



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

For immediate release  
15 June 2012

**HKEX MAKES RECOMMENDED CASH OFFER  
FOR THE LONDON METAL EXCHANGE**

The board of Hong Kong Exchanges & Clearing Limited (“HKEx”) is pleased to announce that on 15 June 2012, HKEx, HKEx Investment (UK) Limited (“HKEx Investment”) and LME Holdings Limited (“LME Holdings”) entered into a Framework Agreement regarding the terms of a recommended cash offer (the “Offer”) for the entire issued and outstanding ordinary share capital of LME Holdings by HKEx Investment, a direct subsidiary of HKEx International Limited (“HKEx International”) and an indirect wholly-owned subsidiary of HKEx (the “Transaction”).

Under the terms of the Offer, HKEx Investment will acquire the entire issued and outstanding ordinary share capital of LME Holdings for GBP 107.60 (HKD 1,292.55) per ordinary share in cash by way of a court sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the “Scheme”). This implies a value of GBP 1,388 million (HKD 16,673 million) based on 12,900,000 ordinary shares (100 per cent of the ordinary share capital of LME Holdings) (the “Ordinary Shares”), with the Offer consideration being financed from existing cash resources and new bank facilities of at least GBP 1,100 million (HKD 13,214 million).

Following the decision of the board of LME Holdings to enter into the Framework Agreement, the Relevant Directors<sup>1</sup> intend to unanimously recommend, in the Scheme Circular, that the Ordinary Shareholders vote in favour of the Transaction at the meetings to be convened before the end of July 2012.

**Key highlights of the Transaction**

- Brings together the world’s leading base metals exchange trading venue<sup>2</sup> with the leading operator of exchanges and clearing houses in Asia
- Recognises the value of the LME brand, which will be preserved, with The London Metal Exchange Limited (the “LME”) remaining a UK Financial Services Authority (“FSA”) regulated Recognised Investment Exchange (“RIE”) in London
- Accelerates HKEx’s strategy to develop its own commodity offering and to diversify its revenue sources

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<sup>1</sup> For the purposes only of the formal recommendation to Ordinary Shareholders, the “Relevant Directors” are Sir Brian Bender, Nat le Roux, Noel Harwerth, David Rough and Martin Abbott, being the Chairman, Independent Directors and Invited Director of LME Holdings and the Chief Executive.

<sup>2</sup> In terms of tonnes traded

- Provides a platform for significant long term growth through the expansion of the LME's business and operations in Asia and the Chinese market by leveraging HKEx's resources, infrastructure and network in the region
- Preserves the LME's unique business model, including the operation of the "Ring" (open-outcry trading), prompt date structure, existing membership structure and capacity for warehousing and physical delivery, which contribute to the LME's position as the world's price formation venue for base metals
- Supports the development of the LME's own clearing house, LME Clear, which will enable the LME to launch new products and services more efficiently, drawing on HKEx's track record and experience in operating three clearing houses
- Enables the LME to leverage HKEx's considerable IT expertise, infrastructure and resources to enhance its current IT platform
- Total offer value of GBP 1,388 million (HKD 16,673 million) for 100 per cent of the issued and outstanding ordinary share capital of LME Holdings, to be funded by HKEx through existing cash resources and new bank facilities totalling at least GBP 1,100 million (HKD 13,214 million)
- It is expected that a circular containing and setting out, among other things, the full terms and conditions of the Scheme and containing the notices convening the Court Meeting and EGM (as defined below) (the "Scheme Circular") will be posted to the ordinary shareholders within approximately 15 business days of the announcement, ahead of the Court Meeting and EGM to approve the Transaction, which are expected to take place before the end of July 2012. The Transaction is expected to close during the fourth quarter of 2012, subject to FSA approval and all other relevant conditions (as set out below in the section titled "Framework Agreement")

Charles Li, Chief Executive of HKEx said:

*"The acquisition of LME Holdings represents a unique opportunity for us to acquire in one stroke a position of global leadership in the commodities market. This is consistent with our strategy to expand beyond equities and equity derivatives and offers significant opportunities for revenue growth. HKEx brings a unique ability to help the LME grow its business in Asia and, particularly, China and we will capitalise on this to deliver value for all our stakeholders. We are looking forward to working with the team at the LME to achieve these objectives."*

