Standard & Poor's Corporate Governance Services
Corporate Governance Score

COMPANY	**HONG KONG EXCHANGES AND CLEARING LIMITED**
Country	**China**
Date	**22 November 2001**
Composite Company Governance Score	**CGS-8.3 (maximum 10)**
Ownership Structure & Influence	**8.0 (maximum 10)**
Financial Stakeholder Relations	**8.0 (maximum 10)**
Financial Transparency & Information Disclosure	**9.3 (maximum 10)**
Board & Management Structure & Process	**8.0 (maximum 10)**

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EXECUTIVE SUMMARY

The corporate governance standards of Hong Kong Exchanges and Clearing Limited ("HKEx") are strong. This reflects the high priority HKEx places on good corporate governance, as well as its interest in setting a positive governance example for the Hong Kong market more generally.

It is essential to recognize the special status of the HKEx when considering an evaluation of its corporate governance practices and structure. HKEx is an unusual publicly listed company, as its role goes beyond that of a typical commercial enterprise. As the only exchange in Hong Kong, HKEx is of utmost strategic importance to the economy of Hong Kong and has a legal duty to consider its public interest function - the protection and furtherance of the financial markets of Hong Kong- in addition to providing shareholder value to its members.

This dichotomy of roles within the Exchange warrants careful consideration. It is clear that there is a strong correlation between the long-term public interest of the Exchange maintaining its leadership role in Asian financial markets and the consequent financial benefits to shareholders. But it is important to be alert to the possibility of scenarios where the public interests and the financial interests of its shareholders might diverge - particularly given a board structure, which suggests a primary accountability to the HKEx's public interest role. While this analysis identifies this potential conflict, it is important to emphasise that there is no evidence to date to suggest this has been a problem in practical terms. Hence while certain aspects of the HKEx governance practices were found to be different when compared with governance structures of companies with a more exclusive focus on promoting shareholder value and financial stakeholder protection, the overall assessment of the governance standards at the HKEx is positive. Over time though, as the ownership of the HKEx becomes more widely held, we would expect that its corporate governance structures would become more aligned with those of companies that are focused more exclusively on bolstering shareholder value.

CORPORATE GOVERNANCE SCORE

Standard & Poor's Corporate Governance Services analyses corporate governance at both company and country level.

Company Score are articulated on a scale from CGS-1 (lowest) to CGS-10 (highest) and express Standard & Poor's opinion of the extent to which a company adopts and conforms to codes and guidelines of good corporate governance practices that clearly serve the interests of it's shareholders and others financial stakeholders.

A company also receives individual *component score* (from 1 to 10) for each of:

- Ownership Structure & influence
- Financial Stakeholder Relations
- Financial Transparency & Information Disclosure
- Board and Management Structure and Process

Company Scores articulate the actual standards of governance practiced by a company and determine if these exceed the minimum standards required by local laws and regulations.

Company Scores are comparable on a global basis – two companies with the same score are considered to adopt and conform to similar corporate governance practices, irrespective of the countries of domicile.

Country Governance Classifications represent Standard & Poor's assessment of the degree of support that a country's legal, regulatory, market and information environments provide to governance practices ate the company level. Countries are classified by Standard & Poor's as providing 'Strong Support', 'Moderate Support' or 'Weak Support'.

Consideration of Country Governance Classifications is an essential factor in the overall analysis of the risks associated with the governance practices of an individual company. For example two companies with the same **Company Score**, but domiciled in two countries with non identical Country Classifications, present different risk profiles should their governance practices deteriorate.

For a full explanation of Standard & Poor's criteria for measuring corporate governance standards, please refer to the latest edition of "Corporate Governance – Criteria & Methodology".

The company's *ownership structure* is shaped by its Articles of Association, which limit an individual to holding no more than 5% of the company. This ensures a wide spread of investors and thereby avoids the potential for large ownership blocks to act in their own favour at the expense of smaller shareholders. However, at the time of the creation of the HKEx, the majority of shareholders were brokers. As such, it could be argued that the brokers' interests, being closely aligned, could give the effect of a concentrated ownership group whose interests potentially differ from those of pure financial investors. To mitigate this potential weakness, however, the influence of the public interest directors and CEO on the company's board can be viewed as providing an effective check and balance to ensure that the influence of the broker shareholders does not interfere with the financial and public interests of the HKEX. There is good disclosure of directors' interests in the HKEx and of policies governing the holding of shares in the company.

The company's *financial stakeholder relations* are good, and there is an established system in place for communicating company news, events to shareholders and voting procedures at company meetings. The company's web site is comprehensive and easy to use. Ownership rights can generally be considered as secure and well protected. However, shareholder voting rights are limited by the fact that they elect less than half of the directors, reflecting the government's intent to ensure that the exchange's public interest role is maintained.

The standards of *financial disclosure and transparency* set by the HKEx are high. Hong Kong's standards of accounting are currently being harmonised to meet IAS standards. Timing and access to financial information is in line with the practices of well-governed companies internationally. The Board is pro-active and ensures that the company maintains a sound system of internal controls.

An analysis of the HKEx *board structure and process* shows that a high calibre board has been recruited on the basis of relevant experience and a wide range of specific skills. The majority of directors are public interest directors, appointed by the Financial Secretary of Hong Kong with a mandate to look after the broader long-term public interests of the HKEx. Other directors, voted upon by the shareholders, currently represent the brokerage community, which in turn comprised the major shareholder base upon the formation of the HKEx. This is not a typical board structure given the public interest role of the HKEx, and therefore gives rise to scrutiny for possible situations in which the directors' public interest focus might conflict with the financial interests of its shareholders. As noted, however, there is no evidence to date to suggest this is a problem. Moreover, the presence of public interest directors does provide a check and balance against potential influence of the brokerage-focused directors that may not be consistent with the specific interests of the HKEx. It also warrants noting that this board is an active board, with a monthly meeting agenda. The board's executive committee meets even more frequently, once every two weeks. This suggests an above average level of engagement of the HKEx board with the company's overall operations.

The Securities and Futures Commission ("SFC"), has confirmed all directors, with the exception of the CEO, satisfy their criteria for independence. Independent audit and risk management committees are in place and reflect good practice. While no other formal committee structures exist at the board level, there are a number of management committees and consultative panels, which generally provide board support. The remuneration and nomination roles, are performed by the board, as a whole, or on an *ad hoc* basis. The HKEx views these less formal structures as practically the most efficient mode of operation at present, and the nature of the director structure suggests that these nomination and remuneration roles are conducted with independence vis-à-vis management. However the existence of formal nomination and remuneration committees would bring HKEx board structure in line with what increasingly is recognized as best global practice, and thereby might allow for more explicit director focus on these areas and for the articulation of clearer nomination and remuneration guidelines. Similarly, there is an absence of articulated succession policies.

