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香港交易及結算所有限公司
HONG KONG EXCHANGES AND CLEARING LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 388)

(Financial figures in this announcement are expressed in HKD unless otherwise stated)

2015 FINAL RESULTS, FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to submit the Group's consolidated results for the year ended 31 December 2015.

FINANCIAL HIGHLIGHTS

	2015 \$m	2014 \$m	Change
Revenue and other income	13,375	9,849	36%
Operating expenses	3,290	2,958	11%
EBITDA ¹	10,085	6,891	46%
Profit attributable to shareholders	7,956	5,165	54%
Basic earnings per share	\$6.70	\$4.44	51%
Interim dividend per share	\$3.08	\$1.83	68%
Final dividend per share	\$2.87	\$2.15	33%
	\$5.95	\$3.98	49%
Dividend payout ratio	90%	90%	–

- Revenue and other income experienced a significant uplift in 2015 and reached a record high of \$13.4 billion. The majority of this revenue growth was derived from:
 - A substantial increase in market activity on the Cash and Derivatives Markets in Hong Kong, in particular during the second quarter, which drove significant growth in trading and clearing income;
 - A considerable increase in the contribution from the Group's UK operations due to the commercialisation of the LME's trading fees effective from 1 January 2015 and a full year's contribution from LME Clear, which was launched in September 2014; and
 - A one-off gain of \$445 million on the disposal of a Hong Kong leasehold property in the third quarter.
- Operating expenses increased by 11 per cent against 2014 primarily reflecting the cost of additional headcount to support strategic initiatives and higher operating costs following the launch of LME Clear. The overall increase was mitigated by lower litigation costs.
- The EBITDA margin of 75 per cent was 5 per cent higher than 2014, as the significant growth in revenue and other income outpaced the increase in operating expenses.
- Profit attributable to shareholders increased by 54 per cent to a record high of \$7,956 million, reflecting increased EBITDA, lower finance costs arising from the full conversion of the Convertible Bonds and a modest increase in depreciation and amortisation.

	2015	2014	Change
KEY MARKET STATISTICS			
ADT of equity products traded on the Stock Exchange (\$bn)	79.9	56.2	42%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	25.7	13.3	93%
ADT traded on the Stock Exchange (\$bn)	105.6	69.5	52%
Average daily number of derivatives contracts traded on the Futures Exchange	394,174	274,879	43%
Average daily number of stock options contracts traded on the Stock Exchange	374,346	301,797	24%
Average daily volume of metals contracts traded on the LME (lots)	670,189	700,204	(4%)

¹ For the purposes of this announcement, EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint venture.

CHAIRMAN'S STATEMENT

2015 was the 15th anniversary of the Company's listing. Whilst celebrating the anniversary, we reflected on our past and are glad that HKEX has evolved from a local exchange into a global multiple asset-class exchange group through the accomplishment of a number of significant initiatives which have paved the way for the Group's long-term success.

Performance and Dividend

Following a notable uplift in trading volume in the second quarter of 2015, the Hong Kong stock market trended downward throughout the third and fourth quarters in light of the increased uncertainties and concerns over the global and China's economic prospects. Despite the volatility experienced during the year, our markets demonstrated their strengths as mature, orderly and fair. Our risk management measures have remained effective, and our trading and clearing systems continue to perform up to our high standards.

In 2015, there were a number of highs in our markets: our securities market was ranked first globally for IPO fundraising; our securities market and derivatives market had a number of record highs in their trading activity; and the turnover of our securitised derivatives² remained the world's largest for the ninth consecutive year¹.

Following robust performances across all segments, including solid contributions from the LME and LME Clear, we are pleased to announce a strong set of financial results for 2015. For the year ended 31 December 2015, the Group's total revenue and other income reached \$13.4 billion, up 36 per cent from 2014, resulting in a record high profit attributable to shareholders of \$7,956 million, up 54 per cent. The Board recommends a final dividend of \$2.87 per share, resulting in the full-year dividend of \$5.95 per share, an increase of 49 per cent as compared with that for 2014.

Strategic Accomplishments and Plans

2015 was the final year of our previous strategic plan. We are pleased that milestones have been laid in line with the plan, which paved the way for us to take advantage of the opportunities available. Details of the Group's performance in 2015 and new initiatives are set out in the Chief Executive's Review and Business Review sections of this announcement.

With the International Monetary Fund's decision to include RMB in its Special Drawing Rights basket, the upcoming QDII2 scheme and the "Belt and Road" initiative, two way capital flows as well as RMB internationalisation are expected to accelerate. As noted in our new strategic plan announced on 21 January 2016, we aim to extend and deepen HKEX's value proposition as China and the world markets accelerate their mutual integration. Building on the breakthrough of Stock Connect, we will seek to continue strengthening our role in providing the most competitive and convenient cross-border platform for the Mainland and international investors, and expanding our mutual market access strategy to a wider range of asset classes including commodities, fixed income and currencies. We will use the LME's global strength in physical commodities to expand its global benchmarks' reach in Asia, in particular on the Mainland, and to help develop physical commodity benchmarks on the Mainland.

The HKEX Strategic Plan 2016-2018 is available on the HKEX website.

Key Highs in 2015

<u>Record highs for HKEX</u>	
IPO and post-IPO fundraising	\$1.1 trillion
Total securities market turnover	\$26.1 trillion
ETF turnover	\$2.2 trillion
Total turnover of futures and options	189,824,363 contracts
Open interest of futures and options	13,968,838 contracts on 25 Sep 2015
<u>World's highest for the year¹</u>	
IPO fundraising	\$263.1 billion
Total turnover of securitised derivatives ²	\$6.3 trillion

¹ Source: World Federation of Exchanges

² DWs and CBBCs

Quality Market

We never lose sight of our roles in maintaining the quality and integrity of our markets. In Hong Kong, we announced in 2015 our plan to implement a Volatility Control Mechanism and a Closing Auction Session to put us on par with the operations of other exchanges. We also announced changes to the Corporate Governance Code and Corporate Governance Report and the Environmental, Social and Governance Reporting Guide to strengthen the oversight of issuers' internal control and risk management and ESG disclosures. In the UK, the LME completed the final stages of its 12-step warehouse reform programme in 2015 to address the warehouse queue problem with the implementation of load-out rate increase and queue-based rent capping. The Group will continue to work closely with its regulators and other stakeholders to ensure maintaining robust market regulation in the evolving market environment.

Environmental, Social and Governance Performance

We are committed to good ESG practices, as they help us fulfil our obligations to our stakeholders. Sound and effective risk management measures are implemented to ensure our business is conducted responsibly and remains sustainable. Following the establishment of the Risk Committee in March 2015 to oversee the Group's overall risk management, we include a Risk Committee Report in the 2015 Annual Report to outline our risk management framework, key risk exposures and mitigation measures, and to summarise the work performed by the committee during the year. In 2015, the Board approved the implementation of Group-wide anti-bribery, anti-corruption and whistleblowing policies to reinforce a strong culture of ethics and compliance across the organisation.

As a responsible corporate citizen, we continue our wide range of CSR-related initiatives to support the communities where the Group operates. Our commitments and efforts are summarised in our 2015 CSR Report which will be published on the HKEX website together with the 2015 Annual Report.

Looking Ahead

The political instability spreading from the Middle-East to Europe, the pace of the US interest rate-hike cycle, the fall in global commodities prices, and the slowdown in the Mainland's economy have all cast a shadow over the global financial markets. In Hong Kong, in anticipation of possible increases in Hong Kong interest rates, there have been corrections in asset values since mid-2015. At HKEX, we will continue our efforts to sharpen our competitiveness to meet the challenges ahead. We will use our best efforts to pursue our strategic goals and to take advantage of our opportunities as the Mainland continues to develop its capital markets to make them more open.

I am grateful for the good guidance and wise counsel from my fellow Board members. In particular, I would like to express my gratitude to Mr Oscar Wong for his advice and contributions throughout his 13 years of service on the Board. We appreciate the ongoing support of our Shareholders and other stakeholders, as well as our employees' unwavering dedication to working collaboratively to achieve our strategic goals.

CHOW Chung Kong

Chairman

CHIEF EXECUTIVE'S REVIEW

2015 was a record-setting year for the Company. Although we experienced high volatility during the year, our markets continued to operate in a reliable manner and various new records in the securities and derivatives markets were set. Shanghai-Hong Kong Stock Connect operated smoothly throughout its first full year, with gradually improving adoption. In addition, various new products were launched across different asset classes, with an increasing focus on meeting the demands of new investors from the Mainland.

2015 was also a year of two halves for the Mainland A share market with the first half marked by record turnover and new highs, and the second half witnessing a dramatic market rout leading to subsequent regulatory reforms which have become increasingly relevant to our own market since the launch of Stock Connect. Against this backdrop, in concluding our Strategic Plan 2013-2015, we comprehensively reviewed our performance and progress across equities, commodities and FIC, and the platforms and capabilities that support our businesses. This has allowed us to build on existing strong foundations by developing a series of new business initiatives, which are outlined in the Strategic Plan 2016-2018.

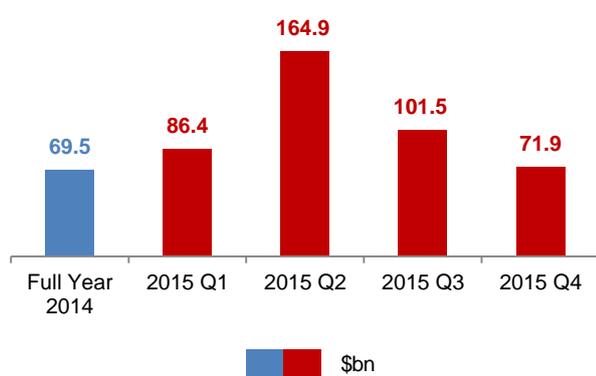
Market Performance

In 2015, our primary market performed well despite the market turbulence. HKEX ranked first globally in IPOs with a record high 138¹ companies listing and raising \$263.1 billion in total, representing a 13 per cent rise in IPO funds raised from 2014. Our existing listed companies also raised \$852.5 billion, an increase of 20 per cent over 2014. Total funds raised set another record of \$1.1 trillion.