Martin Abbott, Chief Executive of the LME said:

*"This proposed combination will secure the future of the LME for its next 135 years. The LME's global benchmarks plus HKEx's pre-eminent market position in Asia, its IT and trading resources and clearing expertise will cement the LME's position as the world's foremost base metals trading venue."*

### **Background and strategic rationale**

HKEx is already the leading operator of exchanges and clearing houses in Asia and a key player globally, with a market capitalisation of GBP 9.8 billion (HKD 118.3 billion) as at 14 June 2012. HKEx operates two exchanges and three clearing houses covering both cash and derivatives markets. In enhancing its role as the international exchange bridging China and international markets, a key strategic priority for HKEx is to expand into commodities, currency and interest rate products. HKEx has identified a particular demand for commodities trading, focused around metals, to support the large and growing metals consumption in Asia and, particularly, China.

The LME is the world's leading exchange for the trading of base metal futures and options contracts<sup>3</sup>, with a global market share estimated to be approximately 80 per cent. It achieved record volumes during 2011, with 146.6 million lots traded, equivalent to USD 15.4 trillion in notional contract value. Over the past five years, trading volumes have grown by 12.1 per cent per annum (2007-2011, compound annual growth rate), despite the difficult global economic environment, demonstrating the resilience of the LME's business model and the elasticity of its client base.

The LME has a unique business model including, its "prompt" (or delivery) structure (with daily prompt dates up to 3 months forward, weekly prompt dates up to 6 months forward, and monthly prompt dates out to 123 months forward for certain metals), open outcry trading in the "Ring" complemented by 24 hour telephone and LMEselect electronic trading. It also has the ability to deliver metal physically through a global network of approved warehouses. These features link it directly to the real economy and, when combined with the high levels of liquidity on the LME, mean that the prices discovered are recognised and relied upon by the metals industry worldwide. Crucially, it plays a vital role in providing risk management solutions to consumers and producers of metals globally.

Currently, all LME Exchange Contracts<sup>4</sup> are cleared through an external clearing house. LME Holdings has announced plans to become a self-clearing exchange group by 2014 through the development of LME Clear. By taking control of the value chain, LME Clear will enable the LME to launch new products and services as well as enhancing its ability to be responsive to members' needs, and also to diversify its revenue sources through vertical integration.

While the LME is a global exchange, it has yet to realise fully the growth opportunity in Asia and China, in particular. The Transaction therefore combines two highly complementary businesses, bringing together the world's leading base metals exchange<sup>5</sup> with HKEx, Asia's leading financial market operator. Furthermore, the Transaction provides a platform for significant revenue growth as the LME's business and operations are expanded in Asia using HKEx's regional resources, infrastructure and network.

Together, HKEx and the LME will focus on three key areas:

1. Preserving and enhancing the LME's existing business model;
2. Expanding the presence of the LME in Asia and China; and
3. Developing the LME over time in accordance with the needs of its members and market participants.

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<sup>3</sup> In terms of tonnes traded

<sup>4</sup> An Exchange Contract is a contract between two clearing members of the LME in accordance with the Rules & Regulations of the LME

<sup>5</sup> In terms of tonnes traded

## *1. Preserving and enhancing the LME's existing business model*

HKEx recognises the intrinsic value of the LME's unique business model, particularly its integration with the physical market and real economy. HKEx therefore intends to preserve and enhance this business model, including trading platforms, the warehouse network, the principal to principal market structure and dual capacity trading. Until at least 1 January 2015, HKEx has committed to preserve the LME brand, the operation of the Ring (including open-outcry trading) and the prompt date structure of contracts currently traded on the LME. Furthermore, HKEx will not increase fees for contracts currently traded on the LME, beyond the levels to be implemented on 2 July 2012, before 1 January 2015. The LME will remain based in London as an RIE, under FSA supervision.

