

2009 CORPORATE GOVERNANCE REPORT

(Financial figures in this report are expressed in HKD)

Corporate Governance Practices

HKEx maintains a set of corporate governance principles and practices to ensure that the Company is managed in Shareholders' best long-term interests, and to promote the sustainable development of the Company. We have participated in a number of international indicators to assess our social responsibility and are pleased to have been acknowledged as one of the leaders in this field.

Given HKEx's role as an exchange controller and its strategic importance to Hong Kong's success as an international financial centre, our corporate governance structure is specifically designed to enable HKEx to discharge its responsibilities in safeguarding the integrity of the market while pursuing its commercial objectives.

As a listed company on the Exchange, we are regulated by the SFC in order to avoid any potential conflict of interest. HKEx and other listed companies are thus on a level playing field in respect of compliance with the Listing Rules. Pursuant to the SFO, the Company has the primary duty of ensuring an orderly, informed and fair market and of ensuring risks are managed prudently. In discharging this statutory obligation, HKEx shall act in the interest of the public, having particular regard to the interest of the investing public, and ensure that the interest of the public prevails where it conflicts with HKEx's interest.

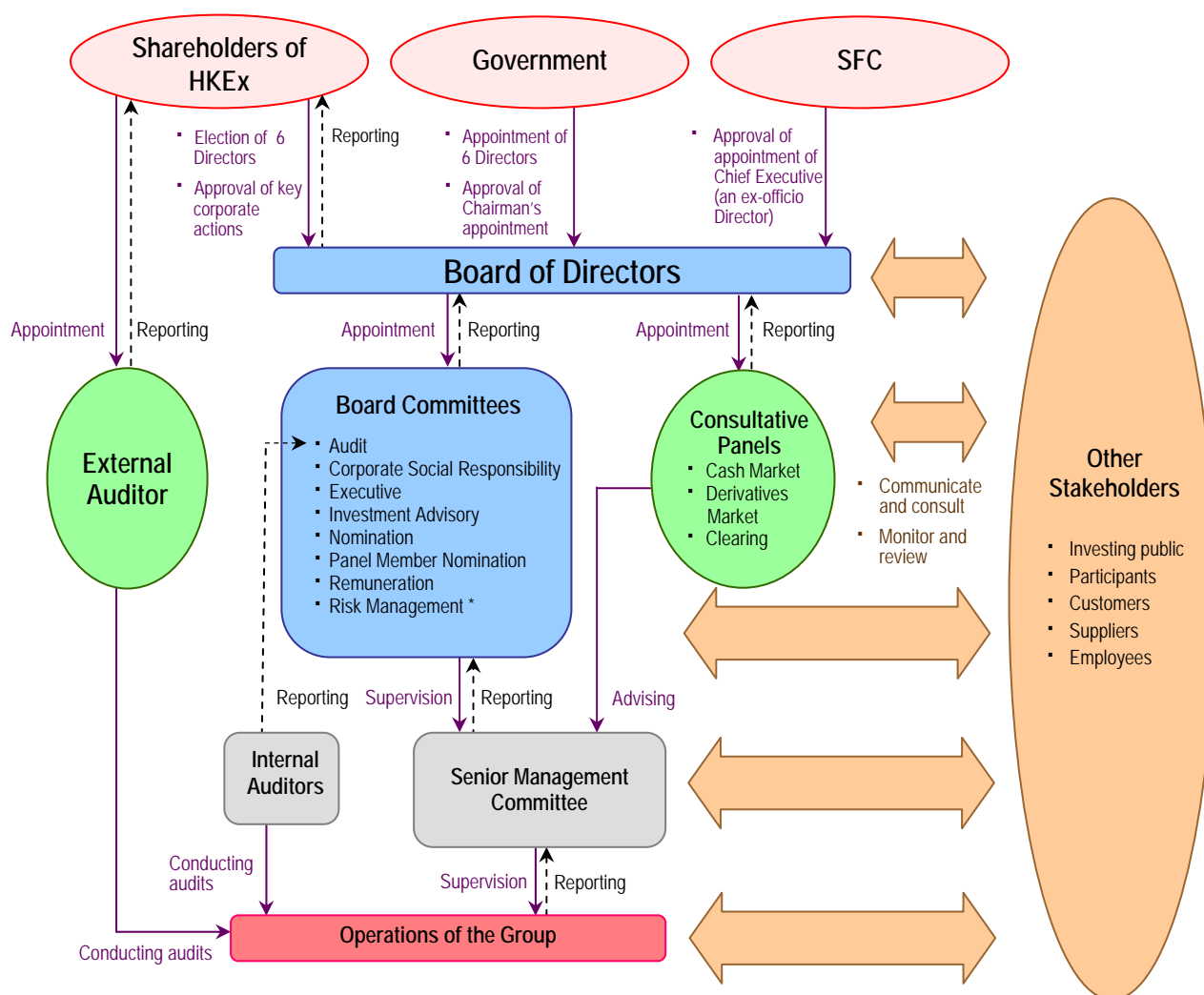
Our Board plays a central supporting role in the Company's corporate governance structure. Accountability, transparency, fairness and integrity are the 4 cornerstones on which the Board has formulated our corporate governance policies to guide the Company in discharging its public and corporate responsibilities. In essence, the principles in the CG Code of the Main Board Listing Rules have been adopted to provide guidance to the Company in handling the relationships and dealings with our stakeholders in a comprehensive and structured way. Shareholders may visit our Corporate Governance section on the HKEx website at www.hkex.com.hk for our checks and balances measures, and our governance principles and practices.

CG Code Compliance

The Government Appointed Directors and the Chief Executive in his capacity as a Director are not subject to election or re-election by Shareholders as their appointments are governed by Section 77 of the SFO and HKEx's Articles respectively. Save as disclosed in this paragraph, HKEx complied with all the code provisions and, where appropriate, adopted the recommended best practices, as set out in the CG Code (Appendix 14 to the Main Board Listing Rules) throughout the year ended 31 December 2009.

