



HONG KONG MERCANTILE EXCHANGE MAKES MAJOR STRIDES TOWARDS LAUNCH OF TRADING

HONG KONG, 22 June, 2009 – The Hong Kong Mercantile Exchange (“HKMEX”) has made significant progress in a number of key areas as it prepares to begin trading commodities in the fourth quarter.

Subject to regulatory approval, the first products to be traded on the Exchange include gold and silver, with further commodity products planned for introduction in the months ahead, rolling out in accordance with customer demand in Greater China and across the region.

HKMEX will offer physical delivery in Hong Kong of the gold traded on the Exchange, meaning that when a futures contract expires, the seller is obliged to deliver physical gold to the buyer at an agreed delivery point licensed by the Exchange. Initially, gold traded on the Exchange will be stored in a facility guarded by some of the world’s most high-tech security systems. Later, circumstances and regulatory regimes permitting, HKMEX gold may be deliverable in other financial centres of the world.

Further products to be traded on the Exchange may be either physically delivered or financially settled, or both, depending on the shape of market demand and the regulatory environment. Worldwide, less than 1 per cent of futures contracts go to physical delivery; financially-settled futures contracts are paid out in cash rather than in the underlying commodity.

The Exchange has grown exponentially since its launch. Key senior executives have been hired in recent months, filling out a management team that represents more than a century of market experience. There are now more than 50 members of staff from 15 countries staffing the Exchange in two locations: Headquarters at International Commercial Centre; and the Operations and Technology Centre at Cyberport. The Exchange’s headcount is forecast to continue rising sharply before trading is launched.

Technology is crucial to HKMEX’s attractiveness to market participants. The Exchange operates two fully-redundant Data Centres which play a key role in HKMEX’s competitive advantage by offering a “hot-hot” trading system designed to offer 99.999

per cent reliability. No single power failure or telecommunications disruption can affect trading on the Exchange.

HKMEx's industry-leading technology is designed to offer maximum flexibility and speed to meet the requirements of the most demanding market participants. The infrastructure is built around the *Pearl*[®] trading system, a bespoke architecture built on trading platform technology provided by Cinnober Financial Technology AB, a leading Swedish technology provider, and a front-end trading model provided by Patsystems plc.

Extensive testing shows that *Pearl's* performance is among the fastest in the world. Performance tweaking is still underway and continuing improvements are expected in a standard which is already world-class.

Earlier this month, the Exchange agreed to initial terms for LCH.Clearnet Group Ltd to provide clearing for HKMEx, subject to regulatory approval. LCH.Clearnet will provide clearing services to HKMEx using existing clearing technology, optimising operational efficiencies and mitigating counterparty credit risk for market participants.

The Exchange has also established the shape of its corporate governance as it builds a board of directors that will be controlled by independent non-executive directors. Representatives of shareholders and top executives will form a minority of the Board in keeping with HKMEx's adherence to the highest standards of corporate governance.

The following have agreed to join the HKMEx Board as independent non-executive directors:

Dr Raymond CH'IEN, Chairman of MTR Corporation, Hang Seng Bank, China.com;
Professor Gang FAN, Director of the National Institute of Economic Research, and Member of the Monetary Policy Committee of the People's Bank of China;
Mr Dominic HO, Founding Partner and Deputy Chairman of Hopu Investment Management Co. Ltd., former Chairman of KPMG, Greater China;
Mr Dian KANG, Chairman of Supervisory Board, Shenzhen Development Bank;
Ms Christine LOH, CEO of Civic Exchange, former legislator;
Mr Alasdair MORRISON, Former Chairman of Morgan Stanley Asia and Former Group Managing Director of the Jardine Matheson Group;
Professor Yue-Chim Richard WONG, Deputy Vice-Chancellor and Provost of The University of Hong Kong, noted economist.

The Hong Kong Mercantile Exchange will provide further updates as developmental milestones are reached.

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About HKMEx:

As a bridge between China and international commodities markets, the Hong Kong Mercantile Exchange aims to provide the premier price discovery platform for commodities to traders, intermediaries and end-users in the Asian time zone. HKMEx will deliver standardized exchange-traded products on a transparent USD pricing platform offering multi-currency clearing and settlement, thereby ensuring the full advantages of dollar clearing and settlement while allowing currency hedging flexibility to market participants. The Exchange is well-positioned to provide counterparty risk mitigation with all transactions cleared through LCH.Clearnet, the leading independent central counterparty group. Trades will be conducted on HKMEX's Pearl and Pearl Pro trading platforms, based on Cinnober's TRADExpress Trading System. In terms of regulatory compliance and oversight, HKMEx is seeking a license from the Securities and Futures Commission ("SFC") to administer trading and clearing rules.

For more about HKMEx, visit www.hkmerc.com.

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