

REMUNERATION COMMITTEE REPORT 2007

The Remuneration Committee

The Remuneration Committee (“RC”) comprises five INEDs. Its composition during 2007 is set out in the Corporate Governance Report 2007.

Terms of Reference

The RC is mandated to formulate the Group’s remuneration policy for the Board’s approval. Other key functions include, inter alia, setting the guidelines for the recruitment of the Chief Executive and the Senior Management, determining their remuneration packages and making recommendations to the Board on the Group’s annual salary adjustment, annual performance bonus and share award. The RC’s terms of reference are posted on HKEx’s corporate website.

Summary of Major Work Done in 2007

During 2007, the RC held four meetings and members’ attendance record is shown in the Corporate Governance Report 2007. The following is a summary of the major tasks completed by the RC in 2007:

- recommended the revised non-executive Directors’ remuneration for Shareholders’ approval at the 2007 AGM;
- recommended harmonisation of employment terms of senior staff;
- recommended mid-year salary adjustment for 2007;
- recommended enhancement to the remuneration policy to align it with market levels and to reinforce the link between performance and incentive awards;
- reviewed and approved the proposed recommendation by Towers Perrin, a human resources consulting firm, on the position levels and remuneration of 22 senior executives of the Company;
- recommended pay adjustments for 2007/2008 based on the enhanced remuneration policy;
- recommended the employees’ performance bonus for 2007; and
- recommended the amount for the purchase of HKEx shares to be awarded to selected employees under the Share Award Scheme.

Remuneration Policy

Non-executive Directors

The objective of remunerating non-executive Directors is to ensure that they are remunerated fairly and not excessively for their efforts and time dedicated to HKEx. Their remuneration is reviewed annually with reference to companies of comparable business or scale, and recommendations for changes are subject to Shareholders’ approval.

Non-executive Directors are not entitled to participate in the Share Option Schemes and the Share Award Scheme, or other fringe benefits.

Employees

Quality and dedicated staff are valuable assets contributing to the Group’s success. HKEx’s remuneration policy is built upon the principle of providing an equitable, performance-oriented, motivating and market-competitive remuneration package for employees at all levels.

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A six-level performance rating scale was introduced in 2007 subsequent to a review of the Group's performance evaluation system. The new scale serves to differentiate staff performance in a more refined manner, identifying the top 20 per cent of good performers for succession planning. The remuneration structure was also fine tuned to align HKEx's remuneration packages with market levels, and to reinforce the link between performance and rewards.

HKEx's remuneration packages for all employees (including the Chief Executive) comprise fixed and variable components benchmarked against companies in the financial services sector. The following illustrates the mix of fixed and variable components in a year when the Group achieves its performance targets:

	Fixed	Variable (Performance-related)	
Senior staff ^(Note 1)	67%	22%	11%
Middle-level staff ^(Note 2)	75%	25%	
Supervisory-level staff	80%	20%	
General staff	86%	14%	

Base compensation – salary
 Annual incentive – cash bonus
 Long-term incentive – share award

Notes:

1. They include, inter alia, the Chief Executive (the only executive Director) and senior executives.
2. Share awards were also granted to a limited number of middle-level employees with exemplary performance for retention purposes.

Other benefits include the provident fund (the contribution to the provident fund is set out in note 8 to the consolidated accounts), medical insurance, dental insurance, life and personal accident insurance, employee compensation and business travel insurance.

Details of HKEx's remuneration policy and structure are set out in the Corporate Governance section on HKEx's corporate website.

Non-executive Directors' Fee Review for 2007/2008

In 2007, the RC, after having conducted an annual review, recommended revising the remuneration of non-executive Directors as follows:

Non-executive Directors' fees	2007/2008 (\$)	2006/2007 (\$)
Board Chairman	450,000	240,000
Board member	300,000	240,000
Executive Committee member	50,000	–
Audit Committee member	50,000	–
Remuneration Committee member	50,000	–
Investment Advisory Committee member	50,000	–

The suggested increases were approved by Shareholders at the 2007 AGM.

