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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 388)

CONTINUING CONNECTED TRANSACTION – TENANCY RENEWAL

On 13 December 2006, Hong Kong Futures Exchange Limited (“HKFE”), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (“HKEx”), as tenant, and CP (SH) Limited (“CP(SH)”), as beneficial owner, entered into a legally binding letter of offer (“Letter of Offer”) to renew the existing tenancy in respect of certain units in ICBC Tower (“New Tenancy”). CP(SH) signed the Letter of Offer pursuant to an Agreement for Sale and Purchase (“S&P”) dated 26 April 2006 entered into between CP(SH) as purchaser and Shine Hill Development Limited (“Shine Hill”) as vendor whereby Shine Hill has agreed to sell and CP(SH) has agreed to purchase, among others, ICBC Tower, 3 Garden Road, Central, Hong Kong (“Building”).

Pursuant to the S&P, CP(SH) has the right to do and execute any deeds, matters and transactions to vary, novate or re-negotiate any terms and conditions under the existing tenancies and licences and/or to enter into further tenancies and licences in relation to the Building.

Both CP(SH) and Shine Hill are owned and controlled by Champion Real Estate Investment Trust (“Champion REIT”) in which Great Eagle Holdings Limited (“Great Eagle”) owns 49.2% interests and Dr LO Ka Shui (“Dr Lo”) is a controlling shareholder of Great Eagle. Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), both CP(SH) and Shine Hill therefore constitute associates of Dr Lo. According to Rule 14A.11 of the Listing Rules, Dr Lo who was a Director of HKEx within the preceding 12 months is regarded as a connected person of HKEx. Both CP(SH) and Shine Hill are connected persons of HKEx by virtue of them being associates of Dr Lo and accordingly, the New Tenancy to be created according to the basic terms of the Letter of Offer constitutes a continuing connected transaction of HKEx under Rule 14A.14 of the Listing Rules.

Given that the annual consideration payable by HKFE under the New Tenancy represents less than 2.5% of the applicable percentage ratios of HKEx, as defined in the Listing Rules, the New Tenancy is only subject to reporting, announcement and annual review requirements under the Listing Rules and does not require independent shareholders’ approval.

THE NEW TENANCY

- Date of Letter of Offer : 13 December 2006, under which the following parties undertake to execute a lease according to the basic terms thereof.
- Parties : (1) CP(SH) as beneficial owner.
Shine Hill as vendor has agreed to sell and CP(SH) as purchaser has agreed to purchase, among others, the Building pursuant to the S&P.
According to the S&P, CP(SH) has the right to do and execute any deeds, matters and transactions to vary, novate or re-negotiate any terms and conditions under the existing tenancies and licences and/or to enter into further tenancies and licences in relation to the Building.
CP(SH) is principally engaged in property investment activity. Both CP(SH) and Shine Hill are owned and controlled by Champion REIT. Great Eagle is interested in 49.2% of the total units of Champion REIT.
- (2) HKFE as the tenant. HKFE is a wholly-owned subsidiary of HKEx which owns and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses.
- Premises : Suites 501-3 and storeroom on 5th Floor and Suites 1101 & 1109-11 on 11th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong (“Premises”)
- Lettable Area : Approximately 10,348 square feet
- Term : Two years from 1 January 2007 to 31 December 2008 (both dates inclusive)
- Rental : HK\$745,056 per month, exclusive of management charges, rates and all other outgoings

ANNUAL CAP

Based on the monthly rent of HK\$745,056 under the New Tenancy, the annual cap, excluding variable expenses, such as management charges, rates and all other outgoings, is HK\$8,940,672.

REASONS FOR THE TRANSACTION

The legally binding Letter of Offer serves to renew the existing tenancy of the Premises, (details have been disclosed in the announcement of HKEx dated 14 December 2004), which is due to expire on 31 December 2006. The Premises have been occupied and used by HKFE as offices since 1992. It has practical needs for HKFE to retain its existing offices in ICBC Tower as the primary data centre of HKFE and the office accommodating its system support team.

HKFE has engaged Knight Frank Petty Limited, professional property consultants, to provide market information, rental valuation as well as advice on the negotiation of the lease renewal with CP(SH). The negotiation of the terms of the New Tenancy was conducted on an arm’s length basis and the rental of the Premises was determined by reference to the open market rent of properties of comparable size and location. The Board (including all Independent Non-executive Directors except Dr Cheung Kin Tung, Marvin and Mr Wong Sai Hung, Oscar who were absent from today’s Board meeting), as set out at the end of this announcement, considers that the New Tenancy is entered into in the ordinary and usual course of business of HKFE, and terms as contained therein, are on normal commercial terms, fair and reasonable, and it is in the interests of HKEx and its shareholders as a whole.

Following the execution of the Letter of Offer, HKFE and CP(SH) will use the best endeavours to agree and sign the related tenancy agreement which will carry substantially the same terms as contained in the Letter of Offer.

IMPLICATIONS OF THE LISTING RULES

Both CP(SH) and Shine Hill are owned and controlled by Champion REIT in which Great Eagle owns 49.2% interests and Dr LO is a controlling shareholder of Great Eagle. Pursuant to the Listing Rules, both CP(SH) and Shine Hill therefore constitute associates of Dr Lo. According to Rule 14A.11 of the Listing Rules, Dr Lo who was a Director of HKEx within the preceding 12 months and is regarded as a connected person of HKEx. Both CP(SH) and Shine Hill are connected persons of HKEx by virtue of them being associates of Dr Lo and accordingly, the New Tenancy constitutes a continuing connected transaction of HKEx under Rule 14A.14 of the Listing Rules.

Pursuant to Rule 14A.34, given that the annual rental payable by HKFE under the New Tenancy represents less than 2.5% of the applicable percentage ratios of HKEx as defined in the Listing Rules, the New Tenancy is only subject to reporting, announcement and annual review requirements in Rules 14A.45 to 14A.47 and Rules 14A.37 to 14A.41 of the Listing Rules respectively, and does not require independent shareholders' approval.

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

Hong Kong, 13 December 2006

As at the date of this announcement, the Board of Directors of Hong Kong Exchanges and Clearing Limited comprises 12 Independent Non-executive Directors, namely Mr ARCULLI, Ronald Joseph (Chairman), Mrs CHA May-Lung, Laura, Mr 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, Mr WEBB, David Michael and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr CHOW Man Yiu, Paul, who is also the Chief Executive.

The announcement is also published on the HKEx website (<http://www.hkex.com.hk>)

Please also refer to the printed version of this announcement in the South China Morning Post on 14 December 2006.