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

Update on Legal Proceedings

As disclosed in the announcements on 4 and 7 August 2013 as well as on 14 March and 13 May 2014 (collectively, the “Announcements”), Hong Kong Exchanges and Clearing Limited (“HKEx”), along with its subsidiaries, The London Metal Exchange (the “LME”) and LME Holdings Limited (“LMEH”), were named as co-defendants in class action lawsuits filed in the United States (“US”) regarding alleged anti-competitive and monopolistic behaviour in connection with aluminium metal warehousing.

On 25 August 2014, the US District Court for the Southern District of New York (the “District Court”) dismissed all claims in connection with aluminium metal warehousing against the LME on sovereign immunity grounds (the “LME Decision”). Similarly, on 29 August 2014, the District Court dismissed claims pending in connection with aluminium metal warehousing against the remaining defendants, including HKEx and LMEH, on the basis that the plaintiffs did not plead any facts sufficient to state an antitrust claim under US law. However, the first level purchaser class plaintiffs (“FLPs”) and the two unconsolidated plaintiffs: Mag Instruments Inc. (“Mag”), and Agfa Corp. & Agfa Graphics (“Agfa”) were allowed an opportunity to re-plead by early October 2014.

Now, on 24 September 2014, the putative Consumer and Commercial classes of plaintiffs each filed an appeal with the US Court of Appeals for the Second Circuit (the “Second Circuit”) appealing the District Court’s decision to dismiss the LME on the basis of sovereign immunity grounds and a lack of standing to pursue antitrust claims. HKEx management believes that the appeal is baseless and maintains that the claims are without merit and will continue to contest these allegations vigorously.

References are made to the Announcements, and unless the context otherwise requires, terms used in this announcement shall have the same meanings as those defined in the Announcements.

As disclosed in the Announcements, the LME, LMEH and HKEx are involved in US litigation regarding alleged anti-competitive and monopolistic behaviour in connection with aluminium metal warehousing. As announced on 27 August 2014, the District Court issued the LME Decision, dismissing all claims in connection with aluminium metal warehousing against the LME (only) on sovereign immunity grounds and denied plaintiffs the ability to re-plead those claims.

On 29 August 2014, the District Court issued a ruling on claims against the remaining defendants in the pending lawsuits relating to aluminium metal warehousing. The District Court granted all defendants' motions to dismiss on the basis that the plaintiffs did not plead any facts sufficient to raise an antitrust claim under US law without specifically considering the motions to dismiss filed by the other defendants, including the claims against HKEx and LMEH. The District Court, however, allowed the FLPs, Mag, and Agfa, an opportunity to re-plead against HKEx, LMEH, and other remaining defendants (except the LME) by early October 2014.

On 24 September 2014, the plaintiffs in the putative Consumer and Commercial classes exercised their automatic right of appeal and each filed an appeal with the Second Circuit appealing the District Court's decision to dismiss the LME on the basis of sovereign immunity grounds and a lack of standing to bring an antitrust claim. The appeals filed by the plaintiffs, as a matter of automatic right, is merely part of the normal litigation process and should not be interpreted as an unusual step. The LME's status remains unchanged – the LME's dismissal from all claims still stands. The Second Circuit will consider legal briefs filed by appellants (i.e., plaintiffs) and the respondents (i.e., the LME, who supports the District Court's decision) before deciding if the lower court's decision should be affirmed or reversed. Nothing will change until and unless the Second Circuit reverses the lower court's decision. In the meantime, the LME will exercise its automatic right to vigorously advocate for and support the lower court's decision to oppose reversal of the earlier decision.

Based on the 29 August decision by the District Court, the FLPs, Mag, and Agfa can still, but have not, re-plead their case against HKEx, LMEH, and the remaining defendants as of this announcement.

Separately, as announced on 26 May 2014, the lawsuits in connection with zinc metal warehousing are still pending in the US. In view of the recent developments in the aluminium warehousing cases, the District Court has decided to put the zinc metal warehousing cases on hold until 30 days after the District Court makes a decision about the aluminium metal warehousing cases.

HKEx management continues to believe that these metal warehousing allegations against the LME, LMEH, and HKEx are without merit and will continue to contest them vigorously.

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

Hong Kong, 25 September 2014

As at the date of this announcement, HKEx's board of directors comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), 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, Mrs LEUNG KO May Yee, Margaret, 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.