In early 2008, a survey was conducted on the average annual remuneration of non-executive directors of HSI constituent companies as well as overseas listed exchanges, and, based on the findings, the RC concluded that the non-executive Director's remuneration package should remain unchanged for the ensuing year.

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Employees' Pay Review for 2007/2008

During 2007, Towers Perrin, an independent external consultant was engaged to review the remuneration packages and structures of 22 senior executives relative to their duties and responsibilities, and market levels. The consultant's recommendations were incorporated into the employees' pay review for 2007/2008.

In light of the increasing competitiveness of the employment market in the first half of 2007, a mid-year salary review was conducted in June. The Board based on the RC's recommendation, approved a general increase of two per cent of base salary for employees below the middle-level. In addition, a merit increase was given to selected employees who were in strong demand in the market.

For the annual pay review 2007/2008, the Board further approved a general increase of four and a half per cent of base salary plus additional increases for selected groups of employees with high turnover rate and professional staff whose skills were of high demand in the market.

In December 2007, the Board also approved the RC's recommendation of paying a performance bonus equivalent to 6.6 months' salary to employees in recognition of their contribution during the year. In addition, the Board allocated a sum of \$26.3 million for the purchase of HKEx shares to be awarded to senior staff (excluding the Chief Executive) as long-term rewards. Another awarded sum of \$612,000 was provided by the Board on 18 February 2008, in accordance with the RC's recommendation, for the purchase of HKEx shares for the Chief Executive in recognition of his contribution to the Group in 2007. The performance bonus and share awards were determined based on the Company's performance, taking into account both financial and non-financial factors including profit, business development, market and regulatory development, organisational development and market availability. Details of the Share Award Scheme are set out in the section of the Long-Term Incentive Schemes below.

Neither the Chief Executive nor the Senior Management participated in the RC's discussion on his/her pay review and performance award. The RC consulted the Chief Executive about the performance of respective members of the Senior Management. The Chief Executive's performance was also taken into consideration by the RC for the purpose of the pay review exercise.

Emoluments for 2007

Non-executive Directors

Name	2007 Director's Fee (\$)	2006 Director's Fee (\$)
Current Directors		
Ronald J Arculli ^(Note)	472,500	180,000
Laura M Cha ^(Note)	360,000	180,000
Moses M C Cheng ^(Note)	360,000	180,000
Marvin K T Cheung	322,500	240,000
Henry H L Fan	285,000	240,000
Fong Hup	360,000	240,000
Bill C P Kwok	322,500	240,000
Vincent K H Lee	397,500	240,000
Christine K W Loh ^(Note)	322,500	180,000
John E Strickland	322,500	240,000
David M Webb	360,000	240,000
Oscar S H Wong	322,500	240,000
Ex-Directors (retired on 26 April 2006)		
Charles Y K Lee	–	60,000
Tim Freshwater	–	60,000
Dannis J H Lee	–	60,000
Lo Ka Shui	–	60,000
Total	4,207,500	2,880,000

Note: Mr Ronald J Arculli, Mrs Laura M Cha and Dr Moses M C Cheng were appointed, and Dr Christine K W Loh was elected, on 26 April 2006.

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Executive Director

Chief Executive	2007					Total (\$)	2006	2007	
	Salary (\$)	Cash Bonus (\$)	Other Benefits (\$) (Note 1)	Retirement Benefits Cost (\$) (Note 2)	Director's Fee (\$)		Total (\$)	Share Option Benefits (\$) (Note 3)	Share Awards Benefits (\$) (Note 3)
Paul M Y Chow	7,344,000	5,814,000	58,540	918,000	–	14,134,540	11,074,540	819,864	227,953

Apart from the cash bonus, the Board, in accordance with the Share Award Scheme, resolved on 18 February 2008 to provide a sum of \$612,000 for the purchase of HKEx shares to be awarded to Mr Chow. The awarded sum will be paid to the trustee after the expiry of the moratorium period for dealing in HKEx's shares and the release of the results for the year ended 31 December 2007, on 5 March 2008. Relevant shares so purchased will be allocated and awarded by the trustee to Mr Chow according to the Share Award Scheme.

