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

2011 Remuneration Committee Report

2011 REMUNERATION COMMITTEE REPORT

(Financial figures in this report are expressed in Hong Kong dollar)

The Remuneration Committee

The Remuneration Committee (RC) is delegated by the Board with the responsibility to ensure that the Group's remuneration policy and practices are consistently applied and employees are fairly remunerated with reference to the Group's and individual's performance. It comprises 5 Independent Non-executive Directors and its member list is set out on page 8 of this report. The RC's major roles and functions and terms of reference are posted on the HKEx website.

4 meetings were held in 2011, and the members' attendance record is shown in the 2011 Corporate Governance Report.

Major accomplishments in 2011

- Adopted the 2010 Remuneration Committee Report
- Reviewed the remuneration level for Non-executive Directors and recommended increases for 2011/2012
- Reviewed and endorsed the 2011 Compensation Structure Review recommendations
- Recommended the 2011 performance bonus and share award pools for awarding employees
- Recommended a salary adjustment for 2012 that covers merit increase, inflation adjustment, and promotion
- Recommended the 2011 performance bonus and share award for HKEx's Chief Executive

Non-executive Directors' Remuneration

Objective

To set an appropriate level of remuneration to attract and retain experienced people of high calibre to oversee HKEx's business and development

Policy

- To conduct annual reviews with reference to companies of comparable business or scale, and recommend remuneration adjustments, if appropriate
- To seek the Board's endorsement and Shareholders' approval on any recommended changes

Annual review for 2011/2012

Recommended raising the remuneration of HKEx's Chairman and each of the other Non-executive Directors, and that of the chairman and each of the other members (excluding the Executive Director) of the Audit Committee, Executive Committee, Investment Advisory Committee, and RC. The attendance fee in respect of each of the said committee's meetings was recommended to remain unchanged. The said recommendations were based on the level of remuneration of non-executive directors of HSI constituent companies and overseas listed exchanges, as well as the advice of the consultant who was engaged to conduct the Board's performance evaluation. The recommendations were endorsed by the Board, and approved by Shareholders at the AGM held on 20 April 2011.

Annual review for 2012/2013

- Based on the benchmark data of HSI constituent companies, overseas listed exchanges and other major global and regional financial services companies, and also the market input from Egon Zehnder International, a recommendation on increasing the Non-executive Directors' remuneration with details as set out below was made by the RC and endorsed by the Board, and will be proposed for Shareholders' approval at the AGM to be held on 23 April 2012:
 - (i) the remuneration of HKEx's Chairman and each of the other Non-executive Directors to \$900,000 and \$600,000 per annum respectively;
 - (ii) the remuneration of the chairman and each of the other members (excluding Executive Director) of the Audit Committee, Executive Committee, Investment Advisory Committee, and RC to \$120,000 and \$90,000 per annum respectively; and
 - (iii) the attendance fee of each member (excluding the Executive Director) for each meeting of the committees as mentioned in (ii) above to \$3,000.
- The proposal has taken into account the following key factors:
 - (i) high demand for top level non-executive director candidates due to the globalisation of many companies' businesses and the economic environment in China and the region;
 - (ii) increase in time commitment required from the Non-executive Directors to the Board; and
 - (iii) increased responsibilities of Board members and complexity of Board matters.

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

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Non-executive Directors' Fee for 2011/2012

	2011/2012	2010/2011
	\$	\$
Board Chairman	550,000	500,000
Board member *	385,000	350,000
Audit Committee / Executive Committee * / Investment Advisory Committee / RC		
– chairman	100,000	50,000
– member	70,000	50,000
	plus an attendance fee of \$2,500 for each committee meeting	plus an attendance fee of \$2,500 for each committee meeting