In the secondary market, market momentum reached its peak during the second quarter. The full-year 2015 ADT reached a record high of \$105.6 billion, a 52 per cent increase compared to 2014. We witnessed record high daily trading volume of \$293.9 billion on 9 April 2015, and there were a total of 15 trading days with daily turnover exceeding \$200 billion.

Derivatives turnover saw another record year with total turnover of 189,824,363 contracts, an increase of 33 per cent from 2014. This was largely driven by stock options and index futures and options. Open interest at year-end was 7,266,980 contracts, down from 7,960,406 at the end of 2014.

Average Daily Turnover Value on Cash Market



Average Daily Number of Contracts Traded on Derivatives Market



¹ Includes transfers of listing from GEM to Main Board in 2014 and 2015

Business Development Review

Maintaining Growth Momentum in Core Businesses

For primary listings in 2015, we continued to carry out a wide range of marketing activities to attract issuers from both the Mainland and other countries and regions. We worked closely with market participants and the SFC to enhance our regulatory environment and corporate governance standards. In order to ensure our rules and practices address developments in the market, SEHK reviewed and published guidance letters on Cash Company Rules and Trading Halts, and made amendments to the Listing Rules and the Environmental, Social and Governance Reporting Guide following the conclusion of relevant consultations. In addition, we conducted and concluded a public consultation on Weighted Voting Rights (WVR) structures for both Primary and Secondary Listings in mid-2015. After considering the views of the board of the SFC, the Listing Committee of SEHK decided not to proceed with its draft proposal on WVR, but to keep the matter under review.

In the secondary market, we have continued to improve the market microstructure to enhance market capacity and efficiency. We published consultation conclusions on 3 July 2015 on the proposed introduction of a Volatility Control Mechanism (VCM) in the securities and derivatives markets and a Closing Auction Session (CAS) in the securities market. The VCM is designed to safeguard market integrity from extreme price volatility arising from automated trading, and to contain systemic risks caused by the inter-connectedness of Hong Kong's securities and derivatives markets, particularly with respect to benchmark index products. The new CAS is designed to meet the diverse trading needs of investors by enabling trade execution at the securities' closing prices, which is a key investment mandate of some funds such as index trackers. Having carefully considered the responses and the rationale behind them, we concluded that there is substantial market support for the introduction of a VCM and a CAS in the Hong Kong markets, and we will proceed with the implementation of the two initiatives in phases, starting from the third quarter of 2016.

As mentioned in the 2016-17 Budget presented by the Financial Secretary on 24 February 2016, in order to further reinforce Hong Kong's status as the premier capital formation centre, the SFC and HKEX are planning to conduct a joint public consultation exercise on enhancing the regulatory structure in respect of listing matters.

Transforming our Commodities Business

Global commodities markets faced significant challenges in 2015 with the prices of most commodities having been under pressure. Total volume on the LME was 169.6 million lots, a modest decrease of 4 per cent versus 2014. Trading in key products including LME Aluminium, Zinc, Tin and Lead declined, with LME copper remaining flat and LME nickel bucking the trend to rise 7 per cent from 2014, hitting record volume of 20.7 million lots. Year-end LME futures market open interest was at 2.3 million lots, which represented an increase of 2 per cent compared to 2014.

Following two market-wide consultations, on 25 November 2015, LME announced its intention to introduce a cap on the rent that can be charged by an LME-approved warehouse for metal held in a delivery queue and an increased minimum load-out rate for metal stored in LME warehouses. As part of the implementation of queue-based rent capping rules, the LME is also introducing a mechanism to address potential abuse of the new regime. This measure will stagger the dates at which the rent caps would come into effect to ensure that metal owners cancelling large amounts of metal do not benefit from discounted rent in a queue of their own creation. Increase in the standard load-out rate was implemented on 1 March 2016 and the queue-based rent capping rule (including the anti-abuse provisions) is due to be implemented on 1 May 2016.

As part of our initial effort to "financialise" the LME through drawing liquidity into products from both the international and China markets, we have announced innovative initiatives and launched new products including:

- **Liquidity Roadmap:** The LME announced a set of initiatives designed to make monthly (third Wednesday) futures trading on its electronic platform, LMEselect, more liquid, transparent and accessible. As part of the Liquidity Roadmap, the LME introduced market-making programmes in August 2015 to support the launch of new products and enhance liquidity on existing contracts.

- **New products in London and Hong Kong:** In 2015, we successfully launched LME Aluminium Premiums, LME Steel Rebar and LME Steel Scrap in London, and rolled-out three more London Metal Mini Futures in Hong Kong namely London Nickel, Tin and Lead Mini Futures.
- **London-Hong Kong Connect:** On 21 October 2015, Chinese President Xi Jinping and British Prime Minister David Cameron witnessed the signing of a memorandum of understanding (MOU) by HKFE, HKCC, the LME, and LME Clear. The MOU proposed to develop a trading link between HKFE and the LME, and a clearing link between HKCC and LME Clear. Subject to regulatory approvals, this will enable HKFE's eligible Exchange Participants to trade LME products, and HKCC's eligible Clearing Participants to clear those trades.

Embracing Opportunities in FIC

2015 was a landmark year for the internationalisation of the RMB. On 30 November 2015, the International Monetary Fund announced its decision to include the RMB into the Special Drawing Rights (SDR). The SDR inclusion is likely to be regarded as a key tipping point on the RMB's path to full internationalisation. With the RMB's inclusion into the SDR basket, we see vast opportunities in the RMB related FIC business and we are working to build Hong Kong into a premier offshore risk management centre for RMB-related exposure.

Our RMB currency futures contract continued to serve as an effective risk management tool in periods of unexpected USD/CNH volatility. Turnover in HKEX's RMB currency futures contract reached an all-time high of 262,433 contracts in 2015. In order to solidify the development of our RMB currency futures market, the Active Trader Programme introduced at the beginning of 2015 has been extended for another year until the end of 2016.

In London, LME Clear successfully obtained regulatory approval from the Bank of England to accept CNH as eligible cash collateral in response to demand from LME Clear members. This marked a milestone for LME Clear in attracting and connecting market participants from Mainland China and the rest of the world.

Shanghai-Hong Kong Stock Connect

17 November 2015 marked the first anniversary of Shanghai-Hong Kong Stock Connect. Despite a very volatile market environment at times, Stock Connect has proved to be a reliable and important part of our market's infrastructure. The ADT of Northbound and Southbound trading under Stock Connect was RMB6.4 billion and HK\$3.4 billion respectively. Northbound and Southbound trading turnover hit a record of RMB23.4 billion and HK\$26.1 billion respectively on 6 July 2015 and 9 April 2015.

One of our priorities is to continue listening to the market and keep improving Stock Connect. There is still a lot of room for enhancement in terms of additional products, expanded quotas, enlarged stock eligibility criteria, and more.

Internal Organisation Changes

In November 2015, we announced changes to our Group structure in preparation for the launch and implementation of the Strategic Plan 2016-2018. A new Platform Development Division was formed to oversee and execute the Group's major platform projects, including Next Generation trading and clearing platforms, and strategic connectivity projects. Two divisions, namely the Clearing Division and Markets Division, were created as an initial effort to gradually consolidate all Hong Kong clearing and trading businesses to better exploit synergies over time. In regard to our businesses in both the international and Mainland markets, a new Market Development Division was created with responsibility for developing new revenue and product initiatives across all asset classes.

Strategic Outlook – HKEX Strategic Plan 2016-2018

Over the course of the previous two Strategic Plans, HKEX has taken important steps towards securing its future as Mainland China looks to new horizons and the world looks for greater access to Mainland China's capital markets. A more open China presents tremendous new opportunities for capital formation, capital exchange and risk management – activities in which HKEX must actively strive to entrench its long-term role. The foundations we built over the past years have now enabled us to pursue a number of ambitious but important initiatives which will shape HKEX's future.

In our Strategic Plan 2016-2018, the two key themes are to (i) build the most effective platform for cross-border market access and (ii) develop a unique destination market in Hong Kong for products with both Chinese and international relevance. Building on our heritage as a leading cross-border access platform and a destination market in our own right, we aim to expand and entrench the model across equity, commodities and FIC in order to become a true multi-asset platform that connects China with the world.

I am confident that these initiatives will build on HKEX's achievements to date, and position us for continued leadership among global exchanges during this historic time in the global economy.

Appreciation

It has been a great year for HKEX overall, and I would like to take the opportunity to express my greatest gratitude towards the HKEX Group staff. They work tirelessly to ensure HKEX remains one of the top exchanges in the world and they are among the reasons Hong Kong is a respected global centre of finance. I would like to thank Mr Henry Ingrouille (Former Chief Operating Officer), Mr Pont Chiu (Former Group Head of Internal Audit) and Mr Gerald Greiner (Former Advisory Chairman of Global Clearing and Regulatory Affairs), who have left the Company, for their great contributions to the Group.

I also thank our regulator, the SFC, market participants and other stakeholders for their continuous support on our various initiatives. I look forward to continuing to work with them closely over the course of implementing the HKEX Strategic Plan 2016-2018.

Last but not least, I would like to thank my fellow members of the Board for their tremendous trust and support. It has been a demanding year full of challenges, and they have contributed immeasurably to delivering our strategic achievements and to keeping our ship on the right course.