HKEx will make its expertise as an operator of three clearing houses available to support the development and successful implementation of LME Clear. Additional benefits that HKEx expects to bring to the operation of LME Clear include risk management expertise, expertise in renminbi ("RMB") infrastructure to support the future clearing of RMB products and recent experience in developing an OTC clearing house. HKEx's experience of working with users in developing clearing solutions will help to ensure that LME Clear offers a tailored and responsive service to members and users.

HKEx intends to retain the existing membership categories of the exchange and associated eligibility criteria, including B shareholding and capital requirements.

## *2. Expanding the presence of the LME in Asia and China*

China has growing needs for metal derivatives products, backed by physical delivery, for efficient risk management. The LME's prompt date structure, global warehouse network and the Ring make it particularly relevant to the needs of the real economy and hence the needs of Asian and Chinese users.

Since 2004, economic growth from China and emerging markets has increased demand for metals at a record pace. China currently accounts for c.42% of global metals consumption.

Improving access to the LME's market for Chinese users is expected to significantly enhance the LME's business and that of its existing members through increased trading volumes. HKEx has links with, and an understanding of, China's end users, brokers and regulatory regime and can use this to unlock the significant opportunities for the LME in Asia.

HKEx plans a number of key initiatives:

- **Enhancing market data distribution and connectivity into Asia, including China:** HKEx will utilise its data centre, established Asian infrastructure and its planned market data hub in Shanghai to enhance distribution of market data to Chinese clients
- **Supporting the LME in expanding its warehouse network in Asia, including China:** HKEx will assist the LME in consulting with relevant authorities and warehouse operators, with a view to expanding the network of LME-approved warehouses in Asia, including China
- **Introducing new products and services:** HKEx will extend its proven track-record of innovative product development to the LME by leveraging its RMB trading, clearing and settlement infrastructure in Hong Kong and its membership of the recently formed BRICS Exchanges Alliance
- **Expanding the number of Mainland Chinese participants and clients:** As the leading offshore trading venue for Mainland Chinese market participants, HKEx expects to increase the active participation of Chinese clients on the LME through leveraging its own resources, relationships and network in Mainland China

### *3. Developing the LME over time in accordance with the needs of its members and market participants*

HKEx will invest and apply its technological expertise to enhance the IT infrastructure of the LME and support its strategy of progressively upgrading its core IT platforms to drive business growth.

HKEx is currently making a significant capital investment in its own IT platforms under the transformative “Orion” programme. The programme includes the construction of a state of the art tier 4 data centre (the largest facility of any exchange in Asia Pacific), together with high performance platforms encompassing trading, market access, market data distribution and clearing. The programme will also launch hosting services allowing customers and vendors to co-locate with the exchange matching engines, as well as a market data distribution service in Mainland China. The LME will be able to leverage this infrastructure for Asian distribution. In addition, HKEx will support the development of LMEselect to enhance the platform with the facilities and capacity to drive growth in electronic trading.

Product innovations that HKEx will seek to introduce include: value chain products, such as composite metal (including stainless steel, iron ore and coking coal) and production component contracts; index products, such as BRICS and Asian commodities indices; and new products, such as RMB denominated contracts.

It is expected that the combination of self-clearing and expanded electronic trading capabilities will enhance service development and client expansion for the LME’s members. HKEx and the LME’s expertise will be utilised to develop new metals and commodities products with Asian and user-relevant features.

#### **Creating long-term value**

HKEx believes that the addition of a strong commodities component to its existing businesses will support and enhance its growth prospects while diversifying its earnings base. HKEx’s strategic rationale for acquiring LME Holdings is based on growth and not on the rationalisation of the LME’s existing operations. Accordingly, the value expected to be realised from the Transaction is not expected to arise from cost synergies, but from the significant opportunities for revenue synergies. Revenue synergies are expected to be realised from increased volumes in Asia and China, the establishment of LME Clear and the introduction of new products.

The combination of the LME with HKEx also offers significant opportunities for the expansion of HKEx’s businesses. The LME provides HKEx with a platform for entry into other commodity asset classes, synergies relating to the development of RMB denominated products in fixed income and currencies that are attached to commodity flows and opportunities for further geographical expansion, especially in emerging markets, by leveraging HKEx’s BRICS alliance.

