

HKEx News Release

Updated: 19/01/2009

Status Report on New Product and Market Development Initiatives (Status as of 12 January 2009)

The following initiatives are subject to market support and regulatory approval so they may not be implemented. HKEx will announce further details of these initiatives as they progress.

Initiative	Status on 15 October 2008	Status on 12 January 2009
1. Consultation on Periodic Financial Reporting	HKEx continues to work with the Securities and Futures Commission (SFC) on implementation of the consultation conclusions regarding quarterly financial reporting.	The Listing Committee has decided that now is the appropriate time for Hong Kong to follow the example of Mainland China by establishing requirements for mandatory quarterly financial reporting albeit with less onerous report content and a more generous reporting timescale. The content of the condensed quarterly financial reports will be along the lines of requirements proposed in the August 2007 consultation paper with certain modifications to take into account comments from respondents. The planned requirements for quarterly financial reporting are proposed to take effect for financial reporting periods ending on or after 31 December 2011. The rules to implement these proposals are being finalised.
2. Combined Consultation on Proposed Changes to the Listing Rules	Recommendations have been made to the Listing Committee on Listing Rule amendments relating to 15 out of the 18 substantive policy issues contained in the consultation paper. Amendments relating to 13 issues have been approved by the Board of the Stock Exchange and three issues have been approved by the Board of the SFC. Amendments relating to the remaining issues will be presented to the Stock Exchange and SFC boards for approval respectively in due course.	Consultation Conclusions in respect of 15 issues were published on 28 November last year. Rule amendments pertaining to these issues took effect on 1 January 2009, except for the extension of the blackout period, which has been deferred to 1 April 2009. The other three issues remain under assessment and separate conclusions will be published in due course.
3. Web Proof Information Pack (WPIP)	The Stock Exchange and the SFC are in advanced stages of finalising the joint review of the pilot scheme launched on 1 January this year for posting a WPIP on the HKEx website prior to the issue of an IPO prospectus with a view to codifying the requirement to post a WPIP in the Listing Rules by the end of this year.	In progress.
4. Strategic Review of the Listing Rules	The HKEx Board has engaged a consultant to conduct a strategic review of the Listing Rules and their application. The overall objective of the project is to review the existing listing regime (including the rules and related procedures) with a view to identifying possible means of enhancing the competitiveness of the Stock Exchange as an international listing venue, while taking into account the need to maintain the quality of Hong Kong's securities market.	A report submitted by the consultant is now being reviewed by HKEx.
5. Review of Chapter 18 of the Listing Rules	HKEx has engaged external mineral consultants to study Chapter 18 of the Listing Rules and comparable rules and practices in other jurisdictions relating to listing requirements and continuing	The external mineral consultants are in the course of finalising their report. The Listing Division will review the external consultants' recommendation and prepare for market consultation on the proposed amendments to Chapter 18 in the first half of 2009.

listing requirements and continuing disclosure obligations applicable to mineral and exploration companies. The external consultant's recommendations will serve as the basis upon which HKEx expects amendments to Chapter 18 will be made.

the first half of 2009.

6. Review of Auction Trading Mechanism in the Securities Market
- The HKEx Board approved a draft consultation paper prepared by HKEx executives on the review of the Auction Trading Mechanism in the securities market at its meeting on 17 September. However, the timing of the market consultation will only be considered when market conditions stabilise.
- HKEx issued a consultation paper on 28 November last year to solicit market comments on the introduction of a price control mechanism during the Closing Auction Session (CAS). It also solicited the market's views on whether HKEx should suspend the CAS and consider re-introducing it when there is a market consensus on enhancement measures. The consultation period ended on 31 December last year and HKEx is now analysing 101 submissions it received.

7. Exploration of New Financial Products / Services and Review of Existing Products / Service
- Options with flexible features**
Not included in this issue.
- HKEx plans to accept the booking of options with contract specifications that provide flexibility, which are common among over-the-counter options, to HKATS. As with all products booked on HKATS, the options would be cleared and settled at an HKEx clearing house, with the clearing house taking on the counterparty risks. HKEx executives are now in the process of devising an execution model to facilitate such booking.

Gold Futures

Gold futures commenced trading on 20 October.

HKEx plans to invite applications for non-transferable Hong Kong Futures Exchange (HKFE) Trading Rights from members of Hong Kong's Chinese Gold and Silver Exchange Society (CGSE) or their designated affiliates, provided they meet certain criteria, to encourage gold market professionals' participation in the trading of the gold futures.

Hong Kong's Secretary for Constitutional and Mainland Affairs approved the proposed amendments of HKFE Rules in relation to HKFE Trading Rights for CGSE members or their designated affiliates on 19 November last year. The HKFE Trading Rights are now open for applications from CGSE members or their designated affiliates until 19 April 2010.

The SFC has approved the proposed amendments to the HKFE Rules in relation to HKFE Trading Rights, and comments from Hong Kong's Secretary for Constitutional and Mainland Affairs on the proposal are pending. The initiative is subject to review by the Secretary because of its potential impact on voters in the financial services functional constituency of the Legislative Council.

Emissions Products

HKEx plans to introduce a futures

contract on Certified Emission Reductions (CERs) in its derivatives market as a first step into the emissions trading business. The tentative timeframe for the launch of CER futures is the middle of next year.

HKEx executives are in discussions with international

emissions market participants regarding the contract design and the clearing and settlement models.

HKEx has started discussions with Tianjin Climate Exchange, a joint venture of the Chicago Climate Exchange, China National Petroleum Corporation Assets Management Co Ltd and the City of Tianjin, on possible collaboration in environmental emissions markets.

8. Request for Expression of Interest (RFI) in Developing a Business
- The RFI was posted on the HKEx website on 18 September and has been published in two newspapers in Hong Kong and two on the Mainland. The deadline for responses to the RFI was noon, 17
- HKEx has short-listed 12 candidates from the 34 respondents to the RFI. A request for proposals was issued to the short-listed candidates on 11 December last year. The deadline for submission of proposals was 12 noon, 6 January. Twelve proposals were received and are now being reviewed.

Model for Free Dissemination of Basic Real-time HKEx Market Prices on Websites

October. More than 30 expressions of interest were received and are now being reviewed.

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| 9. | Market Data Collaboration Programme with Shanghai Stock Exchange | Subsidiaries of HKEx and the Shanghai Stock Exchange entered into an agreement on 20 October on a market data collaboration programme. The objective of the programme is to assist investors interested in shares of issuers that have listed in both Hong Kong and Shanghai by raising the issuers' transparency in the two markets. The two-year programme will come into effect on 1 January next year. | Fourteen real-time MDF information vendors have signed up for the programme. Twelve of the 14 have introduced products and services under the programme. |
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Note: AMS/3, the Third Generation Automatic Order Matching and Execution System, is the trading system for the securities market. CCASS/3, the Latest Generation Central Clearing and Settlement System, and the Market Data Feed, or MDF, are the other major market systems supporting the securities market. HKATS, the Hong Kong Futures Automated Trading System, is the trading system for the derivatives market. DCASS, the Derivatives Clearing and Settlement System, and PRS, the Price Reporting System, are the other major market systems for the derivatives market.

Information is added after the date at the top of the column from time to time.

This report is carried in HKEx's quarterly publication, *Exchange*, published on 19 January 2009.