LI Xiaojia, Charles

Director and Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Cash Segment

Key Market Indicators

	2015	2014	Change
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	79.9	56.2	42%
ADT of Northbound Trading ² (RMBbn)	6.4	5.6	14%
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2}	1,197,332	889,684	35%
Number of newly listed companies on Main Board ³	104	103	1%
Number of newly listed companies on GEM	34	19	79%
Number of companies listed on Main Board at 31 Dec	1,644	1,548	6%
Number of companies listed on GEM at 31 Dec	222	204	9%
Total	1,866	1,752	7%
Market capitalisation of companies listed on Main Board at 31 Dec (\$bn)	24,426	24,892	(2%)
Market capitalisation of companies listed on GEM at 31 Dec (\$bn)	258	179	44%

1 Excludes DWs, CBCBs and warrants which are included under the Equity and Financial Derivatives segment and includes \$3.4 billion of average daily trade value for Southbound Trading under Stock Connect (2014: \$0.9 billion)

2 Includes buy and sell trades under Stock Connect which was launched in November 2014

3 Includes 14 transfers from GEM (2014: 7)

	2015 \$bn	2014 \$bn	Change
Total equity funds raised on Main Board			
– IPOs	260.3	230.3	13%
– Post-IPO	833.2	699.0	19%
Total equity funds raised on GEM			
– IPOs	2.8	2.2	27%
– Post-IPO	19.3	11.2	72%
Total	1,115.6	942.7	18%

Business Update

The Cash segment experienced strong momentum in the second quarter of 2015 and a number of new records were set in 2015:

New Record Highs

	2015	Pre-2015 record	
Market capitalisation (\$bn)	31,550 (26 May 2015)	26,540	(4 Sep 2014)
Total turnover of equity products traded on the Stock Exchange (\$bn)	19,746	16,895	(2007)
ADT of equity products traded on the Stock Exchange (\$bn)	79.9	68.7	(2007)
ETFs turnover (\$bn)	2,171	1,168	(2014)
Number of newly listed companies (including transfers from GEM)	138	122	(2014)
Total equity funds raised (\$bn)	1,115.6	942.7	(2014)
Post-IPO funds raised (\$bn)	852.5	710.2	(2014)

Listing Rules

In 2015, the Stock Exchange made various proposals and conclusions on Listing Rules amendments as set out in the following table. Details of the consultations and other main policy issues arising in 2015 as well as the proposals that will be under review in 2016 are set out in the 2015 Listing Committee Report which will be available on the HKEX website on or about 21 March 2016.

Proposals and Conclusions in 2015

	Consultation paper ¹	Consultation conclusions ¹	Effective date of changes (if any)
<ul style="list-style-type: none"> Review of Listing Rules on disclosure of financial information with reference to the new Companies Ordinance and HKFRSs and proposed minor housekeeping Rule amendments <ul style="list-style-type: none"> - amendments relating to disclosure of financial information - amendments unrelated to disclosure of financial information 	Aug 2014	Feb 2015	Accounting periods ended on or after 31 Dec 2015 1 Apr 2015
<ul style="list-style-type: none"> Concept paper on Weighted Voting Rights 	Aug 2014	Jun 2015	N/A
<ul style="list-style-type: none"> Review of the Environmental, Social and Governance Reporting Guide (ESG Reporting Guide) <ul style="list-style-type: none"> - Rule amendments and upgrade of General Disclosures in ESG Reporting Guide from recommended to “comply or explain”, as well as revised recommended disclosures - upgrade of Key Performance Indicators in “Environmental” subject area of ESG Reporting Guide from recommended to “comply or explain” 	Jul 2015	Dec 2015	Financial years commencing on or after 1 Jan 2016 Financial years commencing on or after 1 Jan 2017

¹ All the consultation papers and conclusions are available under the News & Consultations (Market Consultations) section of the HKEX website.

Key Initiatives by the Stock Exchange in 2015 to Promote Issuers’ Self-compliance with the Listing Rules

- Issued series of (i) guidance letters on major areas concerning market quality and listed issuers, including cash company rules, trading halts, and issue of convertible securities by issuers; and (ii) listing decisions on interpretation of the Listing Rules, including placing of unlisted warrants under general mandate, application of sufficient operations/assets under Main Board Listing Rule 13.24
- Published reports on the Stock Exchange’s review of disclosure in issuers’ annual reports and key observations under the financial statements review programme, and provided guidance and recommendations to issuers to promote transparency and high quality disclosures
- Published findings of the Stock Exchange’s latest review of listed issuers’ corporate governance practices which examined the level of issuers’ compliance with the Corporate Governance Code and Corporate Governance Report
- Organised 12 seminars (10 sessions in Hong Kong, and 2 sessions in Beijing and Shanghai) for issuers and market practitioners on listing compliance updates, listing enforcement strategies, current themes and case studies, and updates on the new internal control section of the Corporate Governance Code and ESG Reporting Guide

IPO Processing, Compliance and Monitoring

The following tables illustrate the work of the Stock Exchange in processing new listings and monitoring issuers’ compliance for the purposes of maintaining an orderly, informed, and fair market under Section 21 of the SFO.

Stock Exchange's IPO Work

	2015	2014
• Number of listing applications vetted ¹	256	232
• Number of applications brought to the Listing Committees (or their delegates) for decisions	149	140
– within 120 calendar days	104	101
– between 121 to 180 calendar days	26	26
– after more than 180 calendar days	19	13
• Number of applications for which approval was granted in principle ²	151	148
• Number of requests for guidance from listing applicants or their advisers seeking clarifications of listing matters	170	124
– Average response time (in business days)	6	6
• Number of listing applications for transfer of listing from GEM to Main Board accepted	18	12
• Applications listed ³	156	135
• New listing applications rejected ⁴	9	13
• New listing applications withdrawn	9	7
• New listing applications returned	3	4
• Application in process at year-end	74	39

1 Comprises 217 (2014: 194) new applications and 39 (2014: 38) existing applications brought forward from previous year

2 At the end of 2015, 14 (2014: 21) approved applications had not yet been listed, and 1 (2014: 8) approved application had lapsed during the year.

3 Includes 18 investment vehicles listed on Main Board and deemed new listings (2014: 13)

4 In 2015, 1 rejection decision (2014: 2) was subsequently reversed by the Listing (Review) Committee upon review.

The Listing Rules complementing the new sponsor regulation came into full effect on 1 October 2014. The return rate of listing applications in 2015 (ie, the number of applications returned by the Stock Exchange expressed as a percentage of the total number of applications received during the relevant period) was 1 per cent compared with 2 per cent in 2014.

Number of Compliance and Monitoring Actions

	2015	2014
• Announcements of issuers vetted	54,688	48,761
• Circulars of issuers vetted	2,085	1,761
• Share price and trading volume monitoring actions undertaken ¹	13,757	7,417
• Complaints handled	558	445
• Cases (including complaints) referred to Listing Enforcement Team for investigation	26	22

1 In 2015, monitoring actions undertaken included 1,931 enquiries (2014: 1,356) on unusual share price and trading volume movements, and the actions undertaken led to 182 resumption announcements (2014: 129) on trading suspensions.

Long Suspension

Status of Long Suspended Companies (at year-end)	Main Board		GEM	
	2015	2014	2015	2014
Resumption of trading of securities during the year	25	21	3	3
Cancellation/withdrawal of listing during the year	1	6	2	0
Companies in the third stage of delisting	2	2	N/A	N/A
Companies notified of the Stock Exchange's intention to cancel their listing ¹	1	0	3	3
Companies suspended for 3 months or more	51	37	7	8

1 For GEM, the figures represent companies who had failed to maintain sufficient operations or assets to warrant their continued listing. In these cases, the Stock Exchange had notified the companies of its intention to cancel the companies' listing and place them in a one-stage delisting procedure (as compared to 3 stages for Main Board).

Listing Enforcement

The 5 themes approved by the Listing Committee during 2014 remained the focus for investigation and enforcement activity for the year. Details are set out in the 2015 Listing Committee Report. To improve transparency, a dedicated "Enforcement" section, housing all enforcement related information and statistics in a single location on the HKEX website, was launched during the year.

Enforcement Statistics

	2015	2014
Investigations ¹	52 ^{2,3}	60
Public censures ⁴	5	4
Public statements/criticisms ⁴	1	1
No sanction following disciplinary action	0	1
Warning/caution letters ⁵	5	14

1 Figures cover cases concluded during the year, and cases which remained active at year-end.

2 There were 22 outstanding investigations (82 per cent of which commenced in 2015) at the end of 2015 as compared to 20 investigations (80 per cent of which commenced in 2014) at the end of 2014.

3 In 2015, 2 cases originating from complaints were subject to enforcement investigation, and might give rise to disciplinary proceedings after investigation.

4 Figures represent only the primary regulatory action from a disciplinary matter. They exclude any other actions taken at a lower level, eg, private reprimand, in the same case.

5 The warning and caution letters were primarily delivered in circumstances where action before the Listing Committees was not considered appropriate.

Costs of Listing Function

The costs of the front line regulation of listed issuers, performed by the Listing Committee and the Listing Division, are absorbed by the Cash and Equity and Financial Derivatives segments based on the listing fee income of the two segments.

ETF Market Development

Following the enactment of the Stamp Duty (Amendment) Bill 2014 on 4 February 2015, a stamp duty waiver for all ETFs listed in Hong Kong took effect on 13 February 2015. The total turnover of ETFs increased by 86 per cent to \$2,171 billion (2014: \$1,168 billion), a record high.

ETFs Statistics	2015	2014	Underlying benchmark of ETFs newly listed in 2015	Number
Total turnover of ETFs (\$bn)	2,171	1,168	A-share market	6
Number of newly listed ETFs	14	12	Hong Kong equity futures	2
Number of ETFs delisted	3	6	US equity market	2
Number of listed ETFs at 31 Dec	133	122	Hong Kong equity market	1
Number of ETF managers at 31 Dec	26	26	Hong Kong and US sector	1
Number of ETF market makers at 31 Dec	34	34	Asia-Pacific equity market	1
Number of ETFs that have RMB counters at 31 Dec	29	20	Onshore RMB bond market	1

The HKEX website was awarded the 11th Annual ETF Global Awards – Most Informative ETF Website in Asia-Pacific by exchangetradedfunds.com and HKEX was awarded the ETF and Indexing Awards 2015 – Best ETF Exchange by Asia Asset Management.