Senior Management

Name	2007					Total (\$)	2006	2007	
	Salary (\$)	Cash Bonus (\$)	Other Benefits (\$) (Note 1)	Retirement Benefits Cost (\$) (Note 2)	Compensation for Loss of Office (\$)		Total (\$)	Share Options Benefits (\$) (Note 3)	Share Awards Benefits (\$) (Note 3)
Patrick K Conroy ^(Note 4)	1,356,767	–	227,932	75,908	–	1,660,607	8,620,590	–	–
Gerald D Greiner	5,309,436	3,910,000	86,957	663,680	–	9,970,073	5,763,138	347,853	628,717
Lawrence K M Fok	3,672,000	1,224,000	80,747	459,000	–	5,435,747	5,221,547	183,232	303,307
Mary M L Kao	3,574,080	2,233,800	64,143	446,760	–	6,318,783	5,291,243	183,232	366,110
Henry M W Law	2,448,000	1,683,000	29,349	306,000	–	4,466,349	3,578,949	149,825	350,708
Stewart S C Shing	3,794,400	2,529,600	70,441	474,300	–	6,868,741	5,619,751	840,903	109,328
Archie T C Tsim	3,060,000	2,295,000	64,532	382,500	–	5,802,032	4,577,672	141,142	489,443
Richard G Williams ^(Note 5)	3,978,000	3,563,625	121,989	497,250	–	8,160,864	6,080,224	531,557	265,803
Alfred K K Wong	3,000,000	2,375,000	69,455	375,000	–	5,819,455	4,561,809	167,037	493,297

Apart from the cash bonus, the respective members of the Senior Management were allocated Awarded Shares according to the Share Award Scheme on 4 February 2008. Details of the awards are set out on page 6 of this report.

Notes:

- Other benefits include leave pay, insurance premium, and club membership.
- An employee who retires before normal retirement age is eligible to 18 per cent of the employer's contribution to the provident fund after completion of two years of service. The rate of vested benefit increases at an annual increment of 18 per cent thereafter reaching 100 per cent after completion of seven years of service.
- The share options benefits and the share awards benefits represent the aggregate of the amortised fair value of the share options granted and shares awarded to the Chief Executive and respective members of the Senior Management under the Post-Listing Scheme and the Share Award Scheme respectively that were charged to the consolidated income statement for the year ended 31 December 2007. (Under HKFRS2, amortisation of the fair value of the options granted under the Pre-Listing Scheme is not required.)
- Mr Patrick K Conroy resigned as the Chief Operating Officer on 9 February 2007.
- Mr Richard G Williams is a member of a pension scheme operating in the United Kingdom, and he is exempted under Section 4(3) of the Mandatory Provident Fund Schemes Ordinance from participating in HKEx's provident fund scheme. The vesting scale of retirement benefits is not applicable to Mr Williams.

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Further particulars regarding the emoluments of Directors and the five top-paid employees as required to be disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Main Board Listing Rules are set out in notes 12 and 13 to the consolidated accounts respectively.

Directors' Service Contract

Mr Paul M Y Chow is employed as the Chief Executive whose existing contract will expire on 30 April 2009. Save as the aforesaid, no Director has any existing or proposed service contract with any member of the Group.

Chief Executive and the Senior Management's Interests in HKE_x's Securities under Long-Term Incentive Schemes