COMPANY PROFILE

In March 1999, the Financial Secretary of Hong Kong announced the reform of the securities and futures market, which involved the merging of the stock and futures exchanges with the clearinghouses under a new holding company, the HKEx. On the 8 July 1999, the HKEx was incorporated, and its shares were listed on 27 June 2000. The Stock Exchange of Hong Kong Ltd ("SEHK"), the Hong Kong Futures Exchange ("HKFE") and the Hong Kong Securities Clearing Company Limited ("HKSCC") became wholly owned subsidiaries of the HKEx.

Before the merger, it had become apparent that the exchanges were not structured to cope with the demands of the globalisation of financial markets. Brokers dominated the SEHK. Its members and membership was artificially restricted to a fixed number of trading seats, attached to the 929 shares. The protection afforded by the old structure meant that brokers were able to dominate the rule-making bodies of the SEHK. A number of issues showed the weaknesses of the old system. For example, commissions were not freely negotiable between brokers and clients, but were set by the SEHK.

It was also the government's view that the global securities and futures industry was changing rapidly and that the Hong Kong exchanges were facing a number of challenges:

- Increased competition from rival markets, such as Singapore, where their governments had been investing heavily to capture a greater share of the market.
- Technological changes, which were altering the traditional operation of the securities and futures industry.
- Pressure from institutional investors who were diversifying their trading through various markets, therefore increasing competition.
- More governments and securities authorities were opening up to international participation.

In light of these challenges, the government concluded that the inadequate structures of the exchanges would make them less able to compete effectively in future. The listing of HKEx therefore was seen as a solution to achieve diversified ownership, to give an opportunity to the former members of the two exchanges to realize the value of their ownership, and to subject the company to the discipline of the market. Additionally, as a publicly listed company, the HKEx is now also able to raise capital if need be, since it is in a position to access the capital markets.

The result of these reforms is that the HKEx operates the only exchange-based stocks and futures markets in Hong Kong and, consequently, the company's performance has a direct influence on the success of Hong Kong as a financial centre, while simultaneously having to safeguard the integrity of the market.

Financial Highlights ($ million, expressed in HK dollars)		
	Year ended 31 December	
	2000	**1999**
	$million	$million
Income	2,312	1,815
Operating expenses	(1,327)	(1,258)
Profit before tax	985	557
Taxation	(106)	(36)
Profit attributable to shareholders	879	521

1. OWNERSHIP STRUCTURE AND INFLUENCE

1.1 Transparency of Ownership

Individual shareholding limit of 5% ensures a wide spread of ownership and reduces the chance of undue concentration of ownership. The formal public disclosure of the shareholding structure would also enhance transparency.

KEY ANALYTICAL ISSUES
Single shareholding is limited to 5% but no full disclosure of shareholding structure in public reports, i.e. identification of major shareholders or identification by type. See comment.
Indirect holdings have been enumerated and explained. Management is willing to identify how shareholding structure relates to control environment

COMMENT

On the 6th of March 2000, the authorised share capital was increased from HK$1,000 to HK$2,000,000,000. There has been no alteration in the share capital of the company since this date.

The HKEx was incorporated on 8 July 1999. The merger required two schemes of arrangement, one for the stock exchange and the other for the futures exchange. Under the stock exchange scheme of arrangement, each stock exchange shareholder was entitled to receive 805,000 HKEx shares for each stock exchange share held, or HK$3.88 in cash for each HKEx share, up to a maximum of 259,452 HKEx shares per stock exchange share. A futures exchange shareholder was entitled to receive 1,393,500 HKEx shares, or HK$3.88 in cash for each HKEx share up to 449,125 HKEx shares per futures exchange share. Following the completion of the two schemes of arrangement on 6 March 2000, 1,040,664,844 HKEx shares were issued.

Section 6 of the Merger Ordinance provides that no person, either alone or with any associate, may hold more than 5 per cent of the voting power or shareholding of the HKEx and this provision has been incorporated into the company's Articles of Association.

The company informed us that, as of 18 May 2001, 716 shareholders hold the issued share capital. Of these, 136 are corporate shareholders and 580 are individual shareholders. However, formal disclosure of this analysis in the Exchange's public reports and/or on its website would improve HKEx's transparency of its ownership structure.

The only registered shareholder holding more than 1% of HKEx is HKSCC Nominees Limited (a wholly-owned subsidiary of HKSCC, which holds 801,599,002 shares in a nominee capacity). While the company obtains the addresses of the various shareholders that comprise the nominee group from the HKSCC, for the purposes of notification of company events, it does not obtain the individual holdings. If the HKEx ever has cause for concern about the holding of any individual, the HKEx would inform the Securities and Futures Commission ("SFC"), which is required to make enquiries to obtain the necessary undertaking from the individuals concerned and in turn inform the HKEx.

The holding of shares in nominee accounts is an efficient way for financial institutions to hold their client's shares. The system in Hong Kong is similar to the UK and other jurisdictions. However, a problem with such a system is the effect that it has on the transparency of a company's shareholder structure. This is less of a concern in countries where there is a high percentage of institutional investors that hold shares in this way. For example, in the UK, shares held in nominee accounts comprise almost seventy per cent of institutional investors (pension funds, unit trusts, investment trusts etc). Generally, these institutional investors hold the control rights, i.e. the rights to vote and receive company information. There may be more concern in markets where there is a more substantial retail investor component, where it may be difficult to establish the connections between the different interest groups. In the case of Hong Kong retail shareholding is at a higher level than in the UK, and the HKEx reports the most recent survey of local share trading in Hong Kong having a 49% retail component.

Although an individual shareholding limit of 5% is in place, it would be a positive governance feature if a more comprehensive analysis of the shareholding structure were to be provided publicly. This would also give a clearer indication of the changes in ownership over time. The HKEx reports that the SFC's monitoring of its shareholder structure confirms that no individual owner has a beneficial stake in excess of the 5% maximum. This is monitored on a regular basis. As is common under international practice, though, regulators are not usually in a position to provide the underlying detail to the HKEx.

1.2 Concentration and Influence of Ownership

Disclosure of directors' interests is good, however it is difficult to establish the current holdings of former brokers.