Shanghai-Hong Kong Stock Connect

Shanghai-Hong Kong Stock Connect has been operating smoothly following its launch in the fourth quarter of 2014 despite volatile markets over the past year.

HKEX has continued to enhance the Stock Connect programme including allowing short selling of eligible SSE Securities and the introduction of an enhanced pre-trade checking model, Special Segregated Accounts (see also commentary under the Clearing segment).

Since the launch of Stock Connect, the number of information vendors in the Mainland has more than doubled. 17 of the key Mainland brokers are participating in the Fixed Fee Monthly Fee Service or Daily Charge Service promotion programmes which were launched in March 2015 and together contributed over 60 per cent of Southbound Trading.

To continue promoting growth in market data usage in the Mainland, HKEX has further extended a number of Mainland related marketing programmes.

HKEX organised around 100 workshops, reaching over 10,000 market practitioners and investors on the mechanism and rules of Stock Connect.

The total revenue and other income generated by Stock Connect during 2015 was \$200 million (2014: \$68 million).

Mainland Development

Throughout the year, HKEX increased efforts to promote Hong Kong as the preferred listing venue for quality Mainland issuers, including hosting 19 and presenting at over 100 listing seminars and training workshops.

HKEX will continue to monitor major Mainland policy changes including registration-based listing regime and the potential launch of the Strategic Emerging Industries Board. HKEX will continue to focus on attracting quality Mainland enterprises to list in Hong Kong given the broader and deeper investor pool coupled with Hong Kong's efficient and transparent listing regime.

Volatility Control Mechanism and Closing Auction Session

After consulting the market during the year, HKEX concluded that there is substantial market support for the introduction of Volatility Control Mechanism and Closing Auction Session for securities. The Volatility Control Mechanism is designed to safeguard market integrity from extreme price volatility arising from trading incidents and covers HSI and H-shares Index constituent stocks in the securities market. Implementation is planned for the second half of 2016. The new Closing Auction Session is designed to meet the diverse trading needs of investors by enabling trade execution at the securities' closing prices and will be rolled out in 2 phases. Phase 1 is planned for the third quarter of 2016 and will include all the Hang Seng Composite LargeCap and MidCap index constituent stocks, as well as H shares which have corresponding A shares listed on the exchanges in Mainland China and all ETFs. Phase 2 will be rolled out after a review of the operation of Phase 1 and will include all equity securities and funds.

Analysis of Results

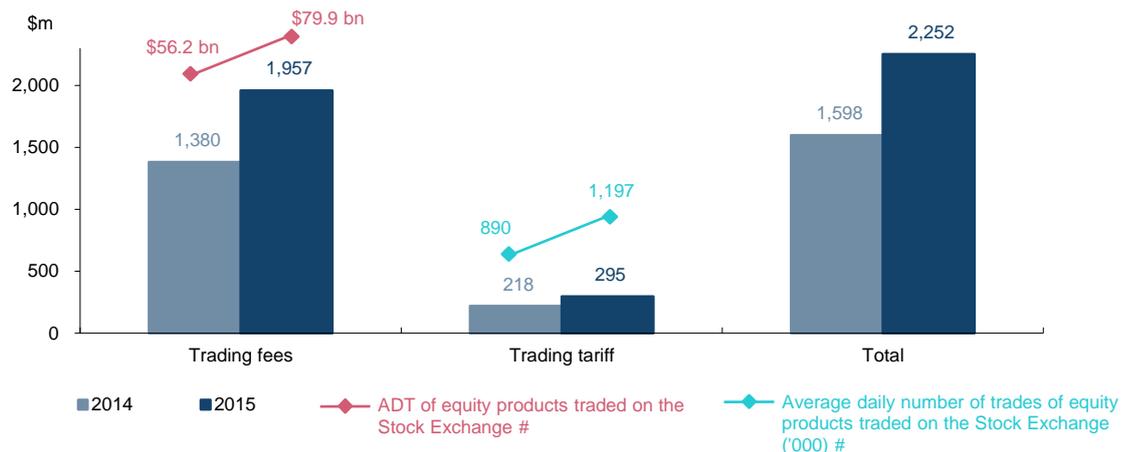
Summary

	2015 \$m	2014 \$m	Change
Trading fees and trading tariff ¹	2,252	1,598	41%
Stock Exchange listing fees ¹	703	651	8%
Market data fees ¹	420	430	(2%)
Other revenue and sundry income	60	82	(27%)
Total revenue and other income	3,435	2,761	24%
Operating expenses ²	(531)	(461)	15%
EBITDA	2,904	2,300	26%
EBITDA margin	85%	83%	2%

¹ Excludes DWs, CBBCs and warrants which are included under the Equity and Financial Derivatives segment

² Includes Listing Division costs related to equity products traded on the Stock Exchange

Trading Fees and Trading Tariff



Excludes DWs, CBBCs and warrants which are included under the Equity and Financial Derivatives segment

Trading fees and trading tariff rose by \$654 million or 41 per cent due to a rise in ADT and average daily number of trades of equity products. The percentage increase was slightly less than the 42 per cent growth in ADT as the increase was partly offset by more market maker exempt trades on ETFs¹ and an increase in average transaction size, which impacted the growth in trading tariff (income is based on number of trades).

1 Approximately 50 per cent of ETF trades were exempted.

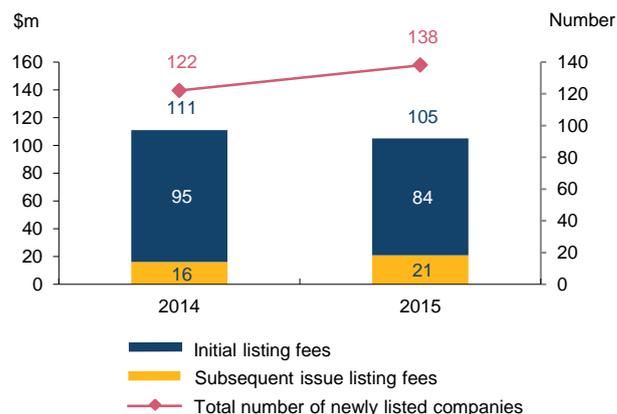
Stock Exchange Listing Fees

	2015 \$m	2014 \$m	Change
Annual listing fees	590	532	11%
Initial and subsequent issue listing fees	105	111	(5%)
Others	8	8	0%
Total	703	651	8%

Annual Listing Fees



Initial and Subsequent Issue Listing Fees



Annual listing fees increased with the rise in the total number of listed companies. The 11 per cent increase in annual listing fees exceeded the 7 per cent increase in the number of listed companies due to the full year impact of the annual listing fees of companies that were listed in 2014.

Despite an increase in the number of newly listed companies and the total IPO funds raised, initial and subsequent issue listing fees declined due to a cap on listing fees for newly listed companies and a lower number of lapsed and withdrawn IPO applications not listed within 6 months of application.

Other Revenue

Other revenue dropped by \$22 million or 27 per cent due to lower brokerage fees on direct IPO allotments.

EBITDA

Operating expenses increased by \$70 million or 15 per cent mainly due to higher legal and professional fees on strategic initiatives, an increase in IT maintenance expenses and staff costs. The higher staff costs were attributable to headcount increases for strategic initiatives including Stock Connect, annual payroll adjustments and an increase in variable pay. As the percentage increase in revenue was higher than that of operating expenses, the EBITDA margin increased from 83 per cent to 85 per cent.

Equity and Financial Derivatives Segment

Key Market Indicators

	2015	2014	Change
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	25.7	13.3	93%
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange	242,948	172,815	41%
Average daily number of derivatives contracts traded on the Futures Exchange ¹	393,948	274,844	43%
Average daily number of stock options contracts traded on the Stock Exchange	374,346	301,797	24%
Number of newly listed DWs	6,336	7,560	(16%)
Number of newly listed CBBCs	11,213	9,983	12%
Average daily number of contracts traded during AHFT ^{1,2}	21,555	11,903	81%

	At 31 Dec 2015	At 31 Dec 2014	Change
Open interest of futures and options ¹	7,266,630	7,958,356	(9%)

¹ Excludes London Metal Mini Futures contracts which are included under the Commodities segment

² Equivalent to 8 per cent of the total number of the same contracts traded during the day session (2014: 6 per cent)

Business Update

As with the Cash segment, 2015 was also a record year for the Equity and Financial Derivatives segment, with a number of new records set.