#### **Financing and financial effects**

The Transaction will be financed from existing cash resources and new bank facilities. Short and long-term loan facilities totalling at least GBP 1,100 million (HKD 13,214 million) have been secured from a group of banks including China Development Bank, Deutsche Bank, HSBC and UBS. HKEx expects to refinance part or all of the credit facilities at a later date through a combination of equity and bond issuance.

Following the Transaction the board of directors of HKEx (the “Board”) will have sufficient funds and resources to operate existing operations. Further, the Board does not expect that HKEx’s current dividend policy will be changed as a result of the Transaction.

The Transaction is expected to be earnings enhancing for HKEx in the third year following completion,<sup>6</sup> as a result of expected revenue growth from the implementation of strategic initiatives and the launch of LME Clear.

### **Regulation and governance**

The existing trading activities of LME Holdings will continue to be operated exclusively through the LME. The LME will continue to be regulated by the FSA as an RIE based in London. The Transaction is not expected to result in the direct regulation of the LME by any regulatory body other than those which already have jurisdiction over it.

HKEx intends to preserve and enhance the current committee structure of the LME and establish a new user committee to represent the interests and views of members of the LME. The user committee will report directly to the LME board.

Subject to further discussion with, and approval by, the FSA, the proposed LME board will comprise:

- Nine directors, including two executive directors and seven non-executive directors
- Of the seven non-executive directors, two will be senior management from HKEx
- Two of the existing independent directors will be invited to remain on the board following completion of the Transaction
- The remaining non-executive directors will be appropriately experienced independent directors who are UK or Hong Kong based and selected for their backgrounds to provide collectively the right balance and level of expertise

HKEx views the expertise and experience of the LME's management team and employees as an essential part of the integration and future operation of the LME within the HKEx Group. Therefore, HKEx expects to bring continuity and create new opportunities for the current employees of the LME as part of the enlarged HKEx Group. The statutory employment rights of the LME's management and employees will be fully safeguarded.

### **Information on the LME**

Based in London since its establishment in 1877 and regulated by the FSA, the LME is a global exchange with an estimated 80% market share of global base metal futures trading volume.

The LME has a unique business model, key features of which include:

- a prompt date contract structure with daily prompt dates up to 3 months forward, weekly prompt dates up to 6 months forward, and monthly prompt dates out to 123 months forward for certain metals;
- three trading platforms, open-outcry trading in the "Ring", the inter-office telephone market and its electronic platform, LMEselect; and

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<sup>6</sup> This statement regarding earnings enhancement is not intended to be a profit forecast and should not be interpreted to mean that the earnings per HKEx share for the current or future financial periods will necessarily be greater than those for the relevant preceding financial periods.

- the ability to deliver metal physically through a global network of approximately 732<sup>7</sup> approved warehouses in the US, Europe and Asia.

Being a principal to principal market, the only organisations able to trade directly on the exchange are its member firms, of which there are various categories. Members of the LME provide the physical industry with access to the market, risk management tools and the delivery mechanism.

Certain membership categories of the LME have minimum B shareholding requirements. B shares: (a) carry no right to the payment of any dividend by LME Holdings; (b) carry only the right to receive an amount equal to the nominal value (one penny) paid up on each B share in any winding up or other return of capital; and (c) carry no right to receive notice of, attend or vote at any general meeting of LME Holdings. The B Shares will not form part of the Scheme and will continue in place following the completion of the Scheme.

Further information on the LME is available on its website ([www.lme.com](http://www.lme.com)), as well as a glossary of key terms ([www.lme.com/glossary.asp](http://www.lme.com/glossary.asp)).

#### *Historical LME trading volumes*

The LME exhibited record volumes and value of trading in 2011, with total trading volumes increasing by 21.9 per cent to 146.6 million (equivalent to 3.5 billion tonnes of raw material) and the notional value of all contracts traded increasing 32.8 per cent to USD 15.4 trillion. The recent upgrade to LMEselect was launched in November 2011 and this new service is likely to further stimulate volumes in 2012. Future projects, such as the introduction of LMEswaps for all base metal contracts, are also expected to increase volumes. As of 31 May 2012, year to date volumes of 66.9 million are also 18.1 per cent ahead of volumes in the corresponding period in 2011.