Despite the removal of the requirement for a qualified accountant in the Main Board Listing Rules effective 1 January 2009, the Group continues to maintain a team of qualified accountants to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

Corporate Governance Structure



* A statutory committee. HKEx shall appoint not more than 2 members pursuant to Section 65 of the SFO.

Note: The Listing Committees of the Stock Exchange operate independently, under no influence from the Board. A regulatory function of the Stock Exchange is assumed by the Listing Division, which is functionally separated from HKEx's income-generating business operations.

The Board

Board Process and Effectiveness

The Board provides leadership and guidance to the Group's activities. Every member receives a Director's Handbook upon joining the Group, which includes the Guidelines on Conduct for members of the Board and Committees and other key governance issues, including without limitation, the Board procedures and all applicable laws, rules and regulations that they are required to observe during their service on the Board. Periodical updates are also provided to them with the last update in November 2009, which is posted on the HKEx website.

As a key policy of having major decisions made by the Board as a whole, and in order to enable them to make informed decisions, Senior Management will provide an orientation programme for every new Director, including extensive background information of the Group's structure, its businesses and governance practices. In June 2009, an induction programme was arranged for the 3 newly appointed Directors.

2009 CORPORATE GOVERNANCE REPORT

Other than in-house programmes, Directors are encouraged to attend relevant external trainings, particularly on corporate ethics and integrity matters, and relevant new laws, regulations and changing commercial risks, from time to time.

To choose a successor to Mr Paul M Y Chow, a Selection Committee, comprising the Chairman and 4 INEDs, was formed to handle the whole selection process, including setting the evaluation criteria and making recommendation to the Board.

Key Features of Board Process

- The meeting schedule for the following year is given to all Directors normally within the last quarter of the current year. In 2009, a total of 12 Board meetings were held. The attendance record of each Director is set out in the Board Committees section of this report. The overall attendance rate of Board meetings in 2009 was 88 per cent (2008: 88 per cent).
- The agenda and accompanying papers are normally sent to Directors 4 days before the date of meeting. Members can at any time request relevant information in their role as Directors. Directors shall preserve the privacy of confidential information given or presented to, and the deliberations of, the Board and its Committees.
- At each of its meetings, the Board receives a full written report from the Chief Executive on the Company's major events, projects and initiatives, key matters in each division/department, and corporate activities.
- Other than regular meetings, non-executive Directors also meet periodically without the management to discuss matters of particular interest.
- Sufficient resources are available for Directors to discharge their duties, and procedures are in place to enable Directors to seek independent professional advice at the Company's expense on matters relating to their role and responsibilities.
- Directors are required to declare their direct/indirect interests, if any, in any proposals or transactions to be considered by the Board and to withdraw from the relevant meetings, as appropriate. In addition, at each financial reporting period, the Company seeks confirmation from Directors in respect of any related party transactions under Hong Kong Accounting Standard 24 and connected transactions under the Main Board Listing Rules. The relevant information will be disclosed in note 47 to the consolidated accounts of the 2009 Annual Report.
- Insurance cover in respect of legal proceedings and other claims against Directors arising from their office and execution of their powers, duties and responsibilities has been arranged. In 2009, no legal actions were made against any of our Directors in relation to their duties performed for HKEx.

Key Matters Considered and/or Resolved by the Board in 2009

- Publication of financial results
 - Recommendation of payment of dividends
 - Appointment of the new Chief Executive
 - Pay review recommendation for 2010
 - The Group's Strategic Plan
 - 2010 Annual Operating Plan and Budget
 - Raising CSR awareness and standards among listed companies
 - The Continuous Disclosure and Communication Policy and Materiality Guidelines
 - Appointment of members, including the chairmen and deputy chairmen, to the 3 Consultative Panels
 - Appointment of members to various Board Committees
 - Strategic review of the listing regime
 - Upgrade roadmap for Cash Market trading and market data systems
 - Roadmap for the development of HKEx's future production data centre
 - Funding arrangement for and nomination to the FRC
-

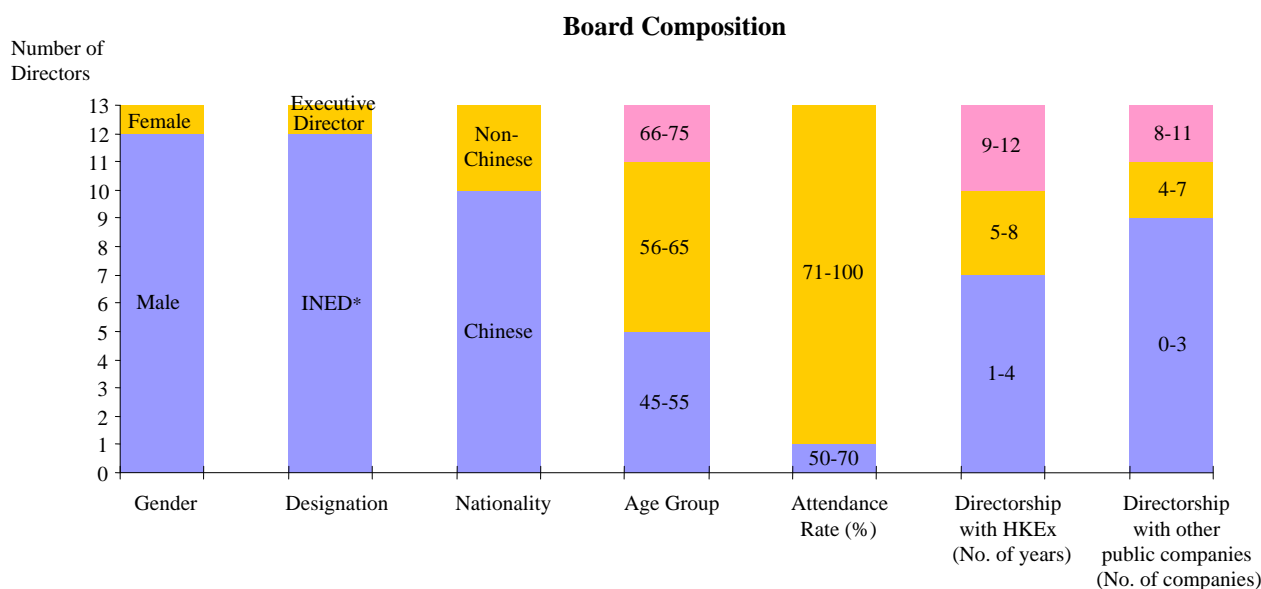
2009 CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive are separate and assumed by Mr Ronald J Arculli and Mr Paul M Y Chow (who was succeeded by Mr Charles X Li effective 16 January 2010) respectively. Their respective responsibilities are set out in the Corporate Governance section on the HKEx website. HKEx's Articles provides that the Chairman shall be a non-executive Director. The Chairman's primary responsibilities include deciding on the meeting schedule and agenda, formulating Board policy and promoting the Company. In addition, the Chairman takes on the responsibility of ensuring compliance with the Company's guidelines on corporate governance. The Chief Executive has delegated authority from, and is responsible to, the Board for managing the Company's business.

Board Composition

The Board structure is governed by Article 90 of HKEx's Articles and Section 77 of the SFO. Pursuant to the SFO, the Financial Secretary may appoint any person as a Government Appointed Director but the number of such shall not exceed the number of Elected Directors, excluding the Chief Executive. Currently, the Board comprises 13 members with professional background and/or extensive expertise in the financial markets. The list of Directors, their biographies and their respective terms of office will be set out in the Board of Directors and Senior Management of the 2009 Annual Report, and are available on the HKEx website.



* 6 Government Appointed Directors and 6 Elected Directors

Note: The above analysis excludes Mr Charles X Li who joined the Board as Executive Director effective 16 January 2010.

Every non-executive Director submits to the SFC a written confirmation, stating his/her independence upon his/her appointment with reference to the criteria affecting independence, as set out in the Main Board Listing Rules. Each has to declare his or her past or present financial or other interest in the business of the Company or its subsidiaries or his or her connection with any connected person (as defined in the Main Board Listing Rules) of the Company, if any. Details of the information are disclosed under Continuing Connected Transactions and Related Party Transactions in this report. All Directors do not have any financial, business, family or other material/relevant relationships with each other, in particular there are none between the Chairman and the Chief Executive.

Appointment and Re-election of Directors

The rules governing the appointment, re-election and removal of Directors are laid down in HKEx's Articles. The service term of every Director, other than that of the Chief Executive who is an ex-officio member, is not longer than 3 years. Retiring Directors are eligible for re-appointment or re-election. The staggered structure enables the Board to change its membership in an orderly manner over time while maintaining leadership, stability and continuity, and allows for regular evaluation of the mix of skills and experience of the Board.

On 23 April 2009, the Financial Secretary re-appointed Dr Marvin K T Cheung and appointed Messrs Stephen C C Hui and Michael T H Lee as Government Appointed Directors each for a term of approximately 2 years from 23 April 2009 until the conclusion of the AGM to be held in 2011. On the same day, Messrs Ignatius T C Chan and John M M Williamson were elected by Shareholders as Directors and their service terms are approximately 3 years from 23 April 2009 until the conclusion of the AGM to be held in 2012.

To ensure a smooth transition, the Board appointed Mr Charles X Li as the Chief Executive Designate effective 16 October 2009. Mr Li was appointed the Chief Executive and an ex-officio member of the Board effective 16 January 2010 upon the retirement of Mr Paul M Y Chow who served as the Chief Executive for more than 6 years since 1 May 2003.

Three Government Appointed Directors, namely Mr Ronald J Arculli, Mrs Laura M Cha and Dr Moses M C Cheng, will retire in accordance with their respective terms of service at the conclusion of the 2010 AGM. Pursuant to Article 93(5) of HKEx's Articles, they are eligible for re-appointment. The Financial Secretary has not yet informed HKEx of the persons he intends to appoint or re-appoint as Directors. An announcement will be made once HKEx is notified.

The respective terms of office of 2 Elected Directors, namely Messrs John E Strickland and Oscar S H Wong, will expire at the conclusion of the 2010 AGM. Pursuant to Article 93(5) of HKEx's Articles, both of them are eligible for re-appointment.

Candidates standing for election at general meetings are recommended by either Shareholders or the Board. The Board's recommendations are made in accordance with proposals submitted by the Nomination Committee which is mandated to make nominations of Elected Directors, and to determine annually the independence of INEDs.

Nomination Committee

The Nomination Committee comprises 5 members who are all INEDs. Its member list will be set out in the Board and Committees of the 2009 Annual Report, which together with the terms of reference are available on the HKEx website. The Nomination Committee shall formulate nomination policy for the Board's consideration and implement the nomination policy laid down by the Board, and assess the independence of non-executive Directors. Criteria such as reputation for integrity, accomplishment and experience in the financial service sector, professional and educational background, and commitment in respect of available time are considered by the Nomination Committee in making a nomination of Director. The factors as set out in Rule 3.13 of the Main Board Listing Rules are taken into account when assessing the independence of a non-executive Director.

2009 CORPORATE GOVERNANCE REPORT

During 2009, the Nomination Committee met once and the purpose of which was to (i) nominate Messrs Ignatius T C Chan and John M M Williamson for the Board's recommendation to stand for election by Shareholders at the 2009 AGM; and (ii) review and confirm the independence of the 12 INEDs for the year ended 31 December 2008. The attendance record of its members is set out in the Board Committees section of this report.

On 4 March 2010, the Nomination Committee assessed the annual confirmations of independence received from the INEDs. As a good corporate governance practice, every member of the Nomination Committee abstained from assessing his or her own independence.

Tata Consultancy Services Limited ("TCS"), of which Mrs Laura M Cha is a non-executive director, was appointed (via a tendering exercise) by HKEx in July 2008 to provide consultancy services to the first phase of Project "LISA" (Listing Information Support Application). The consultancy work undertaken by TCS was completed in 2009 and the amount paid was \$4,904,873. Although Mrs Cha is TCS' non-executive director, she does not have any interest in TCS. Taking into account that TCS was selected under a fair and transparent tendering exercise, and that the services provided by TCS were on normal commercial terms and in the ordinary course of HKEx's business, the Nomination Committee affirmed that Mrs Cha remained independent for the year ended 31 December 2009.

In addition, after taking into consideration that the Hong Kong Government is a Minority Controller of the Company, the Nomination Committee, by majority, affirmed that all INEDs remained independent for the year ended 31 December 2009 albeit 6 are Government-appointed among which 3 are Executive Councillors and Mr John E Strickland has served on the Board for more than 9 years.

On the same day, the Nomination Committee nominated Messrs John E Strickland and Oscar S H Wong to stand for election by Shareholders at the 2010 AGM. The said recommendations were accepted by the Board on 4 March 2010. Messrs Strickland and Wong abstained from voting at both meetings on recommending them for election by Shareholders. Messrs Strickland and Wong do not have any service contract with any member of the Group that is not determinable by the Group within 1 year without payment of compensation (other than statutory compensation), and their particulars will be set out in the Circular to Shareholders to be sent together with the 2009 Annual Report.

Delegation by the Board

While matters relating in particular to the Group's strategies, policies and business plan require the Board's direction and approval, the day-to-day operational responsibilities are delegated to the executive management to be carried out under the instruction/supervision of the Chief Executive. The corporate strategy is developed and implemented under the leadership and direction of the Chief Executive by the Senior Management and other employees. All management and staff have defined roles and responsibilities and are subject to a Code of Conduct, as set out in the Human Resources Manual, which imposes on them specific obligations as to the ethics and principles in accordance with which our business is conducted.

Board Committees

A total of 8 Board Committees, including 1 statutory committee, have been formed and each is delegated by the Board with specific roles and responsibilities. Their terms of reference are available on the HKEx website. The Audit Committee, Nomination Committee, Panel Member Nomination Committee and Remuneration Committee comprise solely INEDs. The composition of the 8 committees will be set out in the Board and Committees of the 2009 Annual Report and is available on the HKEx website. All the Board Committees follow the same principles, procedures and arrangements as those of the Board and are provided with

2009 CORPORATE GOVERNANCE REPORT

sufficient resources to discharge their duties. The Board receives the minutes of and reports from the chairman of each of the committees on a regular basis, including their decisions and recommendations.

In 2009, each INED served on one or more committees and actively participated in the meetings. The attendance records of the Board/committees are set out in the following table.

Meetings Held in 2009										
	2009 AGM	Board	Audit Committee	Corporate Social Responsibility Committee	Executive Committee	Investment Advisory Committee	Nomination Committee	Panel Member Nomination Committee	Remuneration Committee	Risk Management Committee
Number of Meetings	1	12	5	4	13	4	1	1	2	12
Independent Non-executive Chairman										
Ronald J Arculli	1/1	12/12			12/13		1/1		2/2	12/12
INEDs										
Laura M Cha ¹	0/1	10/12				1/1		1/1	0/2	
Ignatius T C Chan ²	-/-	8/8	3/3							
Moses M C Cheng	1/1	11/12	4/5						2/2	
Marvin K T Cheung	0/1	6/12	5/5							7/12
Henry H L Fan ^{3,4}	0/1	0/4					0/1			
Fong Hup ⁴	1/1	4/4	2/2		3/3			1/1		10/12
Stephen C C Hui ⁵	-/-	8/8				2/3				
Bill C P Kwok	1/1	11/12			11/13			1/1		10/12
Vincent K H Lee	1/1	12/12	5/5		13/13		1/1	1/1	2/2	
Michael T H Lee ⁶	-/-	7/8				3/3				
Christine K W Loh ⁴	1/1	3/4							1/1	
John E Strickland	1/1	12/12				4/4	1/1			
John M M Williamson ⁷	1/1	11/12	5/5		9/10	0/1			1/1	
Oscar S H Wong	1/1	11/12				4/4	1/1	1/1		
Executive Director										
Paul M Y Chow (Chief Executive)	1/1	12/12		4/4	13/13					
Market Professionals										
Chan Ka-lok										11/12
Benjamin P C Hung										9/12
Edmond Y P Lau										8/12
Keith K K Lui										12/12
David Y T Lui ⁸						3/3				
David T K Sun ⁹						0/1				
Executives										
Eddie L S Chow				4/4						
Peter J Curley				4/4						
Joseph K S Mau				4/4						
Alfred K K Wong				4/4						
Brenda T M Yen				4/4						
Average Attendance Rate	77%	88%	96%	100%	94%	85%	80%	100%	80%	82%

Notes:

- Mrs Laura M Cha retired as a member of the Investment Advisory Committee on 24 April 2009.
- Mr Ignatius T C Chan was elected a Director at the 2009 AGM and appointed a member of the Audit Committee on 24 April 2009.
- Mr Henry H L Fan took a leave of absence from meetings of the Board and the Nomination Committee effective 22 October 2008.
- Messrs Henry H L Fan and Fong Hup and Dr Christine K W Loh retired at the conclusion of the 2009 AGM.
- Mr Stephen C C Hui was appointed a Government Appointed Director on 23 April 2009 and a member of the Investment Advisory Committee on 24 April 2009.
- Mr Michael T H Lee was appointed a Government Appointed Director on 23 April 2009 and a member of the Investment Advisory Committee on 24 April 2009.
- Mr John M M Williamson retired from the Investment Advisory Committee on 23 April 2009, and was appointed a member of the Executive Committee and Remuneration Committee on 24 April 2009.
- Mr David Y T Lui was appointed a member of the Investment Advisory Committee on 17 June 2009.
- Mr David T K Sun resigned from the Investment Advisory Committee on 17 June 2009.

2009 CORPORATE GOVERNANCE REPORT

Consultative Panels

To facilitate the decision-making of the Board, 3 Consultative Panels have been established, namely the Cash Market Consultative Panel, Derivatives Market Consultative Panel and Clearing Consultative Panel. Their major responsibility is to provide market expertise and advice to the Board on international market trends, the demand of intermediaries, issuers, investors and other market participants, technological challenges and new product opportunities relating to the Cash and Derivatives Markets and clearing business.

Meetings Held in 2009	
Panel	Number of Meetings
Cash Market Consultative Panel	2
Derivatives Market Consultative Panel	4
Clearing Consultative Panel	2

The Panel Member Nomination Committee under the Board is mandated to identify and nominate candidates for appointment or re-appointment to the Consultative Panels for the Board's consideration and approval. The composition and respective terms of reference of the Consultative Panels are available on the HKEx website.

Remuneration of Directors and Senior Management

A formal and transparent procedure for fixing the remuneration packages of individual Directors and Senior Management is in place. Details of remuneration policies and other relevant information are set out in the 2009 Remuneration Committee Report.

Accountability and Audit

Financial Reporting

The Board acknowledges its responsibility for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year. In preparing the accounts for the year ended 31 December 2009, the Board:

- (a) adopted all Hong Kong Financial Reporting Standards which are in conformity to the International Financial Reporting Standards in all material respects;
- (b) selected suitable accounting policies and applied them consistently;
- (c) made prudent and reasonable judgements and estimates; and
- (d) ensured that the accounts were prepared on the going concern basis.

HKEx recognises that high quality, transparent and timely financial reporting is important to secure the confidence of stakeholders in the Company, and reviews and approves the annual, interim, and quarterly results for publication within 3 months, 2 months and 45 days respectively after the end of the relevant periods.

Internal Controls

The Board also acknowledges its responsibility for the effectiveness of the Group's internal control and risk management system, which is designed to provide reasonable, though not absolute, assurance against material misstatement or loss, and manage rather than eliminate risks of failure to achieve business objectives.

2009 CORPORATE GOVERNANCE REPORT

The key processes that the Board has applied in reviewing the effectiveness of the internal control system are summarised below. Full details are available in the Corporate Governance section on the HKEx website.

Internal Control Measures

- The risk management and internal control system is an integral part of HKEx's management system. The management and individual divisions/departments are responsible for the day-to-day management of operational risks and implementation of mitigation measures. All the division and department Heads are required to sign annual statements confirming that appropriate internal control policies and procedures have been established and properly complied with.
- The Senior Management Committee, which includes the Head of Risk Management Division as a member is responsible for monitoring and assessing risks for individual business initiatives as well as providing oversight of risk management across the Company.
- The Risk Management Division is responsible for supervising HKEx's risk management functions.
- To ensure the integrity, reliability, availability and stability of the IT services and application systems of HKEx, the Board resolved on the commissioning of consultants to perform, in phases, independent reviews of the overall effectiveness of the Group's IT risk management processes covering the IT Governance and the core IT application systems. Phase 1, ie, the independent reviews of the IT Governance and Electronic Disclosure System, was completed on 1 September 2008. Phase 2 which covers the Hong Kong Futures Automated Trading System, the Derivatives Clearing and Settlement System and the Price Reporting System, commenced in the third quarter of 2009 and is expected to be completed in the first quarter of 2010.

Annual Assessment of Internal Control System

The Internal Audit Department ("IAD") conducted independent reviews on the adequacy and effectiveness of the Group's internal control and risk management systems and regularly reported the review results to the Board through the Audit Committee ("AC"). The IAD also assessed the Group's internal control structure using the COSO (the Committee of Sponsoring Organisations of the Treadway Commission) framework to provide confirmation of the effectiveness of the Group's internal control system in the following aspects:

- (a) the provision of sufficient explanation and information to the AC and the Board to enable them to effectively assess the state of controls at HKEx in areas such as the reliability of financial reporting, compliance with applicable laws, rules and regulations, and the effectiveness of risk management functions;
- (b) the responses to changes in HKEx's business and external environment;
- (c) the efficiency in rectifying identified internal control deficiencies and implementing recommendations of the IAD, external auditor and/or regulator;
- (d) the promptness in handling operating errors or failures; and
- (e) the control of price-sensitive information in accordance with the Exchange's guidelines as well as HKEx's Continuous Disclosure and Communication Policy which was approved by the Board in June 2009.

Audit Committee

The AC on behalf of the Board assesses the effectiveness of the internal control system in detecting fraud and other irregularities on a regular basis by reviewing IAD's work and findings. During 2009, no suspected frauds, irregularities or infringement of laws, rules and regulations or material control failures were reported. At the meeting on 23 February 2010, the AC concluded that the Group's internal control system was effective and adequate, and that the Group had adopted the necessary control mechanisms to monitor and rectify non-compliance throughout 2009. The AC also reviewed and was satisfied with the adequacy of resources, qualifications

2009 CORPORATE GOVERNANCE REPORT

and experience of the employees of the Group's accounting and financial reporting function, and their training programmes and budget. More information about the AC, including a summary of its work in 2009, will be set out in the Audit Committee Report of the 2009 Annual Report.

Independence of External Auditor

The AC is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements. The external auditor is refrained from engaging in non-audit services except for limited tax-related services or specific approved items. The AC reviews the external auditor's statutory audit scope and non-audit services and approves its fees.

External Auditor's Services and Fees Paid		
	2009	2008
Audit	\$3,369,500	\$2,876,500
Permissible Non-audit Services:		
• Taxation services	\$364,619	\$457,573
• Training	\$4,500	\$1,450
Total	\$3,738,619	\$3,335,523

Pursuant to the 5-year rotation policy which was first adopted by the Group in 2005, the external auditor will assign a new engagement partner in 2010. The Group has also adopted the policy of not hiring employees of external auditors who are or have been involved in the Group's audit so as to ensure no impairment of the auditor's judgement or independence in respect of an audit. The policies have been strictly complied with since their adoption.

More information about the external auditor's responsibilities will be set out in the Auditor's Report of the 2009 Annual Report.

Compliance with Model Code

HKEx has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to the specific enquiry by the Company, all Directors confirmed that they complied with the Model Code throughout the year ended 31 December 2009.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of HKEx

As at 31 December 2009, the Directors' and the Chief Executive's interests and short positions in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code are set out below.

Long Positions in Shares and Underlying Shares of HKEx

Name of Director	Number of Shares/Underlying Shares Held					% of the Issued ¹ Share Capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	
Paul M Y Chow	3,297,194 ²	–	–	–	3,297,194	0.31
John E Strickland	18,000 ³	–	–	–	18,000	0.00

Notes:

1. It was based on 1,076,190,346 shares of HKEx in issue as at 31 December 2009.
2. It included Mr Chow's interests in 9,964 Awarded Shares and 951 shares further acquired by reinvesting the dividends received therefrom according to the Share Award Scheme. Details of Mr Chow's Awarded Shares will be set out in note 38(c) to the consolidated accounts of the 2009 Annual Report.
3. Mr Strickland was the beneficial owner of those shares.

2009 CORPORATE GOVERNANCE REPORT

Save for those disclosed above, as at 31 December 2009, none of the Directors or the Chief Executive had any interests or short positions in the shares, underlying shares or debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code.

Apart from the share options and Awarded Shares as disclosed in the 2009 Remuneration Committee Report, none of the Directors or the Chief Executive (including their spouses and children under the age of 18), during the year ended 31 December 2009, held any interests in or was granted any right to subscribe for the securities of HKEx and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Other Persons' Interests and Short Positions in Shares and Underlying Shares of HKEx

As at 31 December 2009, other persons' interests and short positions in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange are set out below.

Long Positions in Shares and Underlying Shares of HKEx

Name	Capacity	Number of Shares/ Underlying Shares Held	Total	% of the Issued ¹ Share Capital
The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund)	Beneficial owner	62,919,500 ²	62,919,500	5.85

Notes:

1. It was based on 1,076,190,346 shares of HKEx in issue as at 31 December 2009.
2. This was based on a DI filing made by the Hong Kong Government on 10 September 2007 which it stated was voluntary.

Save for those disclosed above, as at 31 December 2009, no other persons had any interests or short positions in the shares or underlying shares of HKEx as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange.

Senior Management's Interests in Shares and Underlying Shares of HKEx

The Senior Management are obliged to follow strictly the Company's restrictions on dealing in securities, futures contracts and derivatives, which are on terms no less stringent than the Model Code, as set out in the Human Resources Manual. As at 31 December 2009, the Senior Management's interests in the shares and underlying shares of HKEx are as set out below.

2009 CORPORATE GOVERNANCE REPORT

Name of Employee	Number of Shares Held	Number of Shares Issuable Under Share Options Granted	Number of * Awarded Shares	Derivatives (Number of Underlying Shares)
Charles X Li	–	–	–	–
Gerald D Greiner	32,129	200,000	24,954	–
Peter J Curley	–	20,000	11,073	–
Mark F Dickens	–	–	61,685	–
Lawrence K M Fok	950,483	50,000	9,656	–
Mary M L Kao	820,657	80,000	11,928	–
Kevin T King	–	–	–	–
Henry M W Law	9,809	65,000	13,139	–
Archie T C Tsim	36,092	123,000	18,258	–
Alfred K K Wong	297,889	75,000	18,483	–

* The number included further shares acquired through reinvesting dividends received.

Continuing Connected Transactions

During the year ended 31 December 2009, the Group had the following continuing connected transactions. All of them were entered into by the Group in the ordinary and usual course of business and on normal commercial terms.

Continuing Connected Transactions for the year ended 31 December 2009

A. Transactions between HKEx or its subsidiaries and the following connected persons arising from or in connection with the use of (i) the facilities provided by the Group for the trading, clearing and/or settlement of securities and futures products and transactions; and (ii) all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:

- (a) Mr Ronald J Arculli, the Chairman, was interested in the transactions entered into by Bokhary Securities Limited (“BSL”), an EP and a Clearing Participant, in which his sister has a 50 per cent interest.
- (b) Dr Bill C P Kwok, an INED, was interested in the transactions entered into by Wocom Securities Limited (“WSL”) and Wocom Limited, EPs and Clearing Participants, which are associates of Dr Kwok by virtue of the Main Board Listing Rules.
- (c) Mr Vincent K H Lee, an INED, was interested in the transactions entered into by Tung Tai Securities Company Limited (“TTS”) and Tung Tai Futures Limited, EPs and Clearing Participants, which are associates of Mr Lee by virtue of the Main Board Listing Rules.

B. Transactions between HKEx or its subsidiaries and the following connected persons arising from or in connection with (i) the listing of securities on the Stock Exchange; and (ii) all services offered by the Group which are ancillary, incidental or otherwise related to the foregoing:

- (a) Mrs Laura M Cha, an INED, was interested in the transactions entered into by her associates, HKR International Limited and Hanison Construction Holdings Limited. Both companies are listed on the Stock Exchange.
- (b) Dr Bill C P Kwok, an INED, was interested in the transactions entered into by his associate, Wing On Company International Limited, which is listed on the Stock Exchange.

2009 CORPORATE GOVERNANCE REPORT

Continuing Connected Transactions for the year ended 31 December 2009 (Continued)

- C. Transactions between HKEx or its subsidiaries and the following connected persons arising from or in connection with the HKSCC arrangement on behalf of CCASS Participants for (i) carrying out “buy-in” when a CCASS Participant failed to deliver securities on time for settlement under the Continuous Net Settlement System or the Isolated Trades System operated by CCASS; (ii) the purchase or sale of securities in connection with the liquidation of the positions of a CCASS Participant that has been declared by HKSCC to be in default; and (iii) the sale of entitlements of securities held through CCASS (collectively referred as “Buy-in Transactions”):
- (a) Mr Ronald J Arculli, the Chairman, was interested in the Buy-in Transactions entered into by BSL, in which his sister has a 50 per cent interest. For the year ended 31 December 2009, the total consideration of such transactions was \$25,881,483.92, comprising an aggregate of buy-in cost of \$25,816,806.54 and related brokerage fee of \$64,677.38 earned by BSL.
 - (b) Dr Bill C P Kwok, an INED, was interested in the Buy-in Transactions entered into by WSL which is an associate of Dr Kwok by virtue of the Main Board Listing Rules. For the year ended 31 December 2009, the total consideration of such transactions was \$57,892,479.47, comprising an aggregate of buy-in cost of \$57,822,584.95 and related brokerage fee of \$69,894.52 earned by WSL.
 - (c) Mr Vincent K H Lee, an INED, was interested in the Buy-in Transactions entered into by TTS which is an associate of Mr Lee by virtue of the Main Board Listing Rules. For the year ended 31 December 2009, the total consideration of such transactions was \$1,016,523.79, comprising an aggregate of buy-in cost of \$1,015,071.47 and related brokerage fee of \$1,452.32 earned by TTS.

In respect of the above continuing connected transactions (“Transactions”), the AC comprising 5 INEDs, under the authority delegated by the Board, reviewed the above transactions pursuant to Rule 14A.37 of the Main Board Listing Rules. As a good corporate governance practice, Mr Vincent K H Lee, the AC deputy chairman, abstained from reviewing transactions in which he had an interest. The AC confirmed that:

- (i) the Transactions disclosed above were entered into in the ordinary and usual course of business of the Group and conducted on an arm’s length basis on normal commercial terms or on terms no more favourable than terms available to independent third parties;
- (ii) in respect of the transactions as disclosed under (A) and (B) above, they were conducted in accordance with the rules and regulations of the relevant Group company governing such transactions and where the rules and regulations do not govern those transactions in full, in accordance with the standard terms and conditions of the relevant Group company relating to such transactions;
- (iii) in respect of the transactions as disclosed under (C) above, ie, the Buy-in Transactions, they were conducted in accordance with the standard terms and conditions of HKSCC applicable generally to all buy-in brokers in such transactions acting for and on behalf of HKSCC and at the mutually agreed commission rate payable by HKSCC in respect of such Buy-in Transactions generally; and
- (iv) the Transactions disclosed above were conducted in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of Shareholders as a whole.

Pursuant to Rule 14A.38 of the Main Board Listing Rules, the external auditor also confirmed that:

- (i) the Transactions disclosed above had been approved by the Board;
- (ii) the pricing of the Transactions was in accordance with the pricing policies of the Group; and
- (iii) the Transactions had been entered into in accordance with the relevant agreements governing them.

Related Party Transactions

The Group also entered into certain transactions with parties regarded as “related parties” under the applicable accounting standards. Details of these transactions will be disclosed in note 47 to the consolidated accounts of the 2009 Annual Report.

Stakeholder Communications

Continuous Disclosure and Communication Policy

HKEx recognises the significance of transparency and is committed to providing Shareholders and other stakeholders with full and accurate information about HKEx’s activities and its financial conditions on a fair and timely basis. The Group’s Continuous Disclosure and Communication Policy provides guiding principles, practices and procedures to assist employees in (i) relaying potential price-sensitive information to the Board to enable it to make timely decisions on disclosure, if necessary; and (ii) communicating with our stakeholders, in ways which are in strict compliance with the Main Board Listing Rules and best practices. Details of the Continuous Disclosure and Communication Policy are set out in the Human Resources Manual which is available on the HKEx website.

Communication Channels

The Board believes openness and transparency are essential in maintaining good relations with our broader stakeholder group, including the investment community, from the largest institution to the retail investor. To this end, a comprehensive investor relations programme has been in place for many years. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, and governance are made through the following channels:

- (i) the HKEx website which is under revamp for launch in March 2010;
- (ii) quarterly newsletters *Exchange* and status report on new product and market development initiatives;
- (iii) prompt news releases;
- (iv) quarterly, interim and annual financial reports as well as press conferences, webcast presentations and newspaper notifications on financial results;
- (v) regular circulars and letters to Shareholders;
- (vi) continuous dialogue with investors, media and financial analysts by means of roadshows, conference calls, one-to-one meetings and industry conferences;
- (vii) hotlines; and
- (viii) market consultations, for which the guidelines were updated in June 2009 to achieve a consistent approach to HKEx’s market consultations and to provide predictable communication arrangements for the public.

Shareholders are encouraged to access corporate communications from the Company through the HKEx website to help protect the environment. We believe that it is also the most efficient and convenient method of communication with Shareholders.

More information about our stakeholder engagement programme completed in 2009 will be set out in the 2009 CSR Report which will be available at the CSR section on the HKEx website.

Shareholders' Rights and Meetings

Open and candid communication between the Board and our Shareholders is maintained. We welcome Shareholders' views and input at all times. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary by mail or email. The contact details will be set out in the Information for Stakeholders of the 2009 Annual Report.

Periodical analysis of HKEx's shareholding profile is conducted to help better understand Shareholders' interests and needs. Details of the analysis and HKEx's public float capitalisation will be set out in the Shareholding Analysis and Information for Stakeholders of the 2009 Annual Report respectively.

Shareholders are welcome to attend Shareholders' meetings where they are fully briefed on the Company's activities and can raise questions directly to the Board and the management on both operational and governance matters.

Poll voting has been adopted for decision-making at Shareholders' meetings since 2003 to ensure that each share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. The poll voting procedures as well as the particulars of Shareholders' rights including, the way in which extraordinary general meetings are convened and the procedures for putting forward proposals at a Shareholders' meeting, are set out in the Corporate Governance section on the HKEx website.