* Excluding the Executive Director

Non-executive Directors' Fee for 2011

Name	2011	2010
	\$	\$
Ronald J Arculli	752,500	617,500
Laura M Cha	451,250	392,500
Ignatius T C Chan	456,250	397,500
Moses M C Cheng	451,250	405,000
Marvin K T Cheung (retired on 20 April 2011)	107,500	397,500
John B Harrison (appointed on 20 April 2011)	431,250	–
Stephen C C Hui	453,750	400,000
Bill C P Kwok	551,250	460,000
Vincent K H Lee	566,250	527,500
Michael T H Lee	451,250	397,500
John E Strickland	476,250	400,000
John M M Williamson	618,750	522,500
Oscar S H Wong	451,250	400,000
Total	6,218,750	5,317,500

Employees' Remuneration

Objective
To offer equitable and market-competitive remuneration packages that support the performance culture and enable the achievement of strategic business goals
Policy
<ul style="list-style-type: none"> To conduct market review and recommend salary adjustments, if appropriate, for the Board's approval To determine the corporate performance based on a set of pre-determined measurements and recommend to the Board the appropriate level of performance bonus and share award pools for the year To consult HKEx's Chief Executive with the individual performance of the Senior Management and ensure they are remunerated equitably and in accordance with the established guidelines To recommend to the Board the remuneration of HKEx's Chief Executive and ensure he is not involved in the discussion and decision of his own compensation
Review for 2011/2012
<ul style="list-style-type: none"> Based on the compensation structure review performed by Towers Watson in 2010, the RC recommended and the Board approved in June 2011 the revisions of the performance bonus accrual rate as well as the corporate performance measurements. The RC recommended and the Board approved in December 2011 – <ul style="list-style-type: none"> (i) a salary adjustment effective January 2012 that covered merit increase, inflation adjustment, and promotion, with a view to maintaining internal relativity and external competitiveness. The salary adjustment took into consideration the cost of living and projected pay increase in the financial services industry; (ii) a discretionary performance bonus for eligible employees in recognition of their contributions in 2011; and (iii) a sum of \$113.6 million for the purchase of HKEx shares for 138 selected employees including HKEx's Chief Executive pursuant to the Share Award Scheme. The performance bonus was determined based on the Group's performance, taking into account both financial and non-financial factors including the Group's financial performance and strategic initiatives, as well as market, regulatory, and organisational development. Individual performance bonuses are then differentiated according to a 5-point performance rating scale, grade level and job function.

2011 REMUNERATION COMMITTEE REPORT

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

As at 31 December 2011, the Group had 940 permanent employees (2010: 866) and 57 temporary employees (2010: 17).

A performance development process is in place to help employees set performance objectives, focus on performance improvement, and identify training and development opportunities. Information about employees' training is set out in the 2011 Corporate Social Responsibility Report which will be available on the HKEx website on or about 15 March 2012.

Emoluments for 2011

Executive Director

Name	2011					Total ³ \$	2010	2011
	Salary \$	Cash bonus \$	Other ¹ benefits \$	Retirement ² benefits cost \$	Director's fee \$		Total ³ \$	Share award benefits \$
HKEx's Chief Executive								
Charles X Li	7,524,000	7,524,000	143,380	940,500	–	16,131,880	16,619,237	6,942,519

Senior Management

Name	2011					Total ³ \$	2010	2011
	Salary \$	Cash bonus \$	Other ¹ benefits \$	Retirement ² benefits cost \$	Compensation for loss of office \$		Total ³ \$	Share award benefits \$
Gerald D Greiner	6,000,000	–	108,466	750,000	–	6,858,466	9,616,531	3,367,240
Mark F Dickens	4,380,000	4,380,000	57,817	547,500	–	9,365,317	8,795,207	3,227,501
Lawrence K M Fok	3,672,000	918,000	77,171	459,000	–	5,126,171	6,043,671	408,073
Kevin T King	3,120,000	–	95,078	390,000	–	3,605,078	4,690,232	313,037
Romnesh Lamba	4,380,000	4,380,000	65,549	547,500	–	9,373,049	7,791,500	3,142,956
Henry M W Law	2,700,000	1,800,000	51,686	337,500	–	4,889,186	4,915,409	1,469,072
Christine O M Wong	3,360,000	3,080,000	111,255	336,000	–	6,887,255	4,633,121	1,442,098
Samuel S F Wong	3,360,000	1,680,000	115,095	420,000	–	5,575,095	3,608,466	1,051,591