<b>LME volumes (lots, '000s)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2007-2011 CAGR</b>
Volume	92,915	113,215	111,931	120,258	146,598	12.1%

The liquidity on the LME is such that the prices 'discovered' on the exchange are recognised and relied upon by metals traders and the industry throughout the world. Key contracts include aluminium, copper, zinc, lead, nickel, tin and aluminium alloy.

<b>Breakdown of futures and options volume by metal (lots, '000s)</b>	<b>2011</b>	<b>% of Total</b>
Aluminium (High Grade)	62,821	42.8%
Copper	37,933	25.9%
Zinc	22,973	15.7%
Lead	11,119	7.6%
Nickel	8,292	5.7%
Tin	1,918	1.3%
Aluminium Alloy & NASAAC	1,315	0.9%
Other	227	0.1%
<b>Total</b>	<b>146,598</b>	

<sup>7</sup> As of 14 June 2012

### *Historical LME revenue and profitability*

The LME has historically run on a “profit constrained” model, whereby fees were kept low for the benefit of its members. Therefore, historical revenues and profits are of limited relevance in assessing the LME.

Following consultation with its members, the LME’s management will increase fees on certain client contracts (being on-exchange contracts between members and their clients) from 2 July 2012.

The table below shows 2010 and 2011 revenues as set out in the 2010 and 2011 audited accounts of the LME Holdings. The table also adjusts 2011 revenue, EBITDA and profit after tax to reflect what these would have been had these new fees been in force throughout the year ended 31 December 2011.<sup>8</sup>

<b>Year ended 31 December (’000s)</b>	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2011 Adjusted fees</b>
Volume (lots)	120,258	146,598	
Revenue (GBP)	50,763	61,179	85,224
EBITDA (GBP)	18,327	20,371	44,288
Profit after tax (GBP)	9,456	7,682	23,827
Net assets (GBP)	49,678	76,430	

The LME is currently in the process of reviewing proposals to implement LME Clear and as such the revenue potential from this initiative has not been factored into the adjustments above.

### **Information on HKEx**

HKEx is the world’s second largest exchange group by market capitalisation, with a market value in excess of GBP 9.8 billion (HKD 118.3 billion) as at 14 June 2012. It operates two exchanges and three clearing houses with 688 trading participants and 779 clearing participants covering both cash and derivatives markets.

HKEx was formed through the merger of The Stock Exchange of Hong Kong Limited (“SEHK”), Hong Kong Futures Exchange Limited and Hong Kong Securities Clearing Company Limited in 2000, and was listed in the same year on the Main Board of SEHK. HKEx adheres to global best practices in

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<sup>8</sup> In the “Adjusted Fees” scenario, the 2011 contract levy and data capture revenue figures are restated by applying the new LME fee structure, as outlined in the LME’s announcement on 23 February 2012, to actual full year 2011 volumes. The new fees are only applied to specific categories of trade, being segregated and non-segregated client trades, excluding short-dated carries (i.e. trades which expire within a period of two weeks). The new fees will be USD 0.79 per lot from 2 July 2012, which is approximately GBP 0.50 per lot based on the exchange rate of USD / GBP 1.58 at the time of the new LME fee structure announcement. The volume breakdown was provided by the LME.

No additional expenses are assumed to be incurred with the exception of an incremental tax expense associated with the additional revenue. All other income and expense items are assumed to remain constant in accordance with the figures disclosed in the Consolidated Statement of Comprehensive Income of LME Holdings for the year ended 31 December 2011. The effective tax rate of 32.5% for LME Holdings for the financial year ended 31 December 2011 has been applied to the additional revenue generated to calculate the incremental tax expense for LME Holdings.



corporate governance and has a diversified and international shareholder base and an experienced board of directors.

