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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)

ESTABLISHMENT OF JOINT VENTURE

On 18 August 2011, the Board announced that HKEx had agreed in principle to enter into detailed discussions with SHSE and SZSE with a view to establishing a joint venture company to be incorporated in Hong Kong.

The Board is pleased to announce that the JV Partners today entered into the JV Agreement for the establishment of the JV Company whose principal business will be to develop financial products and related services.

Introduction

On 18 August 2011, the Board announced that HKEx had agreed in principle to enter into detailed discussions with SHSE and SZSE with a view to establishing a joint venture company to be incorporated in Hong Kong. The Board is pleased to announce that the JV Agreement for the establishment of the JV Company is signed today.

Key Terms of the JV Agreement

1. Initial Capital

The JV Partners shall have equal shareholding interest in the JV Company, and each shall invest HK\$100 million in the JV Company as initial paid-up capital.

2. Principal Business

The business of the JV Company shall include, without limitation, the development and franchising of index-linked and equity derivatives products, and to support this activity to compile cross-border indices based on products traded on the three markets; develop industry classification for listed companies, information standards and information products; promote securities markets, and enhance market participants services, technical services and infrastructure establishment; and any other business as agreed between the JV Partners.

3. JV Company Board Structure

The board of directors of the JV Company (the “JV Company Board”) shall comprise 9 members to be nominated equally by the JV Partners. The JV Company Board shall be co-chaired by a representative to be nominated by SHSE and a representative to be nominated by SZSE. The chief executive of the JV Company shall be nominated by HKEx, who shall be one of the HKEx’s nominees to the JV Company Board.

Timing of the Establishment of the JV Company

The JV Partners aim to establish the JV Company within three months from the execution of the JV Agreement.

To start with, the JV Company plans to develop a series of cross-border indices on which a family of index products will be introduced. This series of indices will include a benchmark cross-border index comprising large Mainland enterprises listed on The Stock Exchange of Hong Kong Limited, SHSE and SZSE, and two indices based on this cross-border index – an index comprising A-share constituents and an index comprising Hong Kong market constituents. Equity index futures and options based on these indices will be traded on HKEx’s derivatives market and will constitute the new family of index products.

Reasons for and benefits of the Establishment of the JV Company

The establishment of the JV Company will enhance the competitiveness of Hong Kong, help promote the development of China’s capital markets and the internationalisation of the three exchanges. The Directors believe that entering into the JV Agreement with the JV Partners for the establishment of the JV Company is in the interests of HKEx and its shareholders as a whole.

Listing Rules Implications

The entering into the JV Agreement for the establishment of the JV Company does not constitute a notifiable transaction under Chapter 14 of the Listing Rules, as none of the percentage ratios resulting from the calculations set out therein exceeds 5%.

Definitions

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Board”	the board of Directors;
“Directors”	the directors of HKEx;
“HKEx”	Hong Kong Exchanges and Clearing Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of HKEx;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;

“JV Agreement”	a tripartite joint venture agreement entered into between the JV Partners on 28 June 2012 in relation to the establishment of the JV Company;
“JV Company”	a company to be established jointly by the JV Partners and to be incorporated in Hong Kong with limited liability, the formation and structure of which will be governed by the terms and conditions of the JV Agreement and other documents as may be agreed between the JV Partners;
“JV Partners”	HKEx, SHSE and SZSE;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“percentage ratios”	shall have the meaning ascribed to such term in Chapter 14 of the Listing Rules;
“SHSE”	the Shanghai Stock Exchange; and
“SZSE”	the Shenzhen Stock Exchange.

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

Hong Kong, 28 June 2012

As at the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr Ronald Joseph ARCULLI, Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, 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.