



Hong Kong Exchanges and Clearing Limited
香港交易及結算有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 388)

Resignation of Director

The board of directors (“Board”) of Hong Kong Exchanges and Clearing Limited (“HKEx”) announces that Mr David Michael Webb (“Mr Webb”) resigned as an independent non-executive director of HKEx effective 15 May 2008.

The Board of HKEx announces that Mr Webb has today served a notice to resign with immediate effect as an independent non-executive director of HKEx. Whilst the Board does not agree with the criticisms directed at the Government Appointed Directors, other Board members and management of HKEx in Mr Webb’s letter of resignation, in the interests of transparency the content of such letter is set out below:

“Dear fellow Directors,

I have given careful consideration to a series of issues, including:

1. The refusal of management to provide certain information which I have reasonably requested under the Code on Corporate Governance to facilitate the performance of my duties as a director.
2. The holding of certain meetings between HKEx and third parties on condition that the Board not be informed of the content of those meetings unless the parties consent. This is not conducive to good governance and informed decision-making, and carries an implicit insult to the integrity of the board.
3. The occurrence, on several occasions during my five years on the Board, of U-turns led by Government-Appointed Directors on what were clearly political grounds.
4. HKEx needs to be able to take forward its development in the face of increasing competition by means of an open, transparent and independent decision-making process. It is clear to me as a director that, while on the face of it, HKEx has won corporate governance awards, policy is increasingly being driven through the back door by inexperienced and inexpert officials rather than by an independent board in the best interests of the market.
5. Since the abandonment of the Expert Group’s recommendations in 2003, Hong Kong has seen no progress on legislation to provide statutory backing (and hence, meaningful deterrence) for the Listing Rules, which has been promised by Government twice, in successively weaker forms, in January 2005 and February 2007.

6. At the same time, HKEx is now acting on requests from Government and a tycoon-funded think tank for a “professionals only” listing segment with lower corporate governance standards, even though this had been publicly ruled out by the Listing Committee as recently as 2007 in the contexts of the listing of overseas-incorporated companies and the GEM review. A lower-governance listing board would also contradict then-Financial Secretary Donald Tsang’s call in 2001 to make Hong Kong a “paragon of corporate governance” with the “highest international standards”, an aim he repeated as Chief Secretary in 2003.

Bad governance in listed companies affects professional investors just as much as retail investors. If Hong Kong does not add any value to listings by means of a high quality regulatory system, in which issuers commit to high standards of disclosure and governance, with meaningful deterrents, in return for a premium that investors will pay, then we will have no competitive advantage as a listing venue. Running a low-standards board alongside that can only lead to regulatory arbitrage and reputational damage to Hong Kong’s brand. A short-term increase in business would come at the expense of long-term value destruction, and would not be in the interests of HKEx shareholders or Hong Kong’s financial services sector as a whole.

For the above reasons, I have reluctantly concluded that serving on the HKEx Board is no longer an optimal use of the time I can contribute to the development of Hong Kong’s financial markets and that such time would be better spent contributing independently and through my other roles. Accordingly, I hereby resign my directorship of HKEx with immediate effect.

Yours sincerely,

David M Webb”

As mentioned, the Board does not agree with the criticisms directed at the Government Appointed Directors, other Board members and management of HKEx in Mr Webb’s letter of resignation. HKEx has followed, and will continue to follow, the code provisions and recommended best practices in the Code On Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In accordance with the Code, management provides information to all directors and committee members in a timely manner to enable them to discharge their duties in particular when they are called upon to make informed decisions. HKEx remains committed to following the code provisions and recommended best practices in the Code in word and spirit.

Furthermore, in discharging its duties, the Board has and will continue to consider ideas and suggestions from its stakeholders concerning the development of Hong Kong’s financial market, including investors, issuers, Exchange Participants, other market participants, shareholders and the Government. Each director, whether appointed by the Government or the shareholders, owes the same duties to HKEx as a director. As a matter of good corporate governance, HKEx endeavours to ensure that there is a full and frank discussion of all matters before the Board and that due process is followed before the matter is voted on and decided by the Board.

Save for the above, the Board considers that there are no other matters that need to be brought to the attention of HKEx shareholders. Mr Webb has confirmed that, other than his letter of resignation, there are no other matters he wishes to bring to the attention of HKEx shareholders.

Mr Webb's membership at the Audit Committee, Investment Advisory Committee and Nomination Committee of HKEx, and the Listing Nominating Committee of The Stock Exchange of Hong Kong Limited co-terminated with his directorship at HKEx.

The Board would like to thank Mr Webb for his service and contribution to HKEx. The Nomination Committee will identify and nominate a suitable candidate to fill the casual vacancy arising from Mr Webb's resignation for the Board's approval.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
Joseph Mau
Company Secretary

Hong Kong, 15 May 2008

As at the date of this announcement, the Board comprises 11 Independent Non-executive Directors, namely Mr ARCULLI, Ronald Joseph (Chairman), Mrs CHA May-Lung, Laura, Dr CHENG Mo Chi, Moses, Dr CHEUNG Kin Tung, Marvin, Mr FAN Hung Ling, Henry, Mr FONG Hup, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Dr LOH Kung Wai, Christine, Mr STRICKLAND, John Estmond and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr CHOW Man Yiu, Paul, who is also the Chief Executive.