

Not for release, publication or distribution, in whole or in part, in or into any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction



For immediate release

London, 15 June 2012

**BOARD OF LME HOLDINGS LIMITED RECOMMENDS £1,388 MILLION CASH OFFER
(£107.60 PER SHARE) BY HONG KONG EXCHANGES AND CLEARING LIMITED BE
PROPOSED TO ORDINARY SHAREHOLDERS**

The board of LME Holdings Limited ("LME Holdings"), the parent company of The London Metal Exchange Limited ("LME Limited"), announces that on 15 June 2012, LME Holdings, HK Investment (UK) Limited ("HKEx Investment") and Hong Kong Exchanges and Clearing Limited ("HKEx") 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, an indirect wholly-owned subsidiary of HKEx (the "Transaction") (the "Framework Agreement").

Following the decision of the board of LME Holdings to enter into the Framework Agreement, the Relevant Directors¹ intend to unanimously recommend, in the Scheme Circular, that the holders of ordinary shares of LME Holdings (the "Ordinary Shareholders") vote in favour of the Transaction at the Ordinary Shareholder meetings expected to be convened before the end of July 2012.

Under the terms of the Offer, HKEx Investment will acquire the entire issued and outstanding ordinary share capital of LME Holdings for (and each Ordinary Shareholder will receive) £107.60 per LME 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 £1,388 million based on 12,900,000 ordinary shares (being 100 per cent of the ordinary share capital of LME Holdings), with the Offer consideration being financed from HKEx's existing cash resources and new bank facilities of at least £1,100 million.

Key highlights of the Transaction

- Brings together the London Metal Exchange ("the LME"), the world's leading² non-ferrous base metals exchange trading venue with the leading operator of exchanges and clearing houses in Asia;

¹ 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.

² In terms of tonnes traded

- Recognises the value of the LME brand, which will be preserved, with the LME remaining a Recognised Investment Exchange (“RIE”) in London regulated by the UK Financial Services Authority;
- Preserves the LME’s unique business model, including the operation of the “Ring” (open-outcry trading), daily prompt date contract 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 non-ferrous base metals;
- 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;
- 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;
- Accelerates HKEx’s strategy to develop its own commodity offering and to diversify its revenue sources; and
- 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 Ordinary Shareholder meetings (the “Scheme Circular”) will be posted to Ordinary Shareholders within approximately 15 business days of this announcement, ahead of the Ordinary Shareholder meetings 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”).

Martin Abbott, Chief Executive of LME Holdings and 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.”

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.”

This summary should be read in conjunction with, and is subject to, the full text of the announcement below. The Transaction will be subject to the terms and conditions of the Framework Agreement and to the full terms and conditions to be set out in the Scheme Circular.

Background and strategic rationale

In September 2011, the Board of the LME announced that, following receipt of a number of proposals, it would initiate a process of reviewing the strategic alternatives open to it, including the possibility of the sale of the LME. An extensive and thorough process resulted in detailed proposals from a number of parties. Based on a range of important criteria, including amongst others, business and operational matters, transaction certainty, regulatory and governance matters and value, HKEx represented the clearly preferred choice to put to shareholders.

HKEx is the leading operator of exchanges and clearing houses in Asia and a key player globally, with a market capitalisation of £9.8 billion as at 14 June 2012. HKEx operates two exchanges and three clearing houses covering both cash and derivatives markets.

The LME is the world's leading³ exchange for trading non-ferrous base metal forwards and options contracts. 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.

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 non-ferrous base metals exchange with HKEx, Asia's leading international 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.

In connection with the Transaction, HKEx has today announced that, 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.

The remainder of this section titled "Background and strategic rationale" has been extracted, without material variation, from the announcement by HKEx made today in connection with the Transaction:

³ 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 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 all 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 a 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 market for Chinese users is expected to significantly enhance the LME's business and that of its existing members through increased trading volume. HKEx has links with, and 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; and
- **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 HKEx's 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 would 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.

Financing

HKEx has stated that in its announcement today that the Transaction will be financed from existing cash resources and new bank facilities. Short and long-term loan facilities totalling at least £1,100 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.

Regulation and governance

The existing trading activities of the LME will continue to be operated exclusively through LME Limited. LME Limited will continue to be regulated by the FSA as a 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 LME Limited and establish a new user committee to represent the general interests and views of members of the LME, reporting to the LME Limited board.

Subject to further discussion with, and approval by, the FSA, the proposed LME Limited board will be comprised as follows:

- 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; and
- The remaining non-executive directors will be appropriate 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.

Information on HKEx

HKEx is the world's second largest exchange group by market capitalisation, with a market value in excess of £9.8 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 corporate governance and has a diversified and international shareholder base and an experienced board of directors.

In its role as the operator and frontline regulator of the central marketplace, 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 highly 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 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, 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 EGM (as defined below).

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.

Break fee arrangements

LME Holdings has agreed to pay HKEx Investment a break fee of £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) £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) £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

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

Enquiries

LME

Chris Evans
Head of Business Development
t. +44 (0) 207 264 1735
e. chris.evans@lme.com

Moelis & Company

Caroline Silver
Managing Director
t. +44 (0) 207 634 3578
e. caroline.silver@moelis.com

Holger Vieten
Executive Director
t. +44 (0) 207 634 3556
e. holger.vieten@moelis.com

RLM Finsbury

Rollo Head
t. +44 (0) 207 251 3801
e. rollo.head@rlmfinsbury.com

Watatawa

Laurel Teo

t. +65 6592 6955

e. laurel.teo@watatawa.asia

Further information

This announcement is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Transaction or otherwise nor shall there be any sale, issuance or transfer of securities of the LME in any jurisdiction in contravention of applicable law. The Transaction will be made solely by means of the Scheme Circular, which will contain the full terms and conditions of the Transaction including details of how to vote in respect of the Transaction. Any vote in respect of the Scheme or other response in relation to the Transaction should be made only on the basis on the information contained in the Scheme Document.

Moelis & Company UK LLP (“Moelis & Company”) is acting exclusively for LME Holdings and no-one else in connection with the Transaction and will not be responsible to anyone other than LME Holdings for providing the protections afforded to clients of Moelis & Company nor for providing advice in relation to the Transaction or any other matters referred to in this announcement.