In its role as an exchange and clearing house operator and market regulator, HKEx regulates listed issuers and offers services in four core business lines: Cash Market, Derivatives Market, Clearing and Market Data. Since its listing, HKEx has facilitated the transformation of Hong Kong's financial services industry from a domestically focused market to become the international gateway to Mainland China and a central marketplace in Asia attracting investment funds from all over the world.

HKEx has a successful track record of attracting international issuers as well as Hong Kong and Mainland enterprises to its markets (Main Board and Growth Enterprise Market). It is the world's leading exchange for IPOs and has topped global IPO league tables for each of the past three years. In 2011, the total market capitalisation of companies listed on HKEx exceeded HKD 17.5 trillion and average daily turnover on its Cash Market exceeded HKD 69.7 billion.

More recently, HKEx has pursued a strategy to leverage the rapid internationalisation of Mainland China and its currency, the RMB, for further growth. Today, all its key markets, facilities and services are RMB compatible. Core to this strategy is expanding beyond equities into additional product lines, including fixed income, currencies and commodities. The Transaction represents the most important step HKEx has taken to date in creating a commodities platform.

### **Framework Agreement**

The Framework Agreement provides, amongst other things, a framework for the implementation of the Scheme and contains certain assurances and confirmations between the parties, including customary undertakings regarding the conduct of the business of the LME prior to the earlier of the effective date of the Scheme and the termination of the Framework Agreement. The principal terms of the Framework Agreement are summarised below.

#### *Conditions to the Transaction*

The FSA must approve (or be deemed to have approved) HKEx Investment, HKEx International and HKEx acquiring control over the LME (the "Regulatory Condition"). The Regulatory Condition must be satisfied on or before the date immediately preceding the date of the court hearing to sanction the Scheme and the capital reduction.

To become effective, the Scheme requires, amongst other things, the approval by a majority in number of LME Holdings Ordinary Shareholders present and voting, either in person or by proxy, at a court meeting representing at least 75 per cent in value of the Ordinary Shares held by such Ordinary Shareholders and passing by Ordinary Shareholders of certain resolutions necessary to implement the Scheme at an extraordinary general meeting of LME Holdings. In addition, both the Scheme and the capital reduction must be approved by the court.

Upon the Scheme becoming effective, it will be binding on all Ordinary Shareholders of LME Holdings, irrespective of whether or not they attended or voted at the court meeting or the general meeting (and, if they attended and voted, whether or not they voted in favour).

If the Regulatory Condition is not satisfied and / or the Scheme does not become effective on or before the 15 March 2013 (the "Longstop Date") the Framework Agreement will terminate and the Transaction will not proceed.

#### *Recommendation*

LME Holdings has agreed that the Scheme Circular will incorporate a unanimous and unqualified recommendation from the Relevant Directors of LME Holdings that Ordinary Shareholders vote in favour of the resolutions to be proposed at the court meeting and the general meeting.

### *Break fee arrangements*

LME Holdings has agreed to pay HKEx Investment a break fee of GBP 25 million if the Framework Agreement is terminated in certain circumstances provided that a competing proposal completes or becomes unconditional within 12 months after the termination of the Framework Agreement.

HKEx Investment has agreed to pay LME Holdings a break fee of: (a) GBP 25 million if the Framework Agreement is terminated in the event that the regulatory condition is not satisfied (or is incapable of being satisfied) by the Longstop Date; or (b) GBP 30 million if the Framework Agreement is terminated in certain circumstances where HKEx Investment is in material breach of the Framework Agreement and such breach is not capable of remedy within 10 business days.

### *Non solicitation arrangements*

LME Holdings has agreed that it will not solicit, invite or initiate any enquiries, negotiations or discussions with a view to obtaining any expression of interest, offer or proposal from any person in relation to a competing proposal. In the event that LME Holdings receives a competing proposal, LME Holdings has agreed to notify HKEx Investment of that competing proposal, including the principal terms and the status thereof.

### *Matching and topping rights*

Under the terms of the Framework Agreement, HKEx Investment has the right to increase the terms of the Transaction to a price per share equal to, or greater than, that provided under a competing proposal which is superior to the terms of the Transaction (if any). Subject to the terms of the Framework Agreement, LME Holdings must not accept, recommend, announce, approve or enter into any agreement to implement any competing proposal unless and until certain notification and confirmation provisions have been satisfied.

