



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 under the Companies Ordinance)

(Stock Code: 388)

CONTINUING CONNECTED TRANSACTION – TENANCY RENEWAL

On 14 December 2004, Hong Kong Futures Exchange Limited (“HKFE”), a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited (“HKEx”), as tenant, and Shine Hill Development Limited (“Shine Hill”) as landlord, entered into a legally binding letter of offer (“Letter of Offer”) to renew the existing tenancy in respect of certain units in ICBC Tower.

Shine Hill is a subsidiary of Great Eagle Holdings Limited (“Great Eagle”). Dr LO Ka Shui (“Dr Lo”) is an independent non-executive Director of HKEx, and the deputy chairman and managing director of Great Eagle. Shine Hill is a connected person of HKEx by virtue of it being an associate of Dr Lo. Accordingly, the tenancy (“New Tenancy”) under the Letter of Offer constitutes a continuing connected transaction of HKEx under Rule 14A.14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

Given 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 related 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	:	14 December 2004
Parties	:	(1) Shine Hill as the landlord (2) HKFE as the tenant
Premises	:	Suites 501-3 and Storeroom on 5th Floor and Suites 1101 & 1109-11 on 11th Floor, ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong (“Premises”)
Lettable Area	:	Approximately 10,348 square feet
Term	:	Two years from 1 January 2005 to 31 December 2006 (both dates inclusive)
Rental	:	HK\$310,440 per month, exclusive of management charges, rates, and operating expenses.

ANNUAL CAP

Based on the monthly rent of HK\$310,440 under the New Tenancy, the annual cap, excluding variable expenses, such as management charges, rates, and operating expenses, is HK\$3,725,280.

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 11 August 2004), which is due to expire on 31 December 2004. 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 Chesterton Petty Limited, professional property consultants, to negotiate the lease renewal with Shine Hill. 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 which composition is 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 are in the interests of HKEx and its shareholders as a whole. Dr Lo has abstained from voting on the relevant resolution for approving the New Tenancy.

Following the execution of the Letter of Offer, HKFE and Shine Hill 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.

GENERAL

HKEx owns and operates the only stock exchange and futures exchange in Hong Kong, and their related clearing houses.

Shine Hill is a subsidiary of Great Eagle and its principal activity is property investment.

CONTINUING CONNECTED TRANSACTION

Shine Hill is a subsidiary of Great Eagle and is a connected person of HKEx by virtue of it being an associate of Dr Lo, an independent non-executive Director of HKEx, and the deputy chairman and managing director of Great Eagle. Accordingly, the existing tenancy and the New Tenancy constitute continuing connected transactions of HKEx under Rule 14A.14 of the Listing Rules. A waiver has been granted by the Securities and Futures Commission to HKEx in respect of the existing tenancy from strict compliance with Rule 14A.47(2) of the Listing Rules on 20 October 2004.

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 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, 14 December 2004

As at the date of this announcement, the Board of Directors of HKEx comprises 12 independent non-executive Directors, namely Mr LEE Yeh Kwong, Charles (Chairman), Mr FAN Hung Ling, Henry, Mr FONG Hup, Mr FRESHWATER, Timothy George, Dr KWOK Chi Piu, Bill, Mr LEE Jor Hung, Dennis, Mr LEE Kwan Ho, Vincent Marshall, Mr LEONG Ka Chai, Dr LO Ka Shui, Mr STRICKLAND, John Estmond, Mr WEBB, David Michael, Mr WONG Sai Hung, Oscar, and one executive Director, Mr CHOW Man Yiu, Paul, who is also the Chief Executive.

Please also refer to the printed version of this announcement in South China Morning Post on 15 December 2004.