Notes:

- 1 Other benefits include leave pay, insurance premium, club membership and relocation allowance, as applicable.
- 2 An employee who retires before normal retirement age is eligible to 18 per cent of the employer's contribution to the provident fund after completion of 2 years of service. The rate of vested benefit increases at an annual increment of 18 per cent thereafter reaching 100 per cent after completion of 7 years of service.
- 3 Excluding the shares awarded to the Chief Executive and the Senior Management during the relevant years, details of which are set out in the Chief Executive's and Senior Management's Interests in HKEx Securities under Long-term Incentive Schemes section of this report.
- 4 The share award benefits represent the aggregate of the amortised fair value of the Chief Executive's and the respective members of the Senior Management's Awarded Shares that were charged to the consolidated statement of comprehensive income for the year ended 31 December 2011. The fair value of the share options granted under the Post-Listing Scheme were fully amortised in 2010.

Further particulars regarding Directors' emoluments and the 5 top-paid employees as required to be disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in notes 14 and 15 to the Consolidated Financial Statements for the year ended 31 December 2011 respectively.

2011 REMUNERATION COMMITTEE REPORT

Long-term Incentive Schemes

HKEx currently operates a Share Award Scheme for the purpose of recognising the contributions of certain employees and retaining them for the Group's operation and further development. Prior to the adoption of the Share Award Scheme, HKEx had maintained 2 share option schemes, the Pre-Listing Scheme and the Post-Listing Scheme, both of which expired on 30 May 2010.

Share Option Schemes

There are no outstanding options under the Pre-Listing Scheme. The unexercised options under the Post-Listing Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the respective exercise periods.

Movements in the outstanding share options granted under the Post-Listing Scheme during the year ended 31 December 2011 are set out below.

Date of grant	Exercise price \$	Number of shares issuable under the options				Exercise ² period
		As at 1 Jan 2011	Issued upon ¹ subscription during the year	Cancelled/lapsed during the year	As at 31 Dec 2011	
Employees						
31 Mar 2004	16.96	469,500	87,500	–	382,000	31 Mar 2006 – 30 Mar 2014
17 May 2004	15.91	100,000	75,000	–	25,000	17 May 2006 – 16 May 2014
26 Jan 2005	19.25	885,000	307,400	–	577,600	26 Jan 2007 – 25 Jan 2015

Notes:

- 1 The weighted average closing price immediately before the dates on which the options were exercised was \$162.48.
- 2 Options granted were subject to a vesting scale in tranches of 25 per cent each per annum starting from the 2nd anniversary and became fully vested in the 5th anniversary of the grant.

Further details of the Share Option Schemes are set out in note 36(b) to the Consolidated Financial Statements for the year ended 31 December 2011.

Share Award Scheme

The Share Award Scheme was adopted by the Board on 14 September 2005 (Adoption Date). The maximum number of shares which can be awarded under the Share Award Scheme and to a selected employee in the scheme is 3 per cent (ie, 31,871,575 shares) and 1 per cent (ie, 10,623,858 shares) respectively of the HKEx shares in issue as at the Adoption Date.

In December 2011, the Board approved a sum of \$113.6 million for the purchase of the HKEx shares for awards to the selected employees, including HKEx's Chief Executive (\$8.8 million), and a sum of \$20 million for the purchase of the HKEx shares for selected employees to be recruited in 2012. The Share Award Scheme's trustee, based on the Board's recommendation, applied 344,706 unallocated or forfeited HKEx shares held under the Share Award Scheme to partly satisfy such award.

Further details in relation to the Share Award Scheme are set out in note 36(c) to the Consolidated Financial Statements for the year ended 31 December 2011.

Since its adoption, a total of 3,698,360 shares had been awarded under the Share Award Scheme up to the date of this report, representing about 0.35 per cent of the issued share capital of HKEx as at the Adoption Date. Details of the Awarded Shares, including the number of shares awarded and vested during the year ended 31 December 2011 are set out below.