Disclosed Director Holdings		
Name	No of Shares	Type of interest
Fan Chor Ho, Paul	2,187,000	Corporate
Lee Jor Hung, Dannis	1,610,000	Corporate

Notes
1. 2,187,000 shares are owned by Compu-Chart Investment Adviser Ltd, a private company in which Fan Chor Ho, Paul holds a 99.9 per cent interest.

2. 1,610,000 shares are owned by DL Brokerage Ltd, a private company
beneficially wholly owned by Lee Jor Hung, Dannis.

KEY ANALYTICAL ISSUES
Majority of shares are widely held. This limits concern over concentrated holdings
No evidence of a tendency towards greater concentration of shareholdings; share turnover statistics would suggest that ownership is becoming less concentrated.
No blockholder has veto power
Managerial holdings are not large enough to confer actual control.
No evidence of disproportionate exercise of power by any one shareholding group; see comment.
No cross shareholdings.
No external relationships between managers and blockholders.

COMMENT

The ownership structure is in principle a positive feature of the HKEx, in that it limits the potential for dominant shareholders to influence negatively other minority shareholders. But it is not easy to establish the exact percentage held by existing shareholders, notably brokers, on the basis of public information. In this case it is important to establish who the current shareholders are, given the history prior to the merger.

At the time of the merger, the majority of shareholders were brokers, whose interests were clearly aligned. Although not a concentration in one group or block holding in the strictest sense, the interests of this group could differ markedly from that of other minority shareholders and it is clear from the analysis of the Board members (section 4.3) that broker interests are well represented by elected directors. It can be difficult, in certain circumstances, for a potential investor to assess whether broker interests might produce the practical effect of a block.

2. FINANCIAL STAKEHOLDER RELATIONS

2.1 Regularity of, Ease of Access to, and Information on Shareholders' Meetings

Comprehensive information is supplied to shareholders well in advance of company meetings and is also available on the company's website.

KEY ANALYTICAL ISSUES
The company informs shareholders of upcoming meetings 21 days in Advance.
Notice is sent individually to shareholders and posted at company web site.
Evidence of attempts to ensure the notice reaches beneficial shareholders before the meeting – HKEx sends notice by recorded delivery.
Meetings are held in Hong Kong, and hence easily accessible for most shareholders.
Shareholders are entitled to appoint a proxy to attend and vote at shareholder meetings. See comment.

COMMENT

The HKEx has satisfactory procedures for holding annual general meetings and extraordinary meetings. Notifications of meetings are subject to section 116C of the Ordinance. This requires that at least twenty-one clear days' notice of every annual general meeting (and of every extraordinary general meeting at which it is proposed to pass a special resolution), and at least fourteen clear days' notice of every other extraordinary general meeting, are given to all members. The HKEx notifies its members of meetings by post, in a Chinese and English language newspaper and on the company's web site.

Voting arrangements are clearly set out in the company's articles and members may attend and vote in person or appoint a proxy to represent them. Voting by post is possible where a shareholder is unable to attend or they may complete their proxy form and appoint the Chairman as their proxy. Electronic voting is not possible and on a practical level this is not considered to be essential, as company meetings are held in Hong Kong where the majority of members are residents. Shareholders are sent copies of the Annual Report and Accounts plus accompanying information about the meeting by post. A copy of the proxy form is sent with the notice. Furthermore, the company obtains the names and addresses of individual shareholders, whose shares are held in nominee accounts, from the HKSCC and sends all the relevant notices of company meetings with accompanying information.

The website is informative and contains the report and accounts and all information pertaining to company meetings. Directors should attend these meetings, and shareholders should be given the opportunity to question Board members on company business. The company has informed Standard & Poor's that the time allotted for shareholder questions is dependent upon the number of issues raised by shareholders.

Shareholders are entitled to vote by post but see additional comments under section 2.2 - as voting is conducted on a show of hands.

2.2 Voting and Shareholder Meeting Procedures

Procedures that are in place for voting at company meetings are of a high standard. Voting is still done on a show of hands, a common practice in many jurisdictions. However this is but may be considered less comprehensive and representative than the use of polls

KEY ANALYTICAL ISSUES
HKEx specifically adopts minimum threshold permitted for shareholders to call a special meeting.
There is a clearly articulated set of voting procedures that is independently verified by PwC.
Cheap transparent and simple voting procedures exist for those unable to attend
Evidence of effort to ensure all beneficial shareholders have some access to meeting information and their voting instructions can be received
Given the predominance of votes being given on a show of hands, votes given in absentia, do not carry the same weight. See comment.

COMMENT

The HKEx was recently incorporated on 8 July 1999 and became a publicly listed company on 27 June 2000. Accordingly, its history in terms of its treatment of its shareholders' interests, including voting rights or shareholder-meeting procedures, is limited. However, in the company's brief history, no problems have been noted in this regard and its procedures for company meetings are well defined.

The Companies (Amendment) Ordinance 2000 provides that members holding 5 per cent or more of the paid up capital of a company which carries the right to vote at general meetings, can requisition an EGM (s113(1)). These provisions allow shareholders to requisition for a resolution to be considered at the company's next AGM (s115(A)). The company's Articles of Association follow the requirements of the statutes regarding the holding of annual general meetings.

Voting procedures are well defined in the articles and are disclosed to all shareholders. These allow shareholders to vote in person or by proxy. A poll may be called by (i) three or more shareholders present; (ii) a member (in person or by proxy) if their holding represents, in aggregate, not less than ten per cent of the total voting rights to demand a poll or; (iii) the Chairman can also call for a poll under any circumstances.

Nevertheless the standard voting procedures of the HKEx are based on a show of hands rather than a poll. This is in accordance with the Hong Kong Companies Ordinance, and is not only a common practice in Hong Kong, but in many other jurisdictions globally. It is important to note that a show of hands can represent a practical way of voting and that in contentious situations mechanisms are in place at the HKEx to employ a poll system to ensure that votes are clearly linked to the shareholder's absolute level of shareholding. However it should be recognized that unless a poll is demanded, a member in possession of few shares would have the same effect on voting as any other member in attendance, irrespective of the number of shares held. It is only on a poll that each shareholder can cast the total number of votes that are attached to his shares.

Most management proposals are carried on a show of hands. Proxy votes are rarely counted unless a poll is demanded over a particularly contentious issue. On a poll, the votes of the financial institutions will typically outnumber those of an individual shareholder. Conversely, institutions are disinclined to vote, as there are rarely contentious issues and voting by proxy is a time consuming and expensive business.