New Record Highs – Full Year

	2015	Pre-2015 record
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	25.7	19.4 (2007)
Total turnover of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	6,345	4,771 (2007)
Number of newly listed CBBCs	11,213	9,983 (2014)

	2015	Pre-2015 record	
	Number of contracts	Number of contracts	
Total futures and options ¹	189,768,610	142,430,249	(2014)
H-shares Index Futures	33,379,310	21,984,297	(2014)
Mini H-shares Index Futures	7,506,543	3,429,393	(2014)
USD/CNH Futures	262,433	205,049	(2014)
Stock futures	729,013	459,190	(2013)
H-shares Index Options	15,304,215	8,998,897	(2014)
Flexible H-shares Index Options	39,848	36,621	(2014)
Stock options	92,463,479	74,543,861	(2014)
AHFT ¹	5,237,882	2,892,507	(2014)

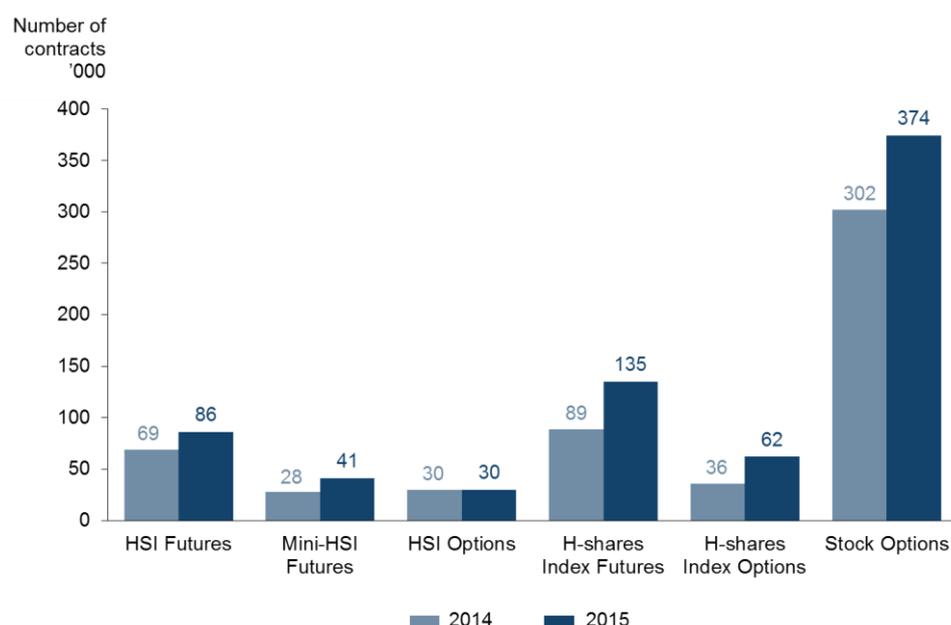
¹ Excludes London Metal Mini Futures contracts which are included under the Commodities segment

New Record Highs – Single Day Volume and Open Interest

Apart from the record high full-year trading volumes, a number of record high single day volumes and open interest of various contracts were achieved during 2015 as follows:

	Single Day Volume		Open Interest	
	Date (2015)	Number of contracts	Date (2015)	Number of contracts
Stock options	13 Apr	1,221,324	27 May	11,159,128
H-shares Index Futures	26 Aug	467,559	29 Dec	519,817
Mini H-shares Index Futures	8 Jul	74,511	–	–
H-shares Index Options	4 Sep	188,957	25 Sep	2,618,350
Mini Hang Seng Index Futures	25 Aug	94,001	–	–
USD/CNH Futures	12 Aug	8,061	–	–
HSI Volatility Index Futures	29 May	105	–	–
Flexible H-shares Index Options	–	–	26 Jun	44,480
HSCEI Dividend Point Index Futures	–	–	30 Dec	101,430

Average Daily Volume of Major Futures and Options Contracts



Stock Options Market Development

5 new stock option classes were introduced in 2015. At the end of December 2015, there were 84 stock option classes available for trading, 18 of which were under the Primary Market Maker programme.

Advanced options education courses were held for more than 450 experienced options traders in April and May 2015 to improve their product knowledge. The courses covered advanced topics including implied volatility, options Greeks concept and their trading strategies and risk management methods. Other stock options seminars and briefing sessions held by HKEX in the year attracted over 6,000 attendees.

Stock Futures Market Development

In response to the increased demand for investment products from Mainland investors, 34 new stock futures contracts were introduced in the fourth quarter of 2015. The underlying stocks of these new futures contracts, together with 6 existing stock futures contracts, were the top 40 active stocks in Southbound Trading under Stock Connect, which accounted for about 60 per cent of Southbound Trading turnover. At 31 December 2015, the total number of stock futures contracts available for trading was 74.

RMB Currency Futures Market Development

People's Bank of China introduced a new daily fixing framework on 11 August 2015 leading to depreciation of the USD/CNH rate by around 3 per cent. Subsequently, the trading volume of USD/CNH Futures hit an all-time high of 8,061 contracts on 12 August 2015. The overall number of USD/CNH Futures traded in 2015 increased by 28 per cent over 2014 to 262,433 contracts, a record high. HKEX has continued to promote USD/CNH Futures to investors in Hong Kong and other parts of Asia in particular in the Mainland and Singapore. The Active Trader Programme launched in January 2015 helped to further develop the market by introducing additional players from the international and regional trading community.

Other FIC Development

In light of the continuing internationalisation of the RMB, HKEX continued to evaluate the market appetite for RMB FIC products. On 11 June 2015, HKEX hosted its second RMB FIC Conference and received positive feedback from attendees, which included industry experts and business leaders.

Volatility Control Mechanism

A consultation paper was released in January 2015 on the proposed introduction of Volatility Control Mechanism in the Derivatives Market in addition to the Cash Market. The consultation conclusions, which were released in July 2015, indicated substantial market support. HKEX plans to implement the Volatility Control Mechanism in the Derivatives Market in the fourth quarter of 2016.

Pre-Trade Risk Management System

The increasing use of automated electronic trading has introduced new risks to the Derivatives Market. In order to promote stability in Hong Kong's market, HKEX will introduce a Pre-Trade Risk Management System to facilitate EPs' own pre-trade risk management needs. The system will be mandatorily applied to all orders of the Hong Kong Futures Automated Trading System. EPs can set limits for their firms according to their risk profiles and orders that breach the limits will be rejected. Internal testing was completed in October 2015 and external readiness test was conducted in January 2016. The system is currently scheduled for launch in the second quarter of 2016.

Service Enhancement and Other Product Development

Under an order granted by the Commodity Futures Trading Commission in March 2015, SFC-licensed corporations are now permitted to solicit and accept orders and funds for trading futures on HKFE directly from US customers. In August 2015, HKEX obtained approval from the US Securities and Exchange Commission for a Class No-Action Relief in order to allow its EPs to engage eligible broker-dealers/institutions in the US in trading Stock Options, H-shares Index Options and Mini-Hang Seng Index Options at HKEX. These allow broadening of HKEX's derivatives product distribution to US investors.

HKEX is working closely with the SFC on a proposed hedging exemption regime that would enable institutional investors to apply for additional position limits to facilitate hedging or arbitrage.

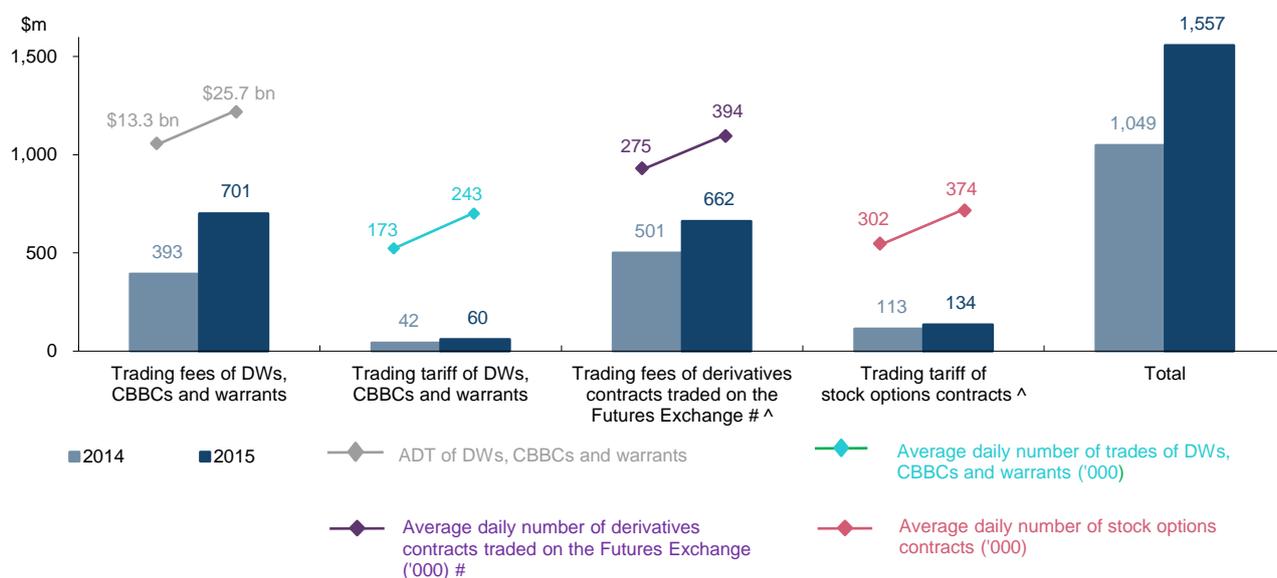
Analysis of Results

Summary

	2015 \$m	2014 \$m	Change
Trading fees and trading tariff	1,557	1,049	48%
Stock Exchange listing fees	411	451	(9%)
Market data fees	206	163	26%
Other revenue and sundry income	5	3	67%
Total revenue and other income	2,179	1,666	31%
Operating expenses ¹	(446)	(400)	12%
EBITDA	1,733	1,266	37%
EBITDA margin	80%	76%	4%

1 Includes Listing Division costs related to DWs, CBBCs, and warrants

Trading Fees and Trading Tariff



Excludes London Metal Mini Futures contracts which are included under the Commodities segment

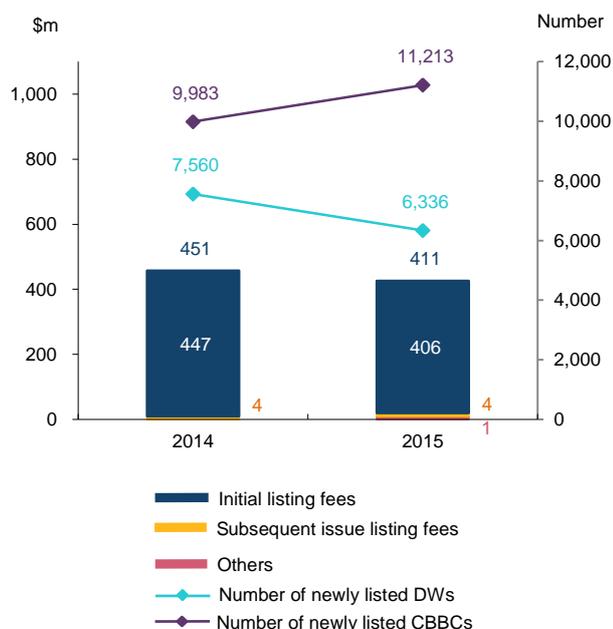
^ Excludes trading fees and trading tariff allocated to the Clearing segment (Derivatives contracts traded on the Futures Exchange – 2015: \$195 million; 2014: \$136 million; stock options contracts – 2015: \$61 million; 2014: \$49 million)

Trading fees and trading tariff for the segment are generated from trading of derivatives on the Stock Exchange (ie, DWs, CBBCs, warrants, and stock options) and trading of futures and options on the Futures Exchange. A portion of the trading fees and trading tariff for the futures and options contracts is allocated to the Clearing segment (see Clearing Segment below) as the trading and clearing fees of these products are bundled together in the form of trading fees and tariff.