### *Completion*

Subject to fulfilment of the Regulatory Condition and the other Scheme conditions, completion of the Transaction is expected during the fourth quarter of 2012.

### *Guarantee*

HKEx has guaranteed to LME Holdings the proper and punctual performance by HKEx Investment of its obligations under the Scheme and the Framework Agreement.

### *Termination rights*

The Framework Agreement may be terminated:

- as agreed in writing between the parties at any time prior to completion of the Transaction; or
- upon service of notice on the other party:
  - by either HKEx Investment or LME Holdings if the recommendation of the Relevant Directors is withdrawn;
  - by LME Holdings if HKEx Investment is in material breach of any warranty given by HKEx Investment;
  - by HKEx Investment if LME Holdings is in material breach of certain obligations under the Framework Agreement;

- by either HKEx Investment or LME Holdings if the Regulatory Condition has not been satisfied, or is incapable of being satisfied, by the Longstop Date;
- by HKEx Investment if HKEx Investment decides not to exercise its matching and topping rights (as described above) to increase the terms of the Transaction in circumstances where the Relevant Directors withdraw, qualify or modify their recommendation either prior to or following HKEx Investment's decision;
- by either HKEx Investment or LME Holdings if any of the Scheme conditions have not been satisfied by the Longstop Date; and / or
- by either HKEx Investment or LME Holdings if the Scheme effective date has not otherwise occurred by the Longstop Date.

### **Expected timetable**

The Transaction will be effected by way of the Scheme. It is expected that the Scheme Circular will be posted to Ordinary Shareholders within approximately 15 business days of this announcement, ahead of the following Ordinary Shareholder meetings:

- a meeting of the Ordinary Shareholders (and any adjournment thereof) to be convened by order of the Court pursuant to section 896 of the Companies Act 2006 to consider and, if thought fit, to approve the Scheme (the "Court Meeting"); and
- an extraordinary general meeting of the Ordinary Shareholders to be convened in connection with the Scheme and the Transaction to consider and, if thought fit, to approve certain resolutions in connection with the Scheme and the Transaction (with or without amendment), and any adjournment thereof (the "EGM").

The Court Meeting and the EGM are expected to take place before the end of July 2012. The Transaction is expected to close during the fourth quarter of 2012, subject to FSA and shareholder approval and all other relevant conditions (as set out above in the section titled "Framework Agreement").

### **Advisers**

Rothschild and UBS are acting as financial advisers to HKEx and Moelis & Company as financial adviser to LME Holdings. Allen & Overy LLP is acting as legal adviser to HKEx and Freshfields Bruckhaus Deringer LLP and Jones Day are acting as legal advisers to LME Holdings.

### **Enquiries**

**HKEx investor relations**  
Henry Law / Lorraine Chan

Tel: +852 2840 3862  
Tel: +852 2840 3842

**Rothschild (financial adviser to HKEx)**  
Stephen Fox / Philippe Le Baquer

Tel: +44 (0)20 7280 5000

**UBS (financial adviser to HKEx)**  
Matt Chamberlain

Tel: +44 (0)20 7568 2226

**Brunswick (public relations adviser to HKEx)**  
*London:* Andrew Garfield / Robin Wrench  
*Hong Kong:* Tim Payne / Katie Bolton

Tel: +44 (0)20 7404 5959  
Tel: +852 3512 5000

Rothschild, which is authorised and regulated in the United Kingdom by the FSA, is acting exclusively for HKEx and for no one else in connection with the Transaction and other matters described herein and will not be responsible to anyone other than HKEx for providing the protections afforded to clients of Rothschild, nor for providing advice to any other person in relation to the Transaction, the contents of this press release or any other matter referred to herein.

UBS AG, Hong Kong Branch together with its affiliates ("UBS") is acting exclusively for HKEx and no one else in connection with the Transaction and this announcement and will not be responsible to anyone other than HKEx for providing the protections afforded to clients of UBS or for providing advice in connection with the Transaction or any matter or arrangement referred to herein.