Share Options

Name	Date of Grant	Exercise Price (\$)	Number of Shares Issuable Under the Options				Exercise Period (Note 1)
			As at 1 Jan 2007	Subscribed during the Year	Lapsed during the Year	As at 31 Dec 2007	
Chief Executive							
Paul M Y Chow	2 May 2003	8.28	2,460,000	1,220,000	–	1,240,000	2 May 2005 – 1 May 2013
Senior Management							
Patrick K Conroy ^(Note 2)	18 Aug 2003	12.49	1,476,000	492,000	984,000	–	18 Aug 2005 – 17 Aug 2013
Gerald D Greiner	17 May 2004	15.91	150,000	25,000	–	125,000	17 May 2006 – 16 May 2014
	26 Jan 2005	19.25	200,000	50,000	–	150,000	26 Jan 2007 – 25 Jan 2015
Lawrence K M Fok	20 Jun 2000	6.88	58,000	58,000	–	–	6 Mar 2002 – 30 May 2010
	31 Mar 2004	16.96	120,000	60,000	–	60,000	31 Mar 2006 – 30 Mar 2014
	26 Jan 2005	19.25	100,000	–	–	100,000	26 Jan 2007 – 25 Jan 2015
Mary M L Kao	31 Mar 2004	16.96	120,000	60,000	–	60,000	31 Mar 2006 – 30 Mar 2014
	26 Jan 2005	19.25	100,000	25,000	–	75,000	26 Jan 2007 – 25 Jan 2015
Henry M W Law	31 Mar 2004	16.96	100,000	50,000	–	50,000	31 Mar 2006 – 30 Mar 2014
	26 Jan 2005	19.25	80,000	–	–	80,000	26 Jan 2007 – 25 Jan 2015
Stewart S C Shing	15 Jan 2004	17.30	822,000	275,000	–	547,000	15 Jan 2006 – 14 Jan 2014
Archie T C Tsim	26 Jan 2005	19.25	164,000	–	–	164,000	26 Jan 2007 – 25 Jan 2015
Richard G Williams	14 Aug 2003	12.45	547,000	273,500	–	273,500	14 Aug 2005 – 13 Aug 2013
Alfred K K Wong	31 Mar 2004	16.96	100,000	50,000	–	50,000	31 Mar 2006 – 30 Mar 2014
	26 Jan 2005	19.25	100,000	–	–	100,000	26 Jan 2007 – 25 Jan 2015

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Awarded Shares

Name	Date of Award (Note 3)	Number of Awarded Shares	Average Fair Value per Share (\$)	Number of Shares						Vesting Period (Note 4)
				As at 1 Jan 2007	Further Shares Acquired during the Year through Reinvesting Dividends Received	Vested during the Year	Lapsed during the Year	As at 31 Dec 2007		
Chief Executive										
Paul M Y Chow	15 Jan 2007	11,528	72.28	–	272	–	–	11,800	13 Dec 2008 – 13 Dec 2011	
Senior Management										
Gerald D Greiner	19 Dec 2005	40,600	31.20	41,677	984	10,664	–	31,997	19 Dec 2007 – 19 Dec 2010	
	15 Jan 2007	11,911	72.28	–	288	–	–	12,199	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	8,418	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	
Lawrence K M Fok	19 Dec 2005	24,600	31.20	25,253	596	6,462	–	19,387	19 Dec 2007 – 19 Dec 2010	
	15 Jan 2007	3,842	72.28	–	94	–	–	3,936	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	658	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	
Mary M L Kao	19 Dec 2005	28,700	31.20	29,461	696	7,538	–	22,619	19 Dec 2007 – 19 Dec 2010	
	15 Jan 2007	5,048	72.28	–	122	–	–	5,170	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	1,202	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	
Henry M W Law	19 Dec 2005	22,900	31.20	23,507	552	6,014	–	18,045	19 Dec 2007 – 19 Dec 2010	
	15 Jan 2007	6,660	72.28	–	163	–	–	6,823	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	3,623	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	
Stewart S C Shing	15 Jan 2007	5,360	72.28	–	126	–	–	5,486	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	1,361	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	
Archie T C Tsim	19 Dec 2005	32,700	31.20	33,567	792	8,589	–	25,770	19 Dec 2007 – 19 Dec 2010	
	15 Jan 2007	8,965	72.28	–	217	–	–	9,182	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	4,941	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	
Richard G Williams	15 Jan 2007	12,490	72.28	–	295	–	–	12,785	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	7,672	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	
Alfred K K Wong	19 Dec 2005	32,100	31.20	32,952	776	8,431	–	25,297	19 Dec 2007 – 19 Dec 2010	
	15 Jan 2007	9,417	72.28	–	230	–	–	9,647	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	5,113	163.72	–	–	–	–	–	12 Dec 2009 – 12 Dec 2012	