Trading fees and trading tariff from trading of DWs, CBBCs and warrants rose due to increased ADT and average daily number of trades. The percentage increase was less than the 93 per cent growth in ADT as the increase was partly offset by lower growth in fees from new issues and the impact of an increase in average transaction size which reduced the growth in trading tariff.

Trading fees from futures and options traded on the Futures Exchange rose with the increase in average daily number of contracts traded. The overall growth was partly offset by a higher proportion of derivatives contracts in 2015 being lower fee products such as H-shares Index Futures and Options.

Stock Exchange Listing Fees



Stock Exchange listing fees are mainly derived from initial and subsequent issue listing fees for DWs and CBBCs. The decrease in fees by \$40 million or 9 per cent was due to a lower number of newly listed DWs, partly offset by an increase in the number of newly listed CBBCs (which generate a lower fee than DWs).

EBITDA

Operating expenses rose by \$46 million or 12 per cent principally due to higher index license fees from increased trading volume and higher staff costs attributable to increased headcount, annual payroll adjustments and higher variable pay. As the percentage revenue growth was higher than that of operating expenses, the EBITDA margin improved from 76 per cent to 80 per cent.

Commodities Segment

Key Market Indicators

	2015	2014	Change
Average daily volume of metals contracts traded on the LME (lots)			
Aluminium	247,198	272,015	(9%)
Copper	162,247	161,403	1%
Lead	51,271	51,756	(1%)
Nickel	81,817	76,533	7%
Zinc	118,723	125,846	(6%)
Others	8,933	12,651	(29%)
	670,189	700,204	(4%)
	At 31 Dec 2015	At 31 Dec 2014	Change
Total futures MOI (lots)	2,314,219	2,268,769	2%

Business Update

LME

The commercialisation of the LME's trading fees was implemented on 1 January 2015. Although there was a significant downturn in the demand for base metals in 2015, the average daily volume of metals contracts traded was only 4 per cent lower than 2014.

The total futures MOI at the end of the year rose by 2 per cent to 2,314,219 lots. During the year, MOI peaked at 2,507,186 lots.

In the first quarter of 2015, the LME disposed of its remaining shareholding in LCH to Borsa Istanbul.

The key focus for the LME in 2015 was to continue its reform of the physical delivery network and widening participation in the market it operates.

In respect of the physical delivery network, during 2015, the LME conducted a series of market wide consultations on further reforms with the intention of introducing a cap on the rent that can be charged by an LME-approved warehouse for metal held in a delivery queue, and an increased minimum load-out rate for metal stored in LME warehouses.

Connected with the LME's reform package and as part of the overall strategy to enhance market participation, the LME successfully launched its LME Aluminium Premium contracts, which now allow participants to hedge the regional "all-in" price to ensure the metal they receive is readily available in a non-queued LME warehouse at a convenient location.

In addition to these, the LME successfully launched 2 new cash settled ferrous contracts – LME Steel Rebar and LME Steel Scrap in the fourth quarter of 2015. These new contracts allow industry participants to reduce their risk exposure by hedging more steps in the steel production process.

During 2015, as part of its Liquidity Roadmap, the LME successfully introduced a series of measures designed to encourage market participation by simplifying access to the market. These included (i) increasing the LMEselect tick sizes to align both the electronic and open outcry markets, (ii) lifting the LMEselect order-to-trade ratio restriction for outright 3rd Wednesday monthly contracts, (iii) encouraging liquidity on nearby monthly prompts for the market, (iv) introducing pre-trade risk management functionality for LMEselect, (v) reforming membership structure to facilitate market participation and liquidity on LMEselect, and (vi) introducing liquidity provider programmes and market making programmes designed to enhance liquidity for the market.

Introduction of Second Asia Commodities Contracts

On 14 December 2015, the second batch of London Metal Mini Futures – London Nickel/Tin/Lead Mini Futures – commenced trading in Hong Kong on the Futures Exchange. The Active Trader Programme for London Metal Mini Futures was successfully completed by the end of 2015.

As part of its strategy to transform into a leading global vertically-integrated multi-asset class exchange, HKEX will continue to research and develop new commodities-related products and set new commodities benchmarks, in particular for Mainland China.

Extension to the HKFE/LME Reciprocal Membership Arrangement

The HKFE/LME Reciprocal Membership Arrangement has been extended for 1 year to 31 December 2016 in order to broaden access to and provide liquidity for the London Metal Mini Futures and to encourage the Futures Exchange's Participants to become LME members. Under the reciprocal arrangement, HKFE and the LME will waive their respective first year's annual subscription and application processing fees for new applicants who already hold a membership at either one of the exchanges.

Promotional Activities

The LME held its third LME Week Asia in Hong Kong in May 2015. The annual event consisted of the Metals Seminar and Gala Dinner, which attracted over 700 participants and over 1,600 guests respectively. The 2016 LME Week Asia will be held in Hong Kong on 14 June 2016.

The China Reception held during LME Week in London in October 2015 attracted over 400 senior executives. The first bespoke exchange programme with China Futures Association members was a special highlight for the week – the one-week training was attended by more than 30 senior executives from over 20 high-profile Chinese financial firms.

HKEX also continued to organise and participate in a series of metal-related seminars held in Greater China.

London-Hong Kong Connect

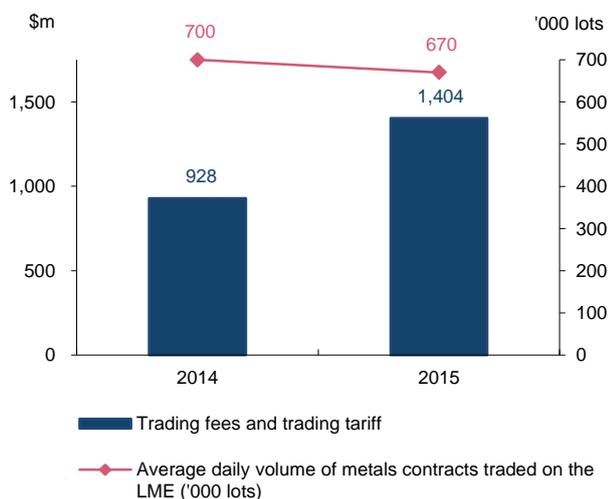
On 21 October 2015, HKFE, HKCC, the LME and LME Clear signed a memorandum of understanding for the proposed development of a trading link between HKFE and the LME and a clearing link between HKCC and LME Clear, to be named “London-Hong Kong Connect”. The proposal is aimed at expanding the potential investor base of the LME market, giving the LME a new presence in Asia and supporting the development of Hong Kong as a commodities trading centre. Implementation of the trading and clearing links is subject to regulatory approvals in Hong Kong, the UK and the EU.

Analysis of Results

Summary

	2015 \$m	2014 \$m	Change
Trading fees and trading tariff	1,404	928	51%
Market data fees	177	176	1%
Other revenue:			
Commodities stock levies and warehouse listing fees	102	117	(13%)
Others	52	53	(2%)
Total revenue	1,735	1,274	36%
Operating expenses	(546)	(568)	(4%)
EBITDA	1,189	706	68%
EBITDA margin	69%	55%	14%

Trading Fees and Trading Tariff



Despite a 4 per cent drop in the average daily volume of metals contracts traded, trading fees and trading tariff rose by \$476 million or 51 per cent as a result of commercialising the LME’s trading fees effective from 1 January 2015.

EBITDA

Operating expenses dropped by \$22 million or 4 per cent. The decrease was attributable to a reduction in legal fees for litigation as no material legal costs were incurred in 2015 and \$5 million was recovered from the insurers in respect of previous litigation in the UK (2014: \$43 million of litigation costs were incurred). Other reductions in operating expenses were due to lower legal and professional fees incurred for strategic projects and savings on IT costs as a result of insourcing a previously outsourced IT team in May 2014. The decrease in operating expenses was partly offset by higher staff costs due to increased headcount, annual payroll adjustments and increase in variable pay. As a result, EBITDA increased by 68 per cent to \$1,189 million and the EBITDA margin rose from 55 per cent in 2014 to 69 per cent in 2015.

Clearing Segment

Key Market Indicators

	2015 \$bn	2014 \$bn	Change
ADT on the Stock Exchange	105.6	69.5	52%
Average daily value of Settlement Instructions (SIs) settled by CCASS	254.7	205.6	24%

Business Update

Regulatory Review

In April 2015, HKSCC, HKCC, SEOCH and OTC Clear were recognised by the European Securities and Markets Authority as Third-Country CCPs under the European Market Infrastructure Regulation, allowing European financial institutions to continue to participate in our markets. The European Market Infrastructure Regulation recognition also gives our CCPs a “qualifying CCP” (QCCP) status across the EU, enabling the European CPs to benefit from lower capital requirements under the European Union Capital Requirements Regulation.

In response to the Public Quantitative Disclosure Standards for Central Counterparties published by Committee on Payments and Market Infrastructures and Board of the International Organization of Securities Commissions in February 2015, HKSCC, HKCC, SEOCH and OTC Clear published their quantitative disclosure on the HKEX website to give stakeholders a better understanding of the risks associated with our CCPs.