This show of hands system of voting, though pervasive globally, is not an ideal structure, and in the context of best practice is regarded by Standard & Poor's as less preferable than a poll system. In the case of the HKEx there is no suggestion of any abuse of the existing structure and this should not be unduly emphasized in an overall evaluation of its financial stakeholder relations. But even for companies where the show of hands system does not suggest flawed or unfair voting results, the company will be less aware of how its resolutions are regarded by its shareholders on the basis of the weighting of individual shareholdings.

Currently, there is no mandatory requirement to vote in Hong Kong and there is no minimum statutory requirement for attendance by shareholders at a company meeting.

2.3 Ownership Rights

Ownership rights are clearly stated and well protected, though shareholders only have a limited voice in the election of the company's directors

KEY ANALYTICAL ISSUES
Secure ownership rights exist via a transparent and independent registrar system.
The share structure consists of one class of common shares that have clearly articulated rights.
Charter clearly establishes one share, one vote.
Shareholders do not have full voting rights since the government, which appears not to be a shareholder, appoints the majority of the directors.
Dividend policy exists and has been articulated to the shareholder.
Declared dividend payments have been made.
There are no super majority requirements that interfere with the shareholders' right to elect directors or ratify corporate actions.
There are no anti takeover provisions. See comment.

COMMENT

Rights attached to the HKEx's shares are secure and fully transferable. The company complies with the statutory requirements which require all companies to keep a register of members at the company's headquarters. Through the subscription service provided by the share registrar – Hong Kong Registrars Limited (HKSCC), the HKEx is able to access the shareholding of each Central Clearing and Settlement System ("CCASS") participant. As an additional safeguard, PwC has been retained as the scrutineer if there is a vote by poll.

There is no evidence of super majority provisions that are likely to interfere with shareholders' rights. The Articles of Association provide that all business to be decided upon at annual general meetings should be by special resolution with the exception of:

* Declaration of dividends;
* Adoption of the Annual Report & Accounts;
* Election of directors;
* Re-appointment and remuneration of the auditors.

The government control of the board, through its appointment of the public interest directors, may ensure that the public interest role of the HKEx is maintained. However from a strict corporate governance perspective, this has the effect of not enabling shareholders to fully exercise their rights—which typically will include the right to elect their own board representatives. It is important to note, though, that starting in 2003, the government has committed to reduce the number of publicly appointed directors from eight to six.

As noted earlier, the HKEx has a shareholding limit that restricts individual ownership of shares to 5%. Though this is not intended to serve as an anti-takeover device, this provision could, in theory, be used to thwart an otherwise legitimate takeover bid, particularly in cases where the public interest role of the HKEX was not under threat. Standard & Poor's recognizes the political importance of the HKEx to the region and the reasons for the limit. Moreover, the merger listing document recognises that a situation could arise whereby an increase on this limit is required and accordingly, any increase over the 5 per cent limit would require the approval of the SFC, following a proposal by management. Hence, the 5% limitation is not cast in stone, and the SFC and the Hong Kong Financial Secretary could waive this provision in the event these bodies were satisfied that both public interest and shareholder financial considerations so justify.

The fact that the government tries to make sure that no shareholder group exercises undue influence over the exchange's affairs by appointing the majority of the directors may help it in strengthening the exchange's public policy role. But this does not allow the shareholders to fully exercise their fundamental shareholder rights, which includes having the freedom to elect their own board representatives.

Section 3 Financial transparency and disclosure

3.1.Quality and content of public disclosure

Quality and content of public disclosure is high.

KEY ANALYTICAL ISSUES
Company's financial statements are prepared according to Hong Kong accounting standards. These are broadly in line with IAS.
Financial statements are presented and include all usual items, such as: balance sheet, profit and loss account, cash flow statements etc.
There is adequate disclosure of minority interests, internal, inter-firm and related party transactions.
Corporate records of shareholders meeting are properly maintained.
Shareholders have been notified of all corporate events in the last 12 months.

Comments:

The Company's financial statements are prepared in accordance with accounting standards generally accepted in Hong Kong and are audited by PwC according to Statements of Auditing Standards, issued by the Hong Kong Society Of Accountants (HKSA). The quality of these statements is fairly close to accounts prepared in accordance with IAS as, during the past few years, the HKSA has been in the process of harmonizing Hong Kong's accounting standards with IAS. This process has yet to be completed and a number have yet to be introduced in Hong Kong e.g. IAS 12 Income Tax, IAS 39 Financial Instruments, and IAS 40 Investment Property.

Standard & Poor's would expect companies with the highest levels of transparency and disclosure to prepare/audit their financial statements according to IAS or other accounting standards with clear global recognition. In the case of Hong Kong, where differences between IAS and Hong Kong standards are relatively minor, this is not perceived as a problem for the HKEx. However a reconciliation of differences between accounting results between the Hong Kong standards and one of the global standards would lead to an increase in financial transparency and attractiveness to international investors.

In order to reflect the parent's acquisition of the stock and futures exchanges and the clearing operations and the resultant exchange of shares, the HKEx's auditors decided to use the 'pooling of interests' method of accounting in the company's consolidated financial statements. However, IAS SIC 9 recommends that this accounting approach should only be used in the rare circumstance when the acquirer cannot be identified. Hong Kong accounting standards, in turn, introduced SSAP 30 in Jan 2001, which goes a step further and takes the view that an acquirer can always be identified and does not discuss the pooling of interest method.

The introduction of SSAP 30 did not directly affect HKEx, as it was not in place at the time the consolidated accounts were prepared (mid 2000). The PwC Technical team was closely involved in the decision regarding the use of pooling of interests accounting method versus the use of purchase accounting method (which tends to be viewed as more conservative). Ultimately, their final decision was that the pooling of interests approach better reflected the group's situation.

The annual report and interim reports are prepared in compliance with the requirements predetermined by the Companies Ordinance, Listing Rules and the Standard Statement of Accounting Practice of the Hong Kong Society of Accountants.

Overall standards of financial disclosure are high. HKEx's financial statements include most of the internationally required information. The financial statements (year end 2000) of the subsidiaries of the HKEx (SEHK; HKFE and HKSCC) were audited by Ernst & Young, PwC and KPMG respectively. However, the HKEx is currently taking a positive step by appointing PwC as auditor for all three of its subsidiaries.

Details of investments and indirect holdings in its subsidiaries are disclosed thoroughly and there is adequate disclosure of related party and internal transactions. Good disclosure here is particularly important due to the special circumstances arising from the fact that some of the directors of the HKEx are directors and/or shareholders of buy-in brokers, companies listed on the exchange, exchange participants or clearing participants.