Notes:

- Options granted are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of grant.
- Mr Patrick K Conroy resigned as the Chief Operating Officer on 9 February 2007.
- Prior to 16 August 2006, the date of award refers to the date on which the Board determined such number of shares awarded to the selected employees. Following the amendments to the rules of the Share Award Scheme which took effect from 16 August 2006, the date of award refers to the date on which the trustee allocated such number of Awarded Shares to the selected employees from the total number of shares purchased with the sum determined by the Board. On 4 February 2008, Awarded Shares were allocated to the respective members of the Senior Management by the trustee of the Share Award Scheme according to their respective proportionate awarded sums so determined for him/her against the total amount awarded.
- The shares awarded are vested in tranches of 25 per cent per annum starting from the second anniversary until the fifth anniversary of the date of approval of the award by the Board.

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Long-Term Incentive Schemes

Share Option Schemes

HKEx operates two share option schemes, the Pre-Listing Scheme and the Post-Listing Scheme, under which the Board may, at its discretion, offer any employee (including any executive director) of HKEx or its subsidiaries, options to subscribe for shares in HKEx, for the purpose of attracting and retaining high calibre employees. Both schemes were approved by Shareholders on 31 May 2000 and have a life of 10 years until 30 May 2010.

A non-refundable sum of \$1 by way of consideration for the grant of an option is required to be paid by each grantee upon acceptance of the granted option. The maximum number of shares in respect of which options may be granted under these schemes shall not in aggregate exceed 10 per cent of the shares in issue as at the date of approval of the schemes, ie a total of 104,066,484 shares.

The total number of shares available for issue, save for those granted but yet to be exercised, under the Pre-Listing Scheme and the Post-Listing Scheme aggregated to 64,977,484 shares, which represented 6.07 per cent of the issued share capital of HKEx as at 5 March 2008. Pursuant to the terms of scheme, no further options can be granted under the Pre-Listing Scheme as from 27 June 2000, the date of listing of HKEx shares on the Stock Exchange. Since the adoption of the Share Award Scheme in September 2005, no further options have been or will be granted under the Post-Listing Scheme.

Pre-Listing Scheme

The maximum entitlement of each participant, when aggregated with shares issued and issuable under all options granted to him/her, must not exceed 25 per cent of the aggregated number of shares issued and issuable under the Pre-Listing Scheme.

The subscription price for a share in HKEx in respect of any particular option granted was determined based on a formula: $P = 80 \text{ per cent } (A \times B)$, where “P” was the subscription price; “A” was 18.81, a price/earnings multiple determined by reference to the price/earnings multiples of various financial companies listed on the Stock Exchange and/or overseas; and “B” was the earnings per share of the Group based on its audited combined results for the year ended 31 December 1999 as if the then group structure of HKEx had been in existence throughout the year divided by 1,040,664,846 shares in issue. Based on this formula, the subscription price of the option granted was \$7.52 per share, which was subsequently adjusted by Shareholders at the AGM held in 2004, to \$6.88 per share as the result of the payment of a special dividend of \$1.68 per share in 2004.

Post-Listing Scheme

Unless approved by Shareholders in general meeting, no employee shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such employee in any 12-month period up to the date of the latest grant would exceed one per cent of the share capital of HKEx in issue at the relevant time.

The subscription price of shares in respect of any particular option granted shall be at least the higher of (i) the closing price of HKEx shares on the Stock Exchange, as stated in the Stock Exchange’s daily quotations sheet on the relevant offer date in respect of such option; or (ii) the average of the closing prices of HKEx shares on the Stock Exchange, as stated in the Stock Exchange’s daily quotations sheet for the five trading days immediately preceding the relevant offer date in respect of such option; or (iii) the nominal value of a share in HKEx.

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Further details in relation to the Share Option Schemes are set out in note 34(b) to the consolidated accounts.

Details of the share options granted under the two schemes, which remained outstanding as at 31 December 2007 were as follows:

Pre-Listing Scheme

Date of Grant	Exercise Price	Number of Shares Issuable Under the Options			As at 31 Dec 2007	Exercise Period (Note 2)
		As at 1 Jan 2007	Issued upon Subscription during the Year (Note 1)	Lapsed during the Year		
Employee (Note 3)						
20 Jun 2000	\$6.88	788,000	409,000	–	379,000	6 Mar 2002 – 30 May 2010

Post-Listing Scheme

Date of Grant	Exercise Price	Number of Shares Issuable Under the Options			As at 31 Dec 2007	Exercise Period (Note 5)
		As at 1 Jan 2007	Issued upon Subscription during the Year (Note 4)	Lapsed during the Year		
Director (Note 6)						
2 May 2003	\$8.28	2,460,000	1,220,000	–	1,240,000	2 May 2005 – 1 May 2013
Employees (Note 3)						
14 Aug 2003	\$12.45	547,000	273,500	–	273,500	14 Aug 2005 – 13 Aug 2013
18 Aug 2003	\$12.49	1,476,000	492,000	984,000	–	18 Aug 2005 – 17 Aug 2013
15 Jan 2004	\$17.30	822,000	275,000	–	547,000	15 Jan 2006 – 14 Jan 2014
31 Mar 2004	\$16.96	4,084,500	1,228,000	29,000	2,827,500	31 Mar 2006 – 30 Mar 2014
17 May 2004	\$15.91	150,000	25,000	–	125,000	17 May 2006 – 16 May 2014
26 Jan 2005	\$19.25	5,054,000	914,500	63,000	4,076,500	26 Jan 2007 – 25 Jan 2015

No options granted under the Share Option Schemes were cancelled during the year ended 31 December 2007.

Notes:

1. The weighted average closing price immediately before the dates on which the options were exercised was \$81.14.
2. Options granted are subject to a vesting scale in tranches of 25 per cent each per annum reaching 100 per cent as from 6 March 2005.
3. Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.
4. The weighted average closing price immediately before the dates on which the options were exercised was \$113.17.
5. Options granted are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of grant.
6. The option was granted to Mr Paul M Y Chow, an Executive Director and the Chief Executive of HKEx.
7. The amortised fair value of the share options charged to the consolidated income statement for the year ended 31 December 2007 was \$9,779,000 (2006: \$15,553,000).

REMUNERATION COMMITTEE REPORT 2007**Share Award Scheme**

On 14 September 2005 (“Adoption Date”), the Board adopted the Share Award Scheme in which selected employees (including any executive director) of the Group are entitled to participate. The purpose of the scheme is to recognise the contributions by certain employees of the Group and to retain them for the continual operation and development of the Group. Unless early terminated by the Board, the Share Award Scheme shall be valid and effective for a term of 15 years commencing on the Adoption Date provided that no contribution to the trust fund will be made by HKEx on or after the tenth anniversary date of the Adoption Date. The maximum numbers of shares which can be awarded under the Share Award Scheme and to a selected employee throughout its duration are limited to three per cent (ie 31,871,575 shares) and one per cent (ie 10,623,858 shares) respectively of the HKEx shares in issue as at the Adoption Date.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust, for the purpose of administering the Share Award Scheme and holding the Awarded Shares before they are vested. Unless otherwise determined by the Board at its discretion, Awarded Shares and the income derived therefrom are subject to a vesting scale in tranches of 25 per cent each per annum starting from the second anniversary and fully vested in the fifth anniversary of the date of approval of the award by the Board, provided that the selected employee remains an employee of the Group at all times until the relevant vesting dates and satisfies the conditions specified under the Share Award Scheme.

Further details in relation to the Share Award Scheme are set out in note 34(c) to the consolidated accounts.

During 2007, the Board awarded an aggregate amount of \$27,500,000 for the purchase of HKEx shares to certain eligible employees, the shares so purchased have been allocated and awarded to the relevant employees according to the rules of the Share Award Scheme as set out below. Subsequent to the year-end, the Board on 18 February 2008 provided a sum of \$612,000 for the purchase of HKEx shares to be awarded to the Chief Executive. The trustee will be instructed to effect the purchase after the date of this report.

