

Other Information

(Financial figures are expressed in Hong Kong dollars)

The Chairman, Board of Directors, and the Chief Executive

At the annual general meeting (AGM) held on 15 April 2003, five Directors were elected by shareholders to fill six available vacancies. The five elected Directors are Dr Kwok Chi Piu, Bill, Mr Lee Jor Hung, Dannis, Mr Lee Kwan Ho, Vincent Marshall, Mr David Michael Webb, and Mr Wong Sai Hung, Oscar. The Financial Secretary had also on the same day appointed six Public Interest Directors, namely Mr Fong Hup, Mr Tim Freshwater, Mr Lee Yeh Kwong, Charles, Mr Leong Ka Chai, Dr Liu Jinbao, and Dr Lo Ka Shui with effect from 16 April 2003.

As there was a casual vacancy on the Board arising from only five out of the six vacancies having been filled at the AGM, the Directors had, at the board meeting held on 16 April 2003, appointed Mr John Estmond Strickland to fill the casual vacancy in accordance with the Articles of Association. At the same meeting, the Board also re-appointed Mr Lee Yeh Kwong, Charles as the Chairman, and whose appointment was subsequently approved by the Chief Executive of the Hong Kong Special Administrative Region.

Dr Liu Jinbao tendered his resignation as a Director with effect from 28 May 2003.

Mr Chow Man Yiu, Paul joined HKEx on 1 May 2003 as the Chief Executive. Mr Chow is an ex-officio member of the Board.

Interim Dividend and Close of Register

The Board of Directors has resolved to declare an interim dividend of \$0.18 per share (2002: \$0.08 per share) for the year ending 31 December 2003, amounting to a total of about \$188 million (2002: \$83 million).

The share register will be closed from Tuesday, 9 September 2003 to Thursday, 11 September 2003, both dates inclusive, during which period no transfer of shares will be registered. Dividend warrants will be despatched to shareholders on or about Monday, 15 September 2003. In order to qualify for the interim 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 Monday, 8 September 2003.

Other Information

Share Option Schemes

On 31 May 2000, the Pre-Listing Share Option Scheme (Pre-Listing Scheme) and the Post-Listing Share Option Scheme (Post-Listing Scheme) were approved by shareholders under which the Directors of HKEx may, at their discretion, offer any employee (including any executive director) of HKEx or of any of its subsidiaries, options to subscribe for shares in HKEx subject to the terms and conditions stipulated in the two schemes. The Post-Listing Scheme was subsequently amended by shareholders on 17 April 2002 to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (Listing Rules) effected on 1 September 2001.

Options to subscribe for 34,890,262 shares had been granted and accepted by employees on 20 June 2000. No further options can be, or have been, issued under the Pre-Listing Scheme from 27 June 2000, the date of listing of HKEx on the Stock Exchange.

Pursuant to the Post-Listing Scheme, a share option to subscribe for 3,000,000 shares in HKEx was granted on 2 May 2003 to Mr Chow Man Yiu, Paul, a Director and the Chief Executive of HKEx.

As at 30 June 2003, the total number of shares available for issue was 76,904,977 which represented about 7.4 per cent of the issued share capital of HKEx. Since the first grant of options in 2000, options for the issue of 10,728,755 shares had lapsed up to and including 30 June 2003.

Other Information

Details of the share options outstanding as at 30 June 2003 under the Pre-Listing Scheme and the Post-Listing Scheme were as follows:

(A) Pre-Listing Scheme

	Date of Grant	Exercise price	No. of shares issuable under the options granted as at 1 January 2003	No. of shares issued during the six months ended 30 June 2003	No. of shares lapsed during the six months ended 30 June 2003	No. of shares issuable under the options granted as at 30 June 2003	Exercise period
Kwong Ki Chi (note 1)	20 June 2000	\$7.52	1,092,126	364,000	728,126	-	6 March 2002 – 30 May 2010 (note 5)
Aggregate total for employees (note 2)	20 June 2000	\$7.52	22,160,894	3,010,000	1,279,387	17,871,507	6 March 2002 – 30 May 2010 (note 5)
Total			23,253,020	3,374,000 (note 3)	2,007,513 (note 4)	17,871,507	

(B) Post-Listing Scheme

	Date of grant	Exercise Price	No. of shares issuable under the option granted	Option Value	No. of shares issuable under the option granted as at 30 June 2003	Exercise period
Chow Man Yiu, Paul	2 May 2003	\$9.05 (note 6)	3,000,000	\$8,010,000 (note 7)	-	2 May 2005 – 1 May 2013 (note 8)

Notes:

1. Mr Kwong Ki Chi retired as a Director and the Chief Executive of HKEx on 15 April 2003.
2. Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.
3. The weighted average closing price immediately before the dates on which the options were exercised was \$9.85.

Other Information

4. Options lapsed in accordance with the terms of the Pre-Listing Scheme due to resignation of employees.
5. Options granted are exercisable between 6 March 2002 and 30 May 2010, in tranches of 25 per cent each reaching 100 per cent as from 6 March 2005.
6. The closing price immediately before the date on which the option was granted was \$9.10.
7. According to the Binomial Option Pricing Model, the value of the option was estimated at \$8,010,000 as at 2 May 2003, the date of grant, with the following variables and assumptions:
 - Risk Free Rate 4.3%, being the yield of 10-year Exchange Fund Note as at 30 April 2003.
 - Expected Volatility 36%, being the annualised volatility of the closing price of the shares in HKEx from 3 May 2002 to 2 May 2003.
 - Expiration date of the option 10 years from the date of grant.
 - Expected Dividend 5.6%, being the 2003 prospective dividend yield of the shares.
 - Assumption No material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in HKEx over the period from 3 May 2002 to 2 May 2003 is assumed.

The Binomial Option Pricing Model is developed to estimate the fair value of American style options. It is one of the commonly used models to estimate the fair value of an option which can be exercised before the expiry of the option period. The value of an option varies with different variables of certain subjective assumptions. Any change in variables so adopted may materially affect the estimation of the fair value of an option.

No option granted during the period under review has lapsed.

8. Option granted is exercisable between 2 May 2005 to 1 May 2013, in tranches of 25 per cent each reaching 100 per cent as from 2 May 2008.

Other Information

Directors' and Chief Executive's Interests and Short Positions

As at 30 June 2003, the Directors, the Chief Executive and their respective associates had interests in the shares and underlying shares of HKEx as recorded in the register maintained by HKEx pursuant to Section 352 of the Securities and Futures Ordinance (SFO) as follows:

(i) Shares

Name of Director	Number of shares held			Total
	Personal Interests	Family Interests	Corporate Interests	
Lee Jor Hung, Dannis	–	–	1,610,000 (note 1)	1,610,000
David Michael Webb	2 (note 2)	2 (note 3)	6 (note 4)	10
John Estmond Strickland	18,000 (note 5)	–	–	18,000

Notes:

- 1,610,000 shares were owned by DL Brokerage Limited, a private company beneficially wholly owned by Mr Lee Jor Hung, Dannis, representing approximately 0.15 per cent of the issued share capital of HKEx.
- The shares held by Mr David Michael Webb as beneficial owner represent approximately 0.00 per cent of the issued share capital of HKEx.
- The shares were owned by the spouse of Mr David Michael Webb, representing approximately 0.00 per cent of the issued share capital of HKEx.
- The shares were owned by Fundamental Consultants Limited, Member One Limited and Member Two Limited which are under the control of Mr David Michael Webb, representing approximately 0.00 per cent of the issued share capital of HKEx.
- The shares held by Mr John Estmond Strickland as beneficial owner represent approximately 0.00 per cent of the issued share capital of HKEx.

(ii) Underlying Shares

As at 30 June 2003, the outstanding number of shares issuable under a share option granted pursuant to the Post-Listing Scheme to Mr Chow Man Yiu, Paul, a Director and the Chief Executive of HKEx, was 3,000,000 (2002: Nil), which represents approximately 0.29 per cent of the issued share capital of HKEx. The said option was granted on 2 May 2003, and is exercisable between 2 May 2005 and 1 May 2013 at an exercise price of \$9.05 per share.

Other Information

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or Chief Executive of HKEx or their respective associates in the shares, underlying shares and debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to HKEx and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. Nor any of the Directors and the Chief Executive (including their spouses and children under the age of 18) had, as at 30 June 2003, any interest in, or had been granted any right to subscribe for the securities and options of HKEx and its associated corporations within the meaning of the SFO, or had exercised any such rights.

Disclosable Interests and Short Positions of Shareholders under the SFO

As at 30 June 2003, J.P. Morgan Chase & Co and its associates were holding 63,432,521 shares of HKEx, representing approximately 6.07 per cent of the issued share capital of HKEx as recorded in the register required to be kept by HKEx under Section 336 of the SFO, of which 1,134,000 shares were held by J.P. Morgan Chase & Co and its associates as beneficial owner, 2,759,591 shares as investment manager, and 59,538,930 shares as an approved lending agent pursuant to the Securities and Futures (Disclosure of Interests - Securities Borrowing and Lending) Rules.

Apart from the aforesaid, no other party has an interest or a short position in the issued share capital of HKEx, as recorded in the register required to be kept by HKEx under Section 336 of the SFO.

Minority Controller

Under the SFO, no person shall be or become a Minority Controller, i.e. a person who either alone or with any associate or associates, is entitled to exercise, or control the exercise of 5 per cent or more of the voting power at any general meeting of the recognized exchange controller, except with the approval in writing of the Securities and Futures Commission (SFC) after consultation with the Financial Secretary of the HKSAR.

The SFC has so far granted approval to five entities to be Minority Controllers of HKEx, on the basis that the shares are held by them in custody for their clients.

As at 30 June 2003, the Minority Controllers were in aggregate holding 48.0 per cent of the issued capital of HKEx (30 June 2002 : 43.7 per cent).

Corporate Governance

The Audit Committee has reviewed the unaudited interim financial statements for the six months ended 30 June 2003 in conjunction with HKEx's external auditors. The independent review report of the external auditors is set out on page 54.

None of the Directors of HKEx is aware of information that would reasonably indicate that HKEx is not, or was not at any time during the six months ended 30 June 2003, in compliance with Appendix 14 of the Listing Rules.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the six months ended 30 June 2003, HKEx had not redeemed, and neither HKEx nor any of its subsidiaries had purchased or sold any of HKEx's listed securities.