The Securities and Futures and Companies Legislation (Uncertificated Securities Market Amendment) Ordinance was gazetted in March 2015. HKEX is working closely with the SFC and other stakeholders on finalising the details of the operational arrangements to prepare for the launch of an uncertificated securities market in Hong Kong.

Cash and Derivatives Clearing

Since the launch of Stock Connect, the clearing and settlement services of Northbound and Southbound trades have been operating smoothly. Several enhancements were made to Stock Connect in 2015, the most notable of which was the Special Segregated Account model. This addressed Northbound investors’ biggest concern by enabling them to meet Stock Connect’s pre-trade checking requirement without first transferring shares to their brokers before their sell orders are executed. Counterparty risk in A-share settlement faced by investors is therefore significantly reduced under the Special Segregated Account model (see also commentary under the Cash segment). In addition, to enhance CPs’ operational efficiency in Northbound trade settlement, a number of CCASS settlement functions have been enhanced and the service hours of certain CCASS functions were extended since December 2015.

Looking forward, the next important enhancement to Stock Connect will be the introduction of an additional same-day RMB money settlement run for payments related to Stock Connect SIs in April 2016. This enhancement will offer SIs same-day stock delivery against RMB payments, thereby reducing overnight counterparty risk that may arise between CPs, custodians and investors.

To make our clearing houses more responsive to market turnover and volatility changes, HKSCC, HKCC and SEOCH revised the triggering and collection mechanism of their Guarantee/Reserve Funds in July 2015. Under the enhanced mechanism, the 3 clearing houses collect a 25 per cent (previously 5 per cent) buffer on top of the calculated maximum risk exposure. In addition, HKCC and SEOCH implemented revised concentration risk policies in September 2015 to require higher margin collateral from CPs with concentrated risk exposures.

To ensure international best practices, an independent consultant was engaged by HKSCC, HKCC and SEOCH to validate their risk management models in 2015. The validation concluded that the existing risk management policies and models conform to the PFMI. HKSCC, HKCC and SEOCH have also set out plans to enhance their margining and stress testing methodologies based on the recommendations made by the consultant.

HKEX has now recovered 100 per cent of its admitted claims from the liquidators of Lehman Brothers Securities Asia Limited (LBSA), totalling \$160 million plus a further \$38 million of post-liquidation interest (\$118 million of this was recovered in 2015).

OTC Clear

In 2015, OTC Clear issued 1,260 ordinary shares and 420 non-voting ordinary shares to HKEX and the holders of its non-voting ordinary shares respectively at a total consideration of \$353 million. This additional funding will support OTC Clear's future development needs and product expansion plans.

Having obtained the various necessary regulatory recognitions, OTC Clear admitted Hong Kong branches of PRC-incorporated, UK-incorporated and US-incorporated banks as Clearing Members in 2015. Subject to regulatory approval, OTC Clear plans to introduce client clearing service, cross currency swaps clearing service and accept non-cash collateral in the first half of 2016. In addition, OTC Clear aims to introduce a clearing service for Foreign Exchange deliverables by the end of 2016.

LME Clear

LME Clear had a successful first full year of operation in 2015 and demonstrated its ability to deliver a robust, resilient service with risk management focus. LME Clear was also able to demonstrate its capability for innovation through expanding its clearing service and implementing new services for the LME metals market in 2015 which included accepting RMB and LME warrants as collateral, the launch of LME premium and ferrous contracts, and the introduction of compression services. In 2016, LME Clear intends to launch further ferrous contracts in conjunction with the LME and to prepare for The Markets in Financial Instruments Directive 2.

Analysis of Results

Summary

	2015 \$m	2014 \$m	Change
Trading fees and trading tariff – allocated from Equity and Financial Derivatives segment	256	185	38%
Clearing and settlement fees	3,118	1,998	56%
Depository, custody and nominee services fees	867	725	20%
Other revenue and sundry income	157	63	149%
	4,398	2,971	48%
Net investment income	604	532	14%
Total revenue and other income	5,002	3,503	43%
Operating expenses	(692)	(586)	18%
EBITDA	4,310	2,917	48%
EBITDA margin	86%	83%	3%

Trading Fees and Trading Tariff

Trading fees and trading tariff reallocated for clearing derivatives products rose due to an increase in the number of derivatives contracts traded (see commentary for the Equity and Financial Derivatives segment above).

Clearing and Settlement Fees



Clearing and settlement fees rose due to increased ADT on the Stock Exchange, higher volume of SIs, and \$660 million of clearing fees generated by LME Clear, which was launched in September 2014 (2014: \$187 million). Excluding LME Clear, the increase in clearing and settlement fees for the Cash Market and fees from SIs was lower than the 52 per cent increase in ADT on the Cash Market and the 24 per cent increase in average daily value of SIs respectively. The differences were due to an increase in transaction size that resulted in fewer transactions being subject to the minimum clearing fee and more transactions being subject to the maximum clearing fee.

Depository, Custody and Nominee Services Fees

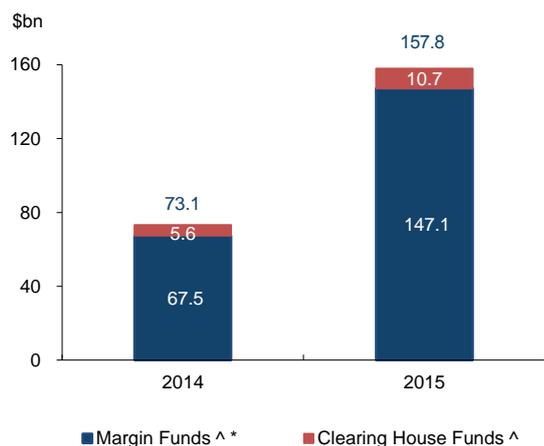
Depository, custody and nominee services fees rose by \$142 million or 20 per cent due to the introduction of portfolio fees following the launch of Stock Connect in November 2014 along with higher scrip fees, stock withdrawal fees, corporate action fees, and dividend collection fees. The increase in scrip fees was attributable to more companies having their first book close and/or declaring a dividend in 2015 than in 2014.

Other Revenue and Sundry Income

Other revenue increased due to the one-off post-liquidation interest payment of \$38 million from the liquidators of LBSA, and higher accommodation income received from LME Clear CPs on their collateral lodged with LME Clear following the launch of LME Clear in September 2014.

Net Investment Income

Average fund size



The increase in the average fund size of the Margin Funds during the year was due to the first full year impact of significant amounts of cash collateral collected from LME Clear CPs since its launch on 22 September 2014. Additional margin deposits were also collected in Hong Kong reflecting increased open interest and higher margin requirements per contract.

The increase in the average fund size of the Clearing House Funds was also due to the first full year impact of contributions from LME Clear CPs. Additional Clearing House Funds contributions were also collected from the clearing houses in Hong Kong in response to market fluctuations and changes in risk exposure.

^ Includes funds received from LME Clear CPs from 22 September 2014

* Includes Mainland security and settlement deposits received from CPs in respect of trading of A shares on the SSE through Stock Connect from 17 November 2014

The analysis of net investment income is as follows:

	2015			2014		
	Margin Funds \$m	Clearing House Funds \$m	Total \$m	Margin Funds \$m	Clearing House Funds \$m	Total \$m
Net investment income						
Cash and bank deposits	570	21	591	490	22	512
Debt securities	14	–	14	20	–	20
Exchange loss	(1)	–	(1)	–	–	–
Total net investment income	583	21	604	510	22	532
Net investment return	0.40%	0.19%	0.38%	0.75%	0.40%	0.73%

The higher net investment income on the Margin Funds in 2015 was attributable to interest income on an increased average fund size. The overall net investment return reduced, from 0.73 per cent in 2014 to 0.38 per cent in 2015, due to a decrease in short-term interest rates and regulatory restrictions on the investment of LME Clear's Margin Funds and Clearing House Funds.

EBITDA

Operating expenses increased by 18 per cent following the launch of LME Clear in September 2014 and higher staff costs for increased headcount, annual payroll adjustments and higher variable pay. Due to the 43 per cent increase in revenue and other income, the EBITDA margin increased from 83 per cent in 2014 to 86 per cent in 2015.

Platform and Infrastructure Segment

Business Update

After the launch of the HKEX Orion Central Gateway (OCG) in the Cash Market in June 2014, most EPs migrated their Open Gateway to OCG in 2015. Migration of all EPs to OCG is targeted for completion by the end of June 2016, at which time the legacy Open Gateway would be decommissioned. The OCG benefits EPs by reducing infrastructure costs, introducing certain new services, and adopting industry messaging standards.

The replacement of Multi-workstation System, First and Second Trading Terminals of the current AMS by the New Securities Trading Devices was completed in the third quarter of 2015.

Requirement definition for the implementation of Orion Trading Platform – Securities Market (OTP-C) was completed in October 2015. Preparation of detailed specifications is in progress, and system development for OTP-C is scheduled to commence right after the detailed design phase in the second quarter of 2016 and planned to complete by the end of 2016. Testing and other market readiness activities will be carried out in 2017.

In response to the significant increase in trading volume in the second quarter of 2015, where a number of new records were reached, a capacity upgrade was implemented in 2015 to increase CCASS processing capacity from a maximum daily volume of 7.5 million trades to 12.5 million trades. The maximum daily volume experienced to date was 3.6 million on 9 April 2015.

HKEX has recently initiated the requirement definition stage for the first phase of the development of a Next Generation Clearing Platform (NGCCP) encompassing Cash Central Counterparty Clearing, Collateral Management and Risk Management. During this stage, HKEX aims to define the requirements of NGCCP functions and the new business capabilities envisioned for the Hong Kong securities market, as well as the related technology and architecture roadmap.

HKEX initiated a websites revamp project in December 2015 to enhance web accessibility and user experience. New information architecture and content management technology will be introduced, a more powerful search engine implemented and web design optimised for mobile users. The project will be delivered in two phases, with the revamped Group website launched in the fourth quarter of 2016 and the redesigned HKEX corporate website rolled out in the second quarter of 2017.

