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HKEx to work with Shanghai counterpart

Hong Kong Exchanges & Clearing (HKEx), operator of Asia's third-largest stock market, said it will team up with its Shanghai counterpart to better serve companies trading shares in both cities simultaneously.

Paul Chow, chief executive of HKEx, said that focusing on the mainland will be a strategy to leverage the strength of the bourse. "We will continue to conduct roadshows on the mainland and overseas," he said at a luncheon yesterday.

Although the influx of mainland companies seeking floatation in Hong Kong has shrunk as potential issuers worried their offers can't receive strong demand from investors, mainland enterprises, whose well-being relies heavily on the region, still play an important role in the city's financial market.

As of Nov 30, as many as 150 mainland companies have listed their stocks in Hong Kong; some 93 public companies in the bourse have most of their operations on the mainland; another 221 companies are non-H-share mainland private enterprise, or NHMPE, according to HKEx's statistics.

Chow said the operator has been working closely with its Shanghai counterpart and is considering possible areas of harmonization in cross-border market operations and regulation.

"We have several meetings in a year; we have staff exchange and training programs to help us better understand each other's operation and regulations," Chow said, adding the collaboration will benefit dually listed companies.

Asked if an acquisition or merger of the two bourse operators has been considered, he said it is "too early to say."

As of late October this year, over 50 public companies in Hong Kong bourse are dually listed in A and H-share markets, according to HKEx.

Chow said the bourse should go back to the basics and improve market quality. "If we don't have good quality, investors won't have confidence in the market."

HKEx posted a second straight decline in quarterly profit last month as a worsening economic outlook hurt trading.

Its net income fell 43 percent to HK\$959.6 million from HK\$1.68 billion a year earlier. Revenue declined 30 percent to HK\$1.64 billion as fees from securities trading on the bourse dropped 26 percent to HK\$655 million.

The average value of daily trading was HK\$59.2 billion this quarter so far, about a third of the figure in 2007.

The bourse operator has also been pressured by an over 60 percent loss in the mainland's equity market.

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