2011 REMUNERATION COMMITTEE REPORT

Date of approval by Board	Date of award ¹	Awarded sum \$'000	Number of shares purchased	Number of Awarded Shares	Average ² fair value per share \$	Number of Awarded Shares vested during the year	Vesting period ³
13 Dec 2006	15 Jan 2007	19,673	272,500	272,465	72.28	40,220	13 Dec 2008 – 13 Dec 2011
15 May 2007	17 Jul 2007	600	5,500	5,500	102.29	1,375	18 Jun 2009 – 18 Jun 2012
12 Dec 2007	4 Feb 2008	26,300	151,000	150,965	163.72	25,961	12 Dec 2009 – 12 Dec 2012
10 Dec 2008	3 Feb 2009	4,900	59,900	59,900	81.96	14,975	1 Jan 2011 – 1 Jan 2014
23 Apr 2010	10 Jun 2010	88,516	720,100	720,054	123.29	–	13 May 2012 – 13 May 2013
23 Apr 2010	9 Jul 2010	840	6,900	6,900	121.88	–	10 Jun 2012 – 10 Jun 2013
23 Apr 2010	9 Jul 2010	2,520	21,000	21,000	120.32	–	2 Jul 2012 – 2 Jul 2013
14 Dec 2010	31 Dec 2010	91,303	518,100	518,039	176.75	–	14 Dec 2012 – 14 Dec 2013
14 Dec 2010	30 Mar 2011	570	3,300	3,300	169.92	–	13 Jan 2013 – 13 Jan 2014
14 Dec 2010	30 Mar 2011	2,310	13,600	13,600	169.92	–	1 Feb 2013 – 1 Feb 2014
14 Dec 2010	8 Apr 2011	263	1,400	1,400	179.55	–	1 Apr 2013 – 1 Apr 2014
14 Dec 2010	9 Jun 2011	570	3,300	3,300	171.59	–	26 Apr 2013 – 26 Apr 2014
14 Dec 2010	8 Jul 2011	1,560	9,200	9,200	168.87	–	8 Jul 2013 – 8 Jul 2014
14 Dec 2010	7 Sept 2011	405	2,900	2,900	137.12	–	20 Jul 2013 – 20 Jul 2014
14 Dec 2010	11 Oct 2011	1,620	11,800	11,800	137.22	–	19 Sept 2013 – 19 Sept 2014
14 Dec 2010	11 Oct 2011	1,560	14,400	14,400	108.03	–	3 Oct 2013 – 3 Oct 2014
14 Dec 2011	30 Dec 2011	113,624	567,800	912,437 ⁴	124.75	–	14 Dec 2013 – 14 Dec 2014

Notes:

- The date of award refers to the date on which the trustee allocated the Awarded Shares to the selected employees from the shares purchased with the awarded sum determined by the Board.
- The fair value of the Awarded Shares was based on the average purchase cost per share.
For the shares awarded on 30 December 2011, the fair value of the Awarded Shares was based on the average fair value calculated from the weighted average of the following:
 - for shares awarded from unallocated or forfeited shares: closing price of the HKEx shares on the date of approval of the awarded sum by the Board, and
 - for shares purchased from the market: average cost per share.
- Effective 13 May 2010, the vesting period of the Awarded Shares has been changed from 5 years to 3 years. Accordingly, the Awarded Shares and the related income are vested in 2 equal tranches from the 2nd to the 3rd year after the grant, as opposed to 4 equal tranches from the 2nd to the 5th year, the arrangement prior to the change.
- The Share Award Scheme's trustee applied 344,706 shares held under the scheme, which were unallocated or forfeited pursuant to the Share Award Scheme, to partly satisfy the relevant award.

As at 31 December 2011, taking into account the further shares acquired out of the dividends derived from the shares held under the trust, there were 2,236,167 shares held in trust under the Share Award Scheme.