The Board proposed to make certain amendments to HKEx's Articles with the aim of facilitating decision making process and corporate communication with Shareholders, and the related resolution will be put forth for Shareholders' approval at the 2010 AGM. An explanatory statement in connection with the proposed changes will be set out in the Circular to Shareholders to be sent together with the 2009 Annual Report.

2009 AGM

The majority of the Board members, including the Chairman (who was also the chairman of the Remuneration and Nomination Committees) and the deputy chairman of the Audit Committee, together with key executives and the external auditor attended the 2009 AGM held at the Exchange Auditorium in the Exchange Exhibition Hall of SEHK on 23 April 2009 at 4:30 pm. HKEx continued to propose a separate resolution for each substantive issue, including the election of individual Directors. The poll voting results and the minutes of the 2009 AGM are available on the HKEx website. The matters resolved thereat are summarised below.

Matters Resolved at the 2009 AGM

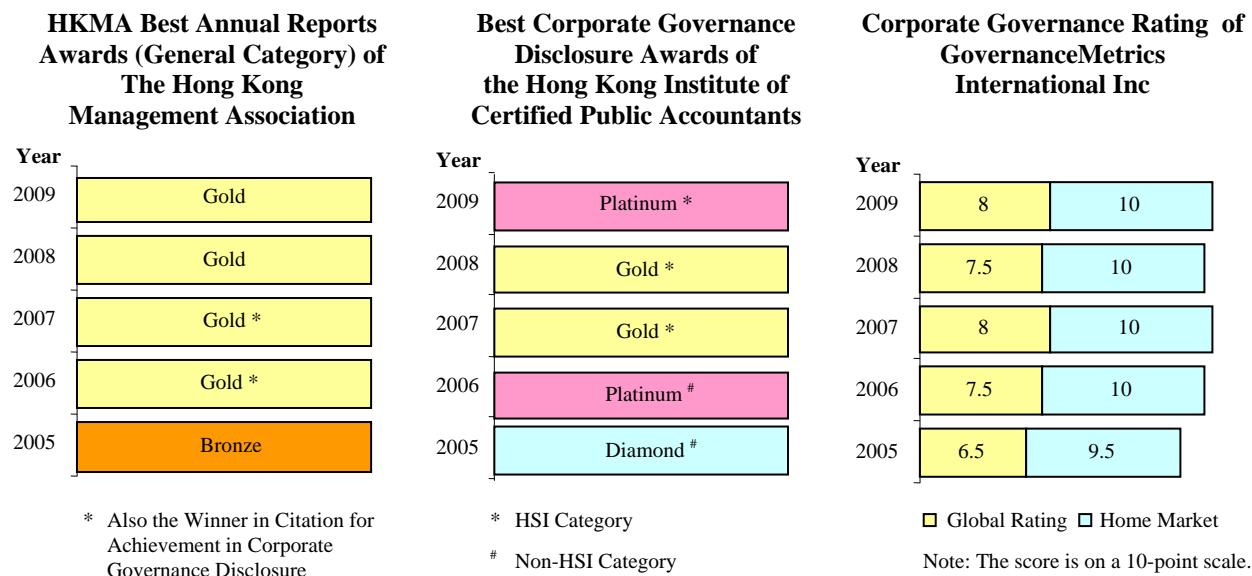
- Received the audited accounts for the year ended 31 December 2008 together with the Reports of the Directors and the Auditor;
 - Payment of a final dividend of \$1.80 per share for the year ended 31 December 2008;
 - Election of Messrs Ignatius T C Chan and John M M Williamson as Directors;
 - Re-appointment of PricewaterhouseCoopers as Auditor of the Company and authorisation of the Board to fix the Auditor's remuneration; and
 - Approval of granting a general mandate to the Board for the repurchase of not exceeding 10 per cent of the aggregate nominal amount of the Company's issued share capital as at the date of 2009 AGM.
-

The key dates in 2009 and tentative important dates in 2010 are set out in the Financial Calendar which is available at the Investor Relations section on the HKEx website.

2009 CORPORATE GOVERNANCE REPORT

Corporate Governance Scores and Ratings

HKEx has been included as a constituent of the FTSE4Good Index Series since September 2005. In 2009, HKEx was granted the Platinum Award for All-Round Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations under the Triple A Corporate Awards 2009 organised by *The Asset*. Other recognition for HKEx's corporate governance achievements are set out below.



We are strongly committed to continuous improvement in our corporate governance standards to ensure that they meet ongoing developments in global corporate governance practices and the interests of our stakeholders. Your comments are invaluable to us and can be sent to us in writing or by email to ssd@hkex.com.hk.

Changes after Closure of Financial Year

This report takes into account the changes that have occurred since the end of the 2009 financial year to the date of approval of this report.

On behalf of the Board
MAU Kam Shing, Joseph
 Company Secretary

Hong Kong, 4 March 2010

2009 CORPORATE GOVERNANCE REPORT

Glossary

2009 AGM	Annual general meeting held on 23 April 2009
2010 AGM	Annual general meeting to be held on 22 April 2010
AGM	Annual general meeting
Awarded Shares	Shares awarded under the Share Award Scheme
Board	Board of HKEx
CCASS	The Central Clearing and Settlement System
CG Code	Code on Corporate Governance Practices
CSR	Corporate Social Responsibility
Director(s)	Director(s) of HKEx
DI	Disclosure of Interests
Elected Directors	Directors elected by the Shareholders at general meetings
EP(s) or Participant(s)	Exchange Participant(s)
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
Financial Secretary	Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China
FRC	Financial Reporting Council
Government Appointed Directors	Directors appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKEx's Articles	Articles of Association of HKEx
HKSCC	Hong Kong Securities Clearing Company Limited
Hong Kong Government	Government of the 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
IT	Information Technology
Listing Committees	Listing Committee and the GEM Listing Committee
Listing Rules	Main Board Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
Senior Management	Senior executives of HKEx as referred to in the 2009 Annual Report
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
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
\$/HKD	Hong Kong Dollar