

# REMUNERATION COMMITTEE REPORT

The Remuneration Committee (“RC”) comprises three INEDs appointed by the Board.

The RC formulates the Group’s remuneration policy for the Board’s approval, makes recommendations to the Board on the remuneration of Non-executive Directors, and determines the remuneration package of the Executive Director and the Senior Management, in consultation with the Chairman, and the Chief Executive, where appropriate. When determining the remuneration policy, the RC ensures that the remuneration offered is appropriate for the duties and in line with market practice. The terms of reference of the RC setting out its role and the authority delegated to it by the Board have been posted on HKEx’s corporate website.

The RC is provided with sufficient resources to discharge its duties. The RC is accountable to the Board and minutes of meetings are circulated to the Board for information.

The following is a summary of the work of the RC during 2004:

- (i) review of the remuneration policy for 2004/2005;
- (ii) review of the remuneration of Non-executive Directors;
- (iii) review of the annual performance bonus policy;
- (iv) discussion of the long term incentive arrangements;
- (v) review of the annual share option policy;
- (vi) review of the accounting treatment and financial implications of the employees’ share options under the newly issued Hong Kong Financial Reporting Standard;
- (vii) consideration of the training plan for 2004; and
- (viii) consideration of the adjustment of the exercise prices and contract size of the employees’ share options due to HKEx’s payment of special dividends.

Details of the remuneration policy and other remuneration related matters, such as the long term incentive arrangements, are set out in the Remuneration and Interests section under the Corporate Governance Report on pages 76 to 89.

The RC meets at least once a year. In 2004, a total of four meetings were held and the attendance record was 100 per cent.

## **Members of the Remuneration Committee**

LO Ka Shui (*Chairman*)

LEE Jor Hung, Dannis

LEE Kwan Ho, Vincent Marshall

Hong Kong, 23 February 2005