Records of all shareholders meetings are properly maintained by the company secretary and are easily accessible at the company's headquarters. A number of important documents are available for inspection at the company's registered office including the Memorandum and Articles of Association; material contracts of the company; the rules of the share option scheme; the audited financial statements and the accountants report prepared by PwC.

The HKEx has introduced a number of ways of notifying its shareholders of all major events, which is considered to be one of the characteristics of companies with good corporate governance: (i) all relevant corporate information is available on the web site, (ii) annual and interim results are published in one English language newspaper and in Chinese newspapers and press releases are distributed to all newspaper publishers in Hong Kong, (iii) press conferences are held from time to time but always after the annual general meeting ('AGM') (iv) the HKEx occasionally issues circulars (in line with the listing requirements) in order to explain certain issues to its shareholders and, (v) all relevant information about the AGM is included in the annual report.

3.2 Timing of and Access to Public Disclosure

Timing and access to public disclosure is in line with good corporate governance practice.

KEY ANALYTICAL ISSUES
Public reports are always filed on time.
Public information is sent to shareholders in a timely manner.
The company provides shareholders and potential investors with special reports, such as analyst presentations and press releases.

Shareholders have easy access to corporate records of shareholders meetings.
Shareholders are sent publicly filed financial statements and reports
Public information is readily available upon request from corporate headquarters.
Corporate records of shareholders' meetings are available for inspection at the head office.
Company by-laws, statutes and/or articles are available upon request by any shareholder at the company's head office

COMMENTS:

There is clear evidence of the company's efforts to provide information in a timely and efficient manner. Notification of the AGM and extraordinary general meeting (EGM) is at least twenty-one and fourteen clear days respectively prior to the meeting. All public information is sent on time and via established distribution systems. Shareholders are sent information on where and how to access corporate records of shareholders' meetings.

The company's website is another good source of information. The website is easily navigable and finding information is easy. There is an "Investors Relations Corner" on the site that provides existing and potential investors with relevant information necessary to make an informed decision. Furthermore, the website includes news releases, publications and information products.

3.3 Independence & Standing of Auditor

HKEx's auditors are PriceWaterhouseCoopers (PwC) - a well-established international auditing firm. None of the arrangements between the HKEx and PwC suggest that the auditor's independence is compromised.

KEY ANALYTICAL ISSUES
The auditor is a reputable and experienced audit company
An Audit Committee, consisting entirely of independent outside directors, recommends the auditor (to the Board) for approval during the annual shareholders meeting.
There is an explicit, transparent and accountable process for selecting the auditor.
There is evidence of a process that ensures auditor's independence.
Auditors are not indemnified against liabilities incurred through legal action from their own sources but the Articles of Association make provision for auditor indemnity. See comment.

COMMENTS:

HKEx's auditors, PwC, are recognized as reputable and independent and are a leading international firm. The company's process of selecting the auditor is accountable and transparent. The Board of Directors is the governing body that selects and proposes auditors for appointment or re-appointment at the AGM, following a tender for audit services.

PwC was re-appointed by the Board and, approved by shareholders at the AGM held in April 2001, following proposals submitted by several international professional accounting firms. PwC were appointed to carry out auditing in accordance with Statements of Auditing Standards issued by the HKSA. PwC has not audited the accounts of any of the three subsidiaries.

A positive governance feature, in respect of the auditors, is the duty of the Audit Committee, consisting of five outside independent directors, whose duties are to consider the appointment of the external auditors, evaluate their performance, set the audit fee and deal with any questions of resignation or dismissal.

A potentially negative governance feature, and one common to many companies, is the existence of the possibility for an auditor's indemnity. Article 155 of the Articles of Association provides that the auditors can be entitled, if the company so chooses, to be indemnified by the company. Under s165(c) of the Companies Ordinance indemnification is permitted against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour. An auditor's indemnity can be considered negative, as its existence could compromise the quality of audit. In the case of the HKEx, the company notes that existence of this provision in its Articles of Association reflects standard legal language in Hong Kong, and affirms that it does not provide this indemnification as a matter of practice and has no intention to do so.

4 BOARD & MANAGEMENT STRUCTURE & PROCESS

4.1 Board Structure and Composition

The calibre of Board members is high. The unique role of public interest directors appears to provide a check and balance against the interests of directors representing brokers. There is no evidence that the public interest role is working against the specific financial interests of the shareholders, however this is subject to ongoing monitoring. The lack of remuneration and nomination committees does not reflect best practice on a global basis of comparison.

KEY ANALYTICAL ISSUES
Predominance of non-executive directors on the board
The CEO and Chairman positions are separate. The Chairman is non-executive.
The Chairman, CEO and public interest directors comprise the majority of the board—yet are not elected by the shareholders. This raises the question of potential conflicts between accountability to the government and accountability to the shareholders.
The CEO's appointment is not subject to approval by the company's shareholders
The Audit Committee is comprised of only non-executive directors.
There is no formal and separate Remuneration Committee
There is no formal and separate Nomination Committee

**See Appendix A for list of directors*

COMMENT

The structure of the Board is unorthodox for a publicly listed company as eight of the fifteen directors are appointed by the financial secretary of Hong Kong and are not subject to re-election by the shareholders. The public interest directors' official term comes to an end in 2003, and subsequent director reappointment is determined by the Hong Kong Financial Secretary. In addition, the directorship of the Chief Executive Officer is *ex-officio,* hence his appointment to the board is not subject to the approval by the shareholders. The remaining six elected directors were nominated and elected by the members in June 2000. At that time, the majority of members were brokers of the individual exchanges. Accordingly, all elected directors appear to represent the interests of the former members of the exchanges. With the exception of the Chief Executive Officer, all directors are non-executives ('NEDs')

Balance of interests

With the exception of the CEO, all directors of the HKEx are non-executive and consequently provide a healthy basis of independence vis-à-vis the company's management. A majority is comprised of public interest directors, appointed by the Financial Secretary of Hong Kong with the mandate to look after the public interest role of the HKEx. The other directors were voted into place by the company's shareholders, which were predominately brokerages. While each shareholder-elected director has the responsibility to represent the interests of all HKEx shareholders, there is also a potential conflict between the collective interests of the Hong Kong brokerage community and the interests of the HKEx shareholders from a financial perspective. In one case, for example, a minimum brokerage commission that was supported by some of the broker-linked directors was rejected by the majority of the directors and the CEO. Thus it can be seen that the existing structure can allow for appropriate checks and balances, particularly with regard to potential conflicts with the brokerage-linked directors.

As the system is currently structured, the integrity of the board structure depends on the congruence of the interests of the public interest directors with the financial interests of individual shareholders. In principle it would appear that this correlation is tight and thus far there is no reason to suggest that the public interest directors are pursuing an agenda that might potentially work against the interests of the shareholders to realize value in their shareholding. But this existing structure could, in principle, allow for public interest considerations to diverge from financial interests of shareholders in specific cases. As such, this is something that must be monitored on an ongoing basis.

It is also important to assess the board structure of the HKEx over time. At the time of the formation of the HKEx, the structure put in place (still the current structure) made sense, and appears to function well at present. However as the distribution of shareholding becomes more diverse, an evolution of this structure can be anticipated. For example, The Merger Ordinance provides that in 2003 the number of public interest directors will be no greater in number than the number of directors elected by the shareholders. This is one step in the direction of a more conventional board structure, where shareholders have a more complete voice in electing the board directors. As the HKEx continues to mature as an institution, and as the shareholding continues to diversify beyond the concentration in the brokerage community, it will be important to monitor the extent to which the role of public interest directors continues to reduce.

Chairman & CEO

The roles of Chairman and Chief Executive Officer are separate and these are distinct and clearly defined in the company's public documents. As has been noted, however, the chairman's appointment is not subject to shareholder approval. From a strict structural perspective, this feature does not reflect best practice in a global context.

Audit Committee

The Audit Committee is comprised entirely of NEDs (see section 4.2 on the selection process of NEDs) and was established on 12 April 2000. The Audit Committee has five members and its composition is in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. This requires the appointments to be non-executive, the majority of whom should be independent.

The Audit Committee meets four times each year and two of these meetings coincide with the publication of the interim results and the Annual Report & Accounts. The primary function of the Audit Committee is to review and supervise the financial reporting process and internal control system of the company and its subsidiaries. Members of the Audit Committee are provided with all necessary documents to prepare for items listed on the agenda prior to the meetings. Agendas and minutes to the meetings were provided to Standard & Poor's. The agendas recorded attendees/absentees, items/documents to be discussed and listed documents contained in the pack sent to Audit Committee members prior to the meeting. The minutes to the meetings are confidential (common in Hong Kong and elsewhere) but were presented on request and showed extensive detail of the issues discussed and the individual participation of the Audit Committee members. A positive aspect is that meetings were well attended and show active participation by the committee members.

Our meetings with management, directors and external parties reinforce our view that the Audit Committee is independent.

The auditors were selected after a tender process for an initial period of one year. Standard & Poor's were informed that there is a strong bias against the use of auditors for non-audit work and this is borne out in practice by two recent consultancy projects where the services of Arthur Andersen and Ernst & Young were engaged. This is a viewed as a positive move in this highly contentious area where lucrative consultancy projects are often undertaken by audit firms. PwC also informed Standard & Poor's that they follow the SEC's guidelines on non-audit work.

The head of the internal audit function reports to the chief executive officer but he may seek an opinion from the Chairman of the Audit Committee on any issues as a result of the internal audit function.

Remuneration & Nomination Committees

In the case of the HKEx, there are no committees formed to recruit directors and set remuneration. Directors' and senior management's remuneration is an intrinsic part of good corporate governance practice, as the manner in which it is handled can impact on the company's public reputation. Well-governed companies often establish a formal and transparent process for formulating remuneration policy and setting packages. Appointments to the

Board is for many companies a transparent process and the practice of many well-governed companies is to establish a nomination committee.

The HKEx contends that at this point in time standing committee structures for nomination and remuneration of both directors and executive management are not a practical necessity, and that in effect the entire board serves as participants in these two governance functions. While we agree that to-date this less formal approach has its practical merits, we would expect that over time, as the board structure changes, the existence of more established standing committees would be beneficial by providing those committee members with a clearer focus and more specific accountability regarding the nomination and remuneration process and would most likely result in more concrete standards and policies than appear to exist currently.

The Board selection procedures of the HKEx are not clearly documented compared with practices of other companies in a global context. Particularly reflecting the unique government influence over the selection of the Board of the company, it would appear to be beneficial to shareholders if a greater degree of transparency were to be applied to the future process of director recruitment, as the minority shareholders have no means of exercising their views on the performance or the management of the company. Similarly, with regard to the selection of senior management of the HKEx, the company notes that an *ad hoc* Selection Committee was formed, which reviewed both individual candidates and remuneration packages. The selection of the executive management team was conducted following a rigorous selection process. While the existing framework appears to function well, it remains to be seen whether this *ad hoc* approach will be the most appropriate structure over time, as the HKEx matures and evolves.

In addition to the CEO compensation, the Board also reviews remuneration packages of all senior executive managers. The CEO does not participate in the discussion regarding his own or senior management's remuneration. This provides a basis of independence, but again no explicit guidelines (except to pay market rates) are in place with regard to senior management compensation.

4.2 Role and Effectiveness of the Board

The role of the Board is well articulated in company documents and a primary focus has been the establishment of a Risk Management Committee.

KEY ANALYTICAL ISSUES
The Board has articulated for itself a set of matters reserved for its decision.
From discussions with directors and reviews of recent Board decisions, the Board appears to act in the interests of shareholders.
Commitment to reviewing internal control procedures. Disclosure regarding related party transactions.
Decisions on executive compensation taken by the Board, with evidence limiting the influence of executives. Independent advice obtained.
Regular Board and director performance evaluations; directors willing to discuss these. See comment.

COMMENT

The minutes of the Board meetings do show evidence that the Board operates in the interests of all the shareholders of the company.

A Risk Management Committee has been established, and is chaired by the Chairman of the HKEx. Its role is to formulate policies on risk management matters relating to the activities of the HKEx, the exchanges and the clearing houses and to submit such policies to the Board for its consideration. Meetings with management of the HKEx indicate that this is viewed as an essential function within the HKEx in view of the Hong Kong financial market's recent history and the potentially profound implications of the HKEx on the financial system.

Arthur Andersen undertook a recent management consulting project to review the processes within the group and assess the internal risk management structure. At the time of writing, this has yet to be approved by the Board and a copy of the report was not provided. However, minutes were produced detailing a number of Board meetings on the subject. An internal audit unit has been established comprised of eleven auditors, the head of which reports directly to the CEO and Audit Committee. Management indicated that the Board has established that the report raises no immediate causes for concern on its internal risk management procedures. The Andersen review, the creation of a Risk Management Committee and the on-going review by the Board are all viewed as positive features of the HKEx's governance practices.

There is a policy on related party transactions and the CEO maintains a register involving all of those concerning Board members and senior management.

None of the NEDs are remunerated. This is unusual, and the only Board member to receive remuneration is the CEO. Advice was taken from outside remuneration consultants for the share option schemes (see 4.4 for details). Board members indicated that there are director evaluations, but the details do not appear to be articulated in any available document. From a governance perspective, it would be preferable if this process were made more transparent.

4.3 Role and Independence of Non-Employed Directors

The quality of the NEDs is of a very high standard. These directors satisfy criteria of independence of the SFC particularly vis-à-vis company management. However ongoing scrutiny is warranted to ensure that the public interest perspective of the government appointed directors and the perspective of directors from the brokerage community do not diverge from the financial interests of individual shareholders.

KEY ANALYTICAL ISSUES
Limited articulation of director selection criteria on independence relating to monetary, financial and/or commercial relationships with the company that might lead to conflict of interests. See comment.
The company does not have an articulated policy with respect to NED selection, relating to the amount of time, quality of independence of involvement that the director will be able to give to the Board.
Existing external directorships held by board members do not appear to interfere with the quality of their involvement. See comment.
Relationships that external directors have with the company are limited, and policies exist to avoid potential conflicts of interest.

COMMENT

As noted earlier, director selection criteria are difficult to assess owing to the lack of policies on the selection procedures of the Board. However, the Annual Report & Accounts and listing document do refer to matters dealing with financial and commercial interests where conflicts might occur. There is also a committee established for dealing with the potential conflicts of interest for HKEx as the exchange controller.

Following an inspection of the Board minutes, it was evident that on the one occasion when the interests of the brokers were similar to those of many of the elected directors and not necessarily in the interest of shareholders as a whole (concerning minimum commission rates), a decision was taken by the Chairman to disenfranchise broker members of the Board from the decision making process. This is a positive sign that the Board is able to manage potential conflicts of interest.

The company has informed Standard & Poor's that the six elected directors were selected by the then exchange members, now the shareholders. But there are no policy documents articulating the criteria required to qualify a candidate for election, nor any written procedures showing how a minority shareholder may participate in these procedures. The information provided is limited but essentially the members nominated candidates and cast their votes both positively and negatively. Ten candidates were nominated and the first six with the highest level of net votes, (including deductions for a negative vote against an individuals' name), were elected. The results of these votes were published on the company's website.

As discussed in section 1.2 above, the majority of the shares in the company were held by former exchange members. However, a significant number have subsequently sold their interests in HKEx and there is a significant trade in the company's shares. This raises questions regarding the extent to which these new shareholders are appropriately represented by the existing brokerage-linked directors, as well as the ability of the new shareholders to replace existing elected directors with new directors whose concerns may be more explicitly focused on the new shareholders' interests. The current elected directors do represent the interests of the former members and have been appointed for an initial three-year term. Starting in 2004 one third of the elected positions will be standing for re-election. This means that going forward, out of a Board comprising thirteen members, only two will be subject to annual re-election by the shareholders. However it should be noted that the public interest directors all have a term of renewal that will expire in 2003, and that there is scope for public director rotation at that point.

The Financial Secretary of Hong Kong appoints the eight public interest directors. Their primary function is to oversee the public role of the HKEx. With the exception of the CEO, the Board (both elected members and government appointees) is distanced from the executive role of the company and is concerned primarily with policy and major operational issues. There are no public documents relating to the recruitment of any of the public interest directors and Standard & Poor's were informed by a number of these directors that they were contacted informally by the Financial Secretary's office prior to receiving a formal written proposal.

The biographies of all the public interest appointments are detailed and show a wide range of skills and experience in the financial services.

The elected directors may be considered as connected persons owing to their external positions as traders, brokers etc. HKEx and the Listing Document refers to the potential connected transactions and these must be conducted on normal commercial terms. In addition, the terms on which such transactions are entered into must be fair and reasonable, and entered into in the interests of the shareholders of the Group as a whole.

Currently, it is difficult to establish the attendance of the NEDs at Board meetings as the company has only been operating for little over a year. The internal records for the past six months show good attendance, but currently there is no disclosure of attendance by individual Board members. Further disclosure would enable us to make a better assessment of the time available for their duties at the HKEx, and public disclosure of this information would demonstrate corporate governance leadership.

Generally, the duties of Board members are onerous. The current non-executive Board members are a high calibre group and this is reflected by their full time duties elsewhere. However, given the board balance, HKEx may need to monitor closely the effective time individuals are able to devote to their duties.

From discussions with management, and a review of the Board minutes, it is clear that the workload of the Board is significant, particularly in view of the organizational changes that the company is currently undergoing. HKEx is strategically important to Hong Kong and the public documents associated with the listing show that it is the company's intention to reduce the size of the Board.

4.4 Board/Executive Compensation, Evaluation and Succession Policies

The annual report details the remuneration of the top five paid employees. However, incentive based pay is not linked to share price performance. There appear to be no explicit policies regarding remuneration or succession planning.

KEY ANALYTICAL ISSUES
Compensation for senior management is both cash and share based.
NEDs receive no compensation either in shares or in cash. See comment.
There is no contingent performance element for executives and senior management
A formal remuneration committee does not exist to decide on compensation. See comment.
Compensation disclosure breaks down all components of the individuals' total package.
Compensation disclosures effectively include NEDs' fees as the NEDs do not receive any compensation.
Succession planning is not clearly articulated.

Senior Management **Four most senior managers' salaries fall into the following bands**:		
	2000	1999
4.5-5m	0	2
5-5.5m	3	0
5.5-6m	1	1
6.5-7m	0	1
8-8.5	0	1

Remuneration summary of terms of Post-Listing & Pre Listing Scheme

The following details a new post-listing and pre-listing scheme, which was approved by shareholders of the company in an EGM on 31 May 2000:

Type of Scheme – Share Option Scheme	
Eligibility	Employees, executive directors of the company or any of its subsidiaries. In practice it is senior and middle management.
Administered by	The Board
Maximum Award	Not exceeding 25 per cent of the aggregate number of shares issued and issuable under all the options which may be granted under the post listing scheme.
Holding Period	Will become exercisable in four equal tranches two years after grant (no prior award period)
Dilution	Maximum number of shares transferred to participants over both plans may not exceed 10% of the issued share capital of the company (3.5% of pre-listing scheme), excluding for this purpose shares issued on the exercise of the options granted pursuant to this scheme or any others in operation.
Performance Target	Performance element attached to this scheme is prior to granting of options. The calculation of the subscription price, includes a 20% discount of the share price at date of grant.
Financial commitment by participants?	No
Takeover	Options become exercisable in full subject to proportional vesting.

COMMENTS

This evaluation has noted on several occasions the absence of a formal remuneration committee to address aspects of management and director compensation. In so doing there is recognition that the board as a whole (excluding the CEO) assumes responsibility for compensation matters, but this also raises questions as to whether this structure provides the ideal level of guidelines, transparency and focus for this key issue. While there is no indication that remuneration practices are an area for concern at HKEx, this analysis attempts to place the company's practices in the context of standards of best practice on a global basis. Though explicit policies regarding remuneration are lacking, general remuneration practices appear to reflect professional standards and provide a positive basis for incentivizing management. Of note, the company's level of disclosure of senior management's compensation is uncommon in Hong Kong and warrants positive recognition.

Compensation plans often allow for the potential of excessive share authorizations. In the case of HKEx there is a limit of 10% of the total issued share capital for the post listing scheme and 3.5% for the pre-listing scheme. In calculating the shares available for grant, any options that have been exercised are removed from this calculation. In Standard & Poor's experience, companies that set a high standard for their incentive schemes set minimum vesting periods of three years, following a performance period which has to be met. HKEx's vesting period commences after two years and the award is phased over the subsequent three years, thereby entitling the individual to his entire grant after a period of 5 years. This is a more demanding requirement and provides a greater incentive structure for HKEx managers to achieve long term financial performance.

In terms of option awards, the HKEx adopts the use of a performance period prior to the award rather than an award dependent upon performance. The rules of the pre-listing scheme refer to the formula that is used by the Board for the calculation of the subscription price. Here a price/earnings multiple is determined by reference to the price/earning multiples of various financial companies listed on the stock exchange and/or overseas. A comparator group was comprised of financial institutions in Hong Kong and overseas. The rules make no reference to any fixed periods of time to be monitored and this has the potential to attract criticism, as they apparently give the company the discretion to select any period within the rules of the scheme (10 years after adoption of the scheme).

There is also a discount of 20% to the market price. Whilst discounts are often encouraged for all employee schemes (as this encourages participation in the company) discounted share prices for executives are often viewed as inappropriate, as they undermine the incentive element of such a plan.

The maximum award to an individual under the post-listing scheme is 25 per cent of the total available under the scheme. This rule could give rise to an excessive award to any one person. This rule is in compliance with the Listing Rules at the time of approval of the option schemes. However since that time the Listing Rules have been amended to limit share option schemes to 1% in any 12 month period, and HKEx has indicated that it will amend its own share option scheme to comply with the new Listing Rules.

The pre-listing scheme was established to reward those involved in the merging of the exchanges. However, many investors and governance practitioners are against one-off awards as they are not linked to the performance of the company and, at the time of making such an award, it is difficult to assess whether or not it has been a success. 143 employees of the group benefited under this scheme and 36,423,269 options were awarded at a subscription price of $7.52. It is also possible for these same individuals to benefit under the post-listing scheme. Currently no awards have been made under the post-listing scheme.

There is no succession planning policy in place but the company is currently working on the Performance Management and Corporate Culture Project, which aims to deal with such matters as succession. The aim is to have a succession plan and policy in place and this would occur in 2002 at the earliest.

Generally, when a company is successful and the share price reflects this position then shareholders pay little regard to executive remuneration, as all are benefiting. However, the downside of this is when the share price does not perform remuneration is put under closer scrutiny by shareholders. Corporate governance practices at HKEx have developed which should establish a good framework to make awards which incentivise management.

None of the NEDs receive any remuneration. A number of commentators, most recently Paul Myners in the UK, view lack of director remuneration as a negative feature, as remuneration may be necessary to secure the services of a wider range of NEDs who may be in a better position to contribute more time to the various duties. In the case of the HKEx this may be mitigated by the fact that the visibility of the HKEx and its unique and prominent role in Hong Kong provide an incentive for director engagement, notwithstanding the lack of formal remuneration.

Name	**Position**	**Comm**	**Age**	**Date Appt**	**Shares *ESOS***	**Contract**	**Other Directorships**	**Comment**
LEE Yeh Kwong, Charles, JP, OBE	Ch	Risk* Exec*	63	2000		Public interest appointment		
KWONG KiChi, GBS	CEO	Exec	49	2000	*1,454,126*	*Ex-officio*		Prior to appointment a government minister 72-00
CHAN, John	NED	Risk	57	2000		Public interest appointment	*MD* KMB Holdings Ltd; *NED* of Hang Seng Bank Ltd, Amway Asia Pacific Ltd, Guangdong Investment Ltd.	Subject to re-appointment by the Financial Secretary
FAN, Paul	NED	A	59	2000	2,187,000 (a)		*Ch* of Paul Fan Securities Ltd. Director of HK Securities Institute	Elected
FRESHWATER, TG	NED	I* A	56	2000		Public interest appointment	*Ch* Corp-Fin, Goldman Sachs	Subject to re-appointment by the Financial Secretary
KWOK, Bill	NED	Risk	48	2000			MD Wocom Hldgs Ltd; Ch Hong Kong Securities Institute; Director of Wing On International Hldgs Ltd	Elected
H C LEE, GBS	NED		72	Retired 2001				
LEE, Dannis	NED		46	2000	1,610,000 (b)		*Ch* DL Brokerage Ltd;	Elected
LEE, VM	NED		45	2000			*MD* Tung Tai Group (securities & finance co.s)	Elected
LEONG, Ka Chai	NED	A Exec	51	2000		Public interest appointment	*Dealing Director* Roctec Securities & Roctec Futures Trading.	Subject to re-appointment by the Financial Secretary
Dr LIU, Jinbao	NED	Risk	49	2000		Public interest appointment	*VC* BoC; *CEO* BoC HK-Macau regional office	Subject to re-appointment by the Financial Secretary
Dr LO Ka Shui	NED		54	2000		Public interest appointment	*DepCh/MD* Gt Eagle Holdings Ltd; *Ch* Panda-Recruit Ltd; *Director* of HSBC	Subject to re-appointment by the Financial Secretary
SETO Gin Chung, John	NED	I Exec	52	2000			Retired CEO HSBC Broking Services (Asia)	Elected
STRICKLAND, JE	NED	A* Risk	61	2000		Public interest appointment	Former *Ch* HSBC	Subject to re-appointment by the Financial Secretary
WARD, Rodney G	NED		58	2001		Public interest appointment	Ch UBS Warburg and Solicitor	Subject to re-appointment by the Financial Secretary
YUE Wai Keung	NED	A	48	2000			Dealing Director of Leun Fat Securities as well as numerous other private co.s	Elected