Analysis of Results

Summary

	2015 \$m	2014 \$m	Change
Network, terminal user, dataline and software sub-license fees	389	356	9%
Hosting services fees	105	98	7%
Others	5	11	(55%)
Total revenue	499	465	7%
Operating expenses	(148)	(152)	(3%)
EBITDA	351	313	12%
EBITDA margin	70%	67%	3%

Network, Terminal User, Dataline and Software Sub-license Fees

Network, terminal user, dataline and software sub-license fees rose by \$33 million or 9 per cent. This arose from an increase in Cash Market trading system line rental income following the launch of OCG and network usage fees relating to Stock Connect, but was partly offset by a drop in sales of throttles due to the one-off purchases made by Participants in 2014 in preparation for the launch of Stock Connect.

Hosting Services Fees

Hosting services fees increased by \$7 million or 7 per cent, due to an increase in the number of racks taken up by customers.

EBITDA

Operating expenses decreased by \$4 million or 3 per cent due to reduced IT costs directly consumed by Participants. Coupled with a 7 per cent increase in total revenue, the EBITDA margin increased from 67 per cent to 70 per cent.

Corporate Items

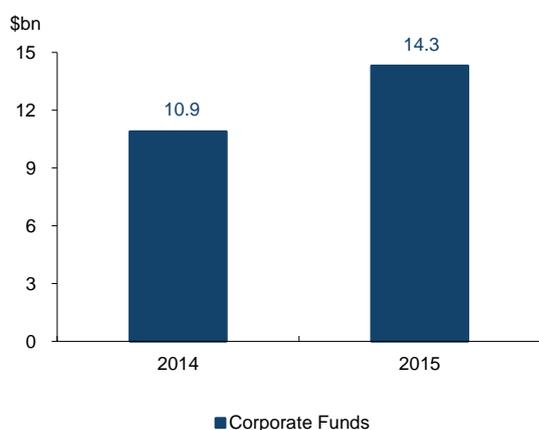
“Corporate Items” is not a business segment but comprises central income (including net investment income of the Corporate Funds) and central costs (costs of central support functions that provide services to all operating segments and other costs not directly related to any operating segments).

Revenue and Other Income

	2015 \$m	2014 \$m	Change
Net investment income	74	175	(58%)
Gain on disposal of a leasehold property	445	–	N/A
Others	6	5	20%
Total	525	180	192%

Net Investment Income

Average fund size



The average fund size increased from \$10.9 billion in 2014 to \$14.3 billion in 2015 principally due to the retention of cash generated by the business over the past year.

The analysis of net investment income is as follows:

	2015 \$m	2014 \$m
Net investment income from:		
Cash and bank deposits	71	76
Equity securities	30	53
Debt securities	30	66
Exchange loss	(57)	(20)
Total net investment income	74	175
Net investment return	0.52%	1.62%

Included in net investment income – equity securities was a \$31 million gain on sale of the remaining stake of the LME’s investment in shares of LCH (2014: \$23 million of fair value gain from revaluation of the investment). Excluding the LCH gains, net investment income of the Corporate Funds in 2015 decreased by \$109 million principally due to lower fair value gains on equity and debt securities caused by the depressed markets, a higher proportion of investments in short-term deposits for regulatory purposes, and higher foreign exchange losses for hedging LME Group’s operating costs (offset, in whole or in part, by lower operating costs of LME Group).

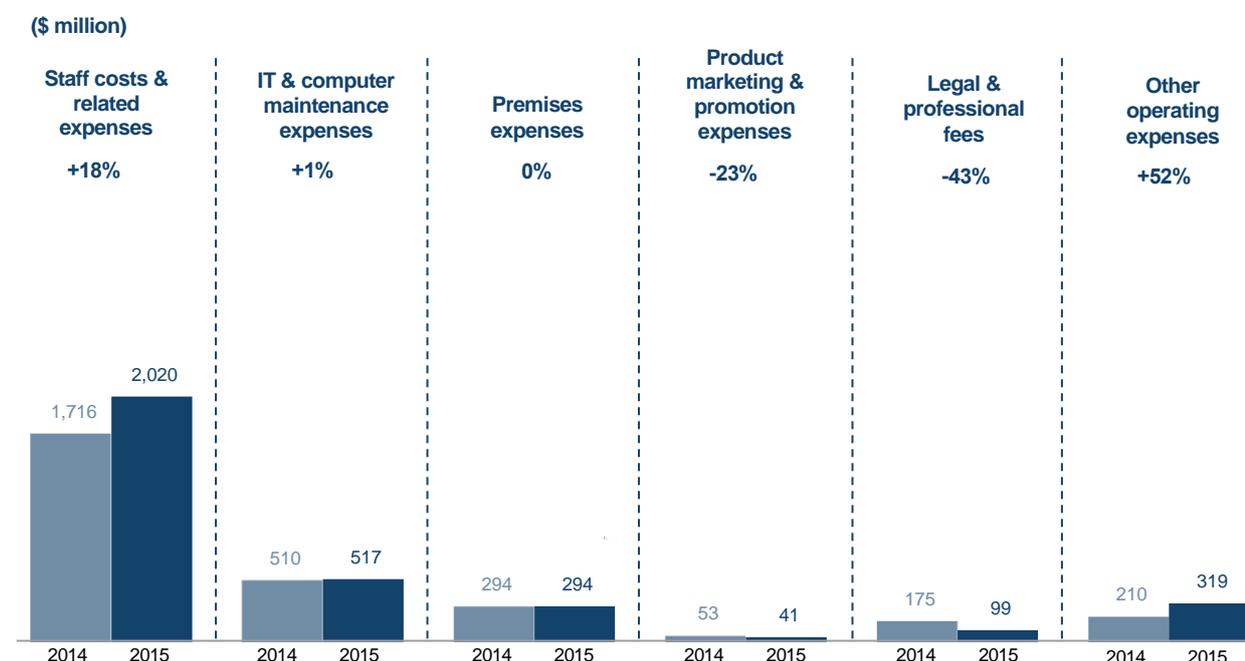
As the valuations of investments reflect movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold or mature.

Gain on Disposal of a Leasehold Property

In 2015, the Group disposed of a leasehold property in Hong Kong and a gain of \$445 million was recorded.

Expenses, Other Costs and Taxation

Operating Expenses



Staff costs and related expenses increased by \$304 million or 18 per cent mainly due to increased headcount for strategic initiatives including Stock Connect, the insourcing of a previously outsourced IT team by the LME Group, annual payroll adjustments, and an increase in variable pay due to improved results of the Group.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by the Participants of \$72 million (2014: \$81 million), were \$445 million (2014: \$429 million). The increase was mainly attributable to higher IT maintenance expenses, and was partly offset by lower IT costs of the LME Group following the insourcing of its IT team.

Legal and professional fees decreased by \$76 million or 43 per cent as no material litigation costs were incurred in 2015 (2014: \$43 million was incurred), \$5 million was recovered from the insurers in respect of litigation in the UK and lower legal and professional fees were incurred on strategic projects.

Other operating expenses increased by \$109 million or 52 per cent due to higher fees from an increase in committed bank credit facilities, higher investment management services costs and operating expenses for LME Clear after its launch, and an increase in repairs and maintenance expenses and index license fees.

Depreciation and Amortisation

	2015 \$m	2014 \$m	Change
Depreciation and amortisation	684	647	6%

Depreciation and amortisation increased by \$37 million or 6 per cent due to the depreciation of new IT systems, such as HKEX Orion Market Data Platform and trading and clearing systems for Stock Connect, in 2015.

Finance Costs

	2015 \$m	2014 \$m	Change
Finance costs	114	196	(42%)

The decrease in finance costs was mainly due to the full conversion of the Convertible Bonds in the second quarter of 2015, and the refinancing of the floating rate bank loan at a lower interest rate from July 2014.

Taxation

	2015 \$m	2014 \$m	Change
Taxation	1,347	900	50%

Taxation increased due to higher profit before taxation in 2015, but was partly offset by higher non-taxable income (including the gain on sale of a leasehold property) and a deferred tax credit of \$65 million resulting from the enactment of a reduction in UK Corporation Tax rates.

FINANCIAL REVIEW

Changes to Key Items in Consolidated Statement of Financial Position

(A) Financial Assets and Financial Liabilities

	At 31 Dec 2015 \$m	At 31 Dec 2014 \$m	Change
Financial assets			
Cash and cash equivalents	110,890	136,778	(19%)
Financial assets measured at fair value through profit or loss	72,705	62,686	16%
Financial assets measured at amortised cost	19,496	10,256	90%
Total	203,091	209,720	(3%)

The Group's financial assets comprised financial assets of Corporate Funds, Margin Funds, Clearing House Funds, base metals derivatives contracts, and cash prepayments for A shares traded under Stock Connect as follows:

	At 31 Dec 2015 \$m	At 31 Dec 2014 \$m	Change
Financial assets			
Corporate Funds	15,636	10,264	52%
Margin Funds ¹	114,416	128,869	(11%)
Clearing House Funds	8,430	10,289	(18%)
Base metals derivatives contracts cleared through LME Clear	64,480	59,679	8%
Cash prepayments for A shares	129	619	(79%)
Total	203,091	209,720	(3%)

1 Excludes margin receivable from CPs and Settlement Reserve Fund and Settlement Guarantee Fund which have been paid to ChinaClear of \$797 million (31 December 2014: \$615 million)

	At 31 Dec 2015 \$m	At 31 Dec 2014 \$m	Change
Financial liabilities			
Base metals derivatives contracts cleared through LME Clear	64,480	59,679	8%
Other financial liabilities at fair value through profit or loss	6	1	500%
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	115,213	129,484	(11%)
Participants' contributions to Clearing House Funds	7,474	9,426	(21%)
Total	187,173	198,590	(6%)

The decrease in financial assets of Margin Funds and the drop in margