (4) A retiring Director shall (unless he is removed from office or his office is vacated in accordance with these Articles) retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.
- (5) A retiring Director shall be eligible for reappointment.
- (6) Subject to the provisions of these Articles, if the Company, at any meeting at which a Director retires in accordance with these Articles ~~by rotation upon expiration of his term~~ or otherwise, does not fill the office vacated by such Director, the retiring Director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to re-appoint him is put to the meeting and lost.”

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**APPENDIX III                      AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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**Housekeeping Amendments**

The following general housekeeping amendments are proposed to be made to the Articles of Association:

*Article 2 – Interpretation*

The defined term “Public Interest Director” shall be amended to “Government Appointed Director” as follows in Article 2:

“~~Public Interest~~ Government Appointed Director . . . any Director appointed pursuant to Article 90(3);”

and as a consequence, all references to “Public Interest Director” (or “Public Interest Directors” as the case may be) in the Articles of Association shall be amended to “Government Appointed Director” (or “Government Appointed Directors”, as the case may be).

*Article 99 – Pensions, etc*

“99. (1) The Directors may procure the establishment and maintenance of or participate in, or contribute to any non-contributory or contributory pension or superannuating fund, scheme or arrangement or life assurance scheme or arrangement for the benefit of, and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to, any persons who are or shall have been at any time Directors of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any such subsidiary or associated company or the ~~wives~~wives, widows, widowers, families, relatives or dependants of any such persons.”

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## NOTICE OF ANNUAL GENERAL MEETING

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### **Hong Kong Exchanges and Clearing Limited**

**香港交易及結算所有限公司**

*(Incorporated in Hong Kong with limited liability)*

(Stock Code: 388)

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of the shareholders of Hong Kong Exchanges and Clearing Limited (“HKEx”) will be held at the Trading Hall of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) at 1st Floor, One and Two Exchange Square, Central, Hong Kong on Tuesday, 12 April 2005 at 4:30 p.m. for the following purposes:

1. To receive and consider the Audited Accounts for the year ended 31 December 2004 together with the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend.
3. To elect Directors.
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

To consider as special business and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions and a Special Resolution respectively:

#### **Ordinary Resolutions**

5. **“THAT:**
  - (a) 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 the passing of this Resolution, and the said approval shall be limited accordingly; and
  - (c) for the purposes of this Resolution:

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

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

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the 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.”
6. **“THAT** a remuneration of HK\$240,000 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.”
7. **“THAT** conditional upon the passing of Resolution 8 set out in the notice convening this meeting and the approval of the Securities and Futures Commission to the proposed amendments to the Articles of Association referred to therein, the terms of office of the following Directors be fixed as follows:
- (a) the terms of office of Messrs Dannis J H Lee and David M Webb shall continue uninterrupted and expire at the conclusion of the annual general meeting of the Company to be held in 2006; and
  - (b) the terms of office of Messrs John E Strickland and Oscar S H Wong shall continue uninterrupted and expire at the conclusion of the annual general meeting of the Company to be held in 2007.”

### Special Resolution

8. **“THAT** subject to the written approval of the Securities and Futures Commission pursuant to section 67 of the Securities and Futures Ordinance:
- (a) The definition of “Public Interest Director” in Article 2 of the Articles of Association of HKEx be amended by replacing the words “Public Interest” with “Government Appointed” as follows:  
  
“Government Appointed Directors . . . any Director appointed pursuant to Article 90(3);”  
  
and all references to “Public Interest Director” (or “Public Interest Directors” as the case may be) in the Articles of Association shall be amended to “Government Appointed Director” (or “Government Appointed Directors”, as the case may be).”
  - (b) Article 63 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:  
  
“All business shall be deemed special that is transacted at an extraordinary general meeting, and all business that is transacted at an annual general meeting shall also be deemed special with the exception of:  
  
(a) declaring dividends;

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- (b) the consideration and adoption of the accounts and balance sheet and the report of the directors and other documents required to be annexed to the accounts;
  - (c) the election of Directors in place of those retiring (upon expiration of his term or otherwise);
  - (d) the re-appointment of the retiring Auditors provided that they were last appointed to such office by the Company in general meeting; and
  - (e) the fixing of remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.”
- (c) Article 90 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:
- “(1) The Company may by ordinary resolution elect any person to be a Director, but the total number of Directors elected under this paragraph (1) shall not at any time exceed six. All the Directors (the “**Inaugural Elected Directors**”) elected by the Company at the first general meeting called to elect Directors after the date on which these Articles become effective shall be elected for a term commencing on a specified date not later than seven days after the date of the aforesaid general meeting and expiring at the conclusion of the annual general meeting of the Company to be held in 2003. In the event any Inaugural Elected Director ceases to be a Director prior to the expiration of his term, the Directors may appoint any person to replace him pursuant to Article 92 until the next following annual general meeting and thereafter any person elected by ordinary resolution to fill the vacancy created by such Inaugural Elected Director shall be elected for the remaining unexpired term of such Inaugural Elected Director’s term.
- (1A) Subject to any express terms to the contrary in the relevant resolution for appointing any Director under paragraph (1) above, any Director so elected by the Company after the date on which this paragraph becomes effective shall be elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Company held in the third year following the year of his appointment and for the avoidance of doubt, on expiration of his term he shall be deemed a retiring Director and eligible for re-appointment pursuant to Article 93.
- (2) No person (other than a Director retiring in accordance with these Articles) shall be appointed or re-appointed a Director at any general meeting under paragraph (1) above unless:
- (a) he is recommended by the Directors; or

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## NOTICE OF ANNUAL GENERAL MEETING

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- (b) not earlier than the day after the despatch of the notice of the meeting and not later than 7 days prior to the date appointed for the meeting there has been given to the Secretary, by a member (other than the person to be proposed) entitled to vote at the meeting, notice of his intention to propose a resolution for the appointment or reappointment of that person and a notice executed by that person of his willingness to be appointed or re-appointed, provided however that this provision shall not apply in respect of:
  - (i) the first general meeting called to appoint Directors after the date on which these Articles become effective; and
  - (ii) any general meeting at which a person is to be appointed a Director to fill any vacancy created by an Inaugural Elected Director prior to the expiration of his term in 2003.
- (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, and any Director so appointed shall be appointed for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Company held in the third year following the year of his appointment and for the avoidance of doubt, on expiration of his term he shall retire but be eligible for re-appointment pursuant to paragraph (5) below.

- (4) The person appointed pursuant to Article 111 as Chief Executive shall, ex-officio, be a Director and for the avoidance of doubt, such Director's term will be deemed to be the term of his employment as Chief Executive as established in his employment contract and on expiry of his term upon termination or expiry of his employment as the Chief Executive, he shall retire and be eligible for re-appointment.
- (5)
  - (a) Any appointment of a Government Appointed Director under paragraph (3) shall be in writing and shall be accompanied, if the appointee is not already a Director, by the appointee's signed consent to such appointment and such appointment may be specified to be for a particular period;
  - (b) Any removal of a Government Appointed Director under paragraph (3) shall be in writing;

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- (c) The appointment or removal of a Government Appointed Director shall become effective when the documentation referred to in subparagraphs 5(a) and 5(b) above is received by the Company at its registered office or, if later, on the effective date of appointment or removal as specified in the documentation, at which time such person shall be a Director or cease to be a Director, as the case may be, without further formality;
  - (d) Subject to subparagraph (e) below, a Government Appointed Director shall retire from office upon the expiration of any particular period specified in his most recent appointment or reappointment pursuant to paragraph (3); and
  - (e) A person may at any time be re-appointed as a Government Appointed Director in the same manner as applies to an appointment under paragraph (3).”
- (d) Article 92 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:
- “Without prejudice to the power of the Company in general meeting in accordance with any of the provisions of these Articles to appoint any person to be a Director, the Directors may, at any time, and from time to time, appoint any person to be a Director (other than a Government Appointed Director), either to fill a casual vacancy or by way of addition to their number, but so that the total number of Directors (other than Government Appointed Directors) shall not exceed the maximum number fixed by Article 90(1). Any Director so appointed by the Directors shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to their number), and shall then be eligible for reappointment.”
- (e) Article 93 of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:
- “(1) (repealed).
  - (2) (repealed).
  - (3) (repealed).
  - (4) A retiring Director shall (unless he is removed from office or his office is vacated in accordance with these Articles) retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.
  - (5) A retiring Director shall be eligible for reappointment.

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- (6) Subject to the provisions of these Articles, if the Company, at any meeting at which a Director retires in accordance with these Articles upon expiration of his term or otherwise, does not fill the office vacated by such Director, the retiring Director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to re-appoint him is put to the meeting and lost.”
- (f) Article 99(1) of the Articles of Association of HKEx be deleted in its entirety and replaced by the following:

“(1) The Directors may procure the establishment and maintenance of or participate in, or contribute to any non-contributory or contributory pension or superannuating fund, scheme or arrangement or life assurance scheme or arrangement for the benefit of, and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to, any persons who are or shall have been at any time Directors of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any such subsidiary or associated company or the spouses, widows, widowers, families, relatives or dependants of any such persons.””

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

Hong Kong, 9 March 2005

Notes:

- (1) A shareholder entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and vote in his stead. The proxy need not be a shareholder of HKEx.
- (2) Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of HKEx in respect of such share shall alone be entitled to vote in respect thereof.
- (3) In order to be valid, the 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 practise in Hong Kong), must be deposited at HKEx's registrar, Hong Kong Registrars Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the above meeting or adjourned meeting (as the case may be).
- (4) The register of members of HKEx will be closed from Thursday, 7 April 2005 to Tuesday, 12 April 2005, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged for registration with HKEx's registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 6 April 2005.

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- (5) Concerning Resolution 5, the Board wishes to state that there are no immediate plans to repurchase any shares of HKEx. The general mandate is being sought from shareholders in compliance with the Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.
- (6) There will be two elected Director vacancies to be filled at the forthcoming annual general meeting. If a Shareholder wishes to nominate a person to stand for election as a Director, (i) notice of his intention to propose a resolution, and (ii) the notice executed by the nominated candidate of his willingness to be appointed or reappointed together with (A) the candidate's biographical information and (B) consent to the publication of his personal data, have to be validly served on the Secretary of HKEx. Details of the foregoing are set out in the circular containing this Notice of Annual General Meeting under the heading "Letter from the Board of Directors – 2. Appointment of Directors".
- (7) For the sake of good corporate governance practice, the Chairman intends to demand poll voting for all the resolutions set out in the notice of the annual general meeting, and all non-executive Directors of HKEx who are shareholders of HKEx will abstain from voting at the meeting on Resolution 6 concerning remuneration to non-executive Directors.