2011 REMUNERATION COMMITTEE REPORT

Chief Executive's and Senior Management's Interests in HKEx Securities under Long-term Incentive Schemes

Share Options

Name	Date of grant	Exercise price \$	Number of shares issuable under the options				Exercise period ¹
			As at 1 Jan 2011	Subscribed during the year	Lapsed during the year	As at 31 Dec 2011	
Senior Management							
Gerald D Greiner	17 May 2004	15.91	100,000	75,000	–	25,000	17 May 2006 – 16 May 2014
	26 Jan 2005	19.25	100,000	–	–	100,000	26 Jan 2007 – 25 Jan 2015
Henry M W Law	31 Mar 2004	16.96	25,000	25,000	–	–	31 Mar 2006 – 30 Mar 2014
	26 Jan 2005	19.25	40,000	40,000	–	–	26 Jan 2007 – 25 Jan 2015

Note:

- 1 Options granted were subject to a vesting scale in tranches of 25 per cent each per annum starting from the 2nd anniversary and became fully vested in the 5th anniversary of the grant.

Awarded Shares

Name	Date of award ²	Number of Awarded Shares	Average fair value ³ per share \$	Number of shares ¹					Vesting period ⁴	
				As at 1 Jan 2011	Further shares acquired during the year out of the dividends distributed	Vested during the year	Lapsed during the year	As at 31 Dec 2011		
HKEx's Chief Executive										
Charles X Li	10 Jun 2010	73,217	123.29	74,267	2,088	–	–	76,355	13 May 2012 – 13 May 2013	
	31 Dec 2010	40,856	176.75	40,856	1,152	–	–	42,008	14 Dec 2012 – 14 Dec 2013	
	30 Dec 2011	70,495	124.75	–	–	–	–	70,495	14 Dec 2013 – 14 Dec 2014	
Senior Management										
Gerald D Greiner	15 Jan 2007	11,911	72.28	3,406	95	3,501	–	–	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	8,418	163.72	4,708	131	2,406	–	2,433	12 Dec 2009 – 12 Dec 2012	
	10 Jun 2010	35,700	123.29	36,214	1,016	–	–	37,230	13 May 2012 – 13 May 2013	
	31 Dec 2010	16,601	176.75	16,601	472	–	–	17,073	14 Dec 2012 – 14 Dec 2013	
	30 Dec 2011	48,185	124.75	–	–	–	–	48,185	14 Dec 2013 – 14 Dec 2014	
Mark F Dickens	3 Feb 2009	59,900	81.96	63,610	1,338	15,901	–	49,047	1 Jan 2011 – 1 Jan 2014	
	10 Jun 2010	14,236	123.29	14,443	405	–	–	14,848	13 May 2012 – 13 May 2013	
	31 Dec 2010	19,860	176.75	19,860	564	–	–	20,424	14 Dec 2012 – 14 Dec 2013	
	30 Dec 2011	29,312	124.75	–	–	–	–	29,312	14 Dec 2013 – 14 Dec 2014	
Lawrence K M Fok	15 Jan 2007	3,842	72.28	1,100	29	1,129	–	–	13 Dec 2008 – 13 Dec 2011	
	4 Feb 2008	658	163.72	387	9	183	–	213	12 Dec 2009 – 12 Dec 2012	
	10 Jun 2010	7,468	123.29	7,578	216	–	–	7,794	13 May 2012 – 13 May 2013	
Kevin T King	10 Jun 2010	6,101	123.29	6,188	173	–	–	6,361	13 May 2012 – 13 May 2013	

2011 REMUNERATION COMMITTEE REPORT

Name	Date of award ²	Number of Awarded Shares	Average ³ fair value per share \$	As at 1 Jan 2011	Number of shares ¹			As at 31 Dec 2011	Vesting period ⁴
					Further shares acquired during the year out of the dividends distributed	Vested during the year	Lapsed during the year		
Romnesh Lamba	10 Jun 2010	25,626	123.29	25,993	730	–	–	26,723	13 May 2012 – 13 May 2013
	31 Dec 2010	23,832	176.75	23,832	672	–	–	24,504	14 Dec 2012 – 14 Dec 2013
	30 Dec 2011	29,312	124.75	–	–	–	–	29,312	14 Dec 2013 – 14 Dec 2014
Henry M W Law	15 Jan 2007	6,660	72.28	1,907	53	1,960	–	–	13 Dec 2008 – 13 Dec 2011
	4 Feb 2008	3,623	163.72	2,039	55	1,034	–	1,060	12 Dec 2009 – 12 Dec 2012
	10 Jun 2010	15,832	123.29	16,062	450	–	–	16,512	13 May 2012 – 13 May 2013
	31 Dec 2010	7,362	176.75	7,362	212	–	–	7,574	14 Dec 2012 – 14 Dec 2013
	30 Dec 2011	10,841	124.75	–	–	–	–	10,841	14 Dec 2013 – 14 Dec 2014
Christine O M Wong	9 Jul 2010	6,900	121.88	6,998	194	–	–	7,192	10 Jun 2012 – 10 Jun 2013
	31 Dec 2010	14,299	176.75	14,299	404	–	–	14,703	14 Dec 2012 – 14 Dec 2013
	30 Dec 2011	15,740	124.75	–	–	–	–	15,740	14 Dec 2013 – 14 Dec 2014
Samuel S F Wong	9 Jul 2010	21,000	120.32	21,301	598	–	–	21,899	2 Jul 2012 – 2 Jul 2013

Notes:

- 1 The number includes further shares acquired through reinvesting cash dividends received or distribution of scrip dividends.
- 2 The date of award refers to the date on which the trustee allocated the Awarded Shares to the selected employees from the shares purchased with the awarded sum determined by the Board.
- 3 The fair value of the Awarded Shares was based on the average purchase cost per share.
For the shares awarded on 30 December 2011, the fair value of the Awarded Shares was based on the average fair value calculated from the weighted average of the following:
 - (a) for shares awarded from unallocated or forfeited shares: closing price of the HKEx shares on the date of approval of the awarded sum by the Board, and
 - (b) for shares purchased from the market: average cost per share.
- 4 Effective 13 May 2010, the vesting period of the Awarded Shares has been changed from 5 years to 3 years. Accordingly, the Awarded Shares and the related income are vested in 2 equal tranches from the 2nd to the 3rd year after the grant, as opposed to 4 equal tranches from the 2nd to the 5th year, the arrangement prior to the change.

Members of the Remuneration Committee

Ronald Joseph ARCULLI (Chairman)

CHA May-Lung, Laura

CHENG Mo Chi, Moses

John Barrie HARRISON

John Mackay McCulloch WILLIAMSON

Hong Kong, 29 February 2012

2011 REMUNERATION COMMITTEE REPORT

Board of Directors

As at 29 February 2012, the Board comprises 12 Independent Non-executive Directors, namely Mr Ronald Joseph ARCULLI (Chairman), Mrs CHA May-Lung, Laura, Mr CHAN Tze Ching, Ignatius, Dr CHENG Mo Chi, Moses, Mr John Barrie HARRISON, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEx's Chief Executive.

Glossary

AGM	HKEx's annual general meeting
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEx's board of directors
Director(s)	HKEx's director(s)
Group	HKEx and its subsidiaries
HKEx	Hong Kong Exchanges and Clearing Limited
HSI	Hang Seng Index
Post-Listing Scheme	Post-Listing Share Option Scheme approved by Shareholders on 31 May 2000 which was subsequently amended by Shareholders on 17 April 2002
Pre-Listing Scheme	Pre-Listing Share Option Scheme approved by Shareholders on 31 May 2000
Senior Management	HKEx's senior executives as referred to in the HKEx's annual report for the year ended 31 December 2011 (which will be available on the HKEx website on or about 15 March 2012)
Shareholders	HKEx's shareholders
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010
Share Option Schemes	Pre-Listing Scheme and Post-Listing Scheme