Date of Grant	Awarded Sum (\$)	Number of Shares	
		Purchased	Allocated and Awarded (Date)
2007			
16 Apr	600,000	7,000	7,000 (7 Jun 2007)
18 Jun	600,000	5,500	5,500 (17 Jul 2007)
12 Dec	26,300,000	151,000	150,965 (4 Feb 2008)
2008			
18 Feb	612,000	–	–

Since its adoption, a total of 1,395,930 shares have been awarded as at the date of this report, representing about 0.13 per cent of the issued share capital of HKEx as at the Adoption Date, to the selected employees, as set out below:

Date of Award	Number of Awarded Shares	Average Fair Value per Share (Note 1)	Vesting Period
19 Dec 2005	960,000	\$31.20	19 Dec 2007 – 19 Dec 2010
15 Jan 2007	272,465	\$72.28	13 Dec 2008 – 13 Dec 2011
7 June 2007	7,000	\$81.33	16 Apr 2009 – 16 Apr 2012
17 July 2007	5,500	\$102.29	18 Jun 2009 – 18 Jun 2012
4 Feb 2008	150,965	\$163.72	12 Dec 2009 – 12 Dec 2012

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Notes:

1. Prior to 16 August 2006, the fair value of the Awarded Shares was based on the market value at the date of award. With effect from 16 August 2006, as a result of the amendments to the rules of the Share Award Scheme, the fair value of the Awarded Shares was based on the average purchase cost per share.
2. The amortised fair value of the Awarded Shares charged to the consolidated income statement for the year ended 31 December 2007 was \$14,583,000 (2006: \$8,480,000).

As at 31 December 2007, taking into account the further shares acquired by reinvesting the dividend income received in respect of the shares held under the trust, there were a total of 1,056,632 shares held in trust by the trustee under the Share Award Scheme, of which 1,024,262 shares were held for the benefit of the selected employees who remained under the employ by the Group, and 32,370 shares as returned shares (ie. shares were not vested and/or forfeited and/or fractional shares which were not so allocated to selected employees in accordance with the terms of the Share Award Scheme). The trustee shall hold these returned shares and future related income for the benefit of one or more employees of the Group as it determines at its discretion, after taking into consideration the recommendations of the Board. During the year ended 31 December 2007, 1,873 shares (including further shares) lapsed, and 243,868 shares (including further shares) were vested and transferred out of the trust.

Movements in the numbers of HKEx shares held in trust by the trustee under the Share Award Scheme were as follows:

	2007	2006
Balance at 1 Jan	1,258,000	958,000
During the year:		
- Purchased	12,500	274,500
- Further shares acquired by reinvesting dividends	30,000	25,500
Less: Vested and transferred out of the trust	(243,868)	-
Balance at 31 Dec	1,056,632	1,258,000

Members of the Remuneration Committee

Ronald J Arculli
 Laura M Cha
 Moses M C Cheng
 Vincent K H Lee
 Christine K W Loh

Hong Kong, 5 March 2008

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Glossary

2007 AGM	Annual general meeting held on 26 April 2007
AGM	Annual general meeting of HKEx
Awarded Shares	Shares awarded under the Share Award Scheme
Board	Board of HKEx
Director(s)	Director(s) of HKEx
Group	HKEx and its subsidiaries
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
Hong Kong	Hong Kong Special Administrative Region of the People's Republic of China
HSI	Hang Seng Index
INED(s)	Independent Non-executive Director(s) of HKEx
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Post-Listing Scheme	Post-Listing Share Option Scheme approved by the Shareholders on 31 May 2000 which was subsequently amended by the Shareholders on 17 April 2002
Pre-Listing Scheme	Pre-Listing Share Option Scheme approved by the Shareholders on 31 May 2000
Senior Management	Senior executives of HKEx as referred to in the section "Senior Management" to be set out in the Annual Report
Shareholders	Shareholders of HKEx
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended by the Board on 16 August 2006
Share Option Schemes	Pre-Listing Scheme and Post-Listing Scheme
Stock Exchange	The Stock Exchange of Hong Kong Limited
\$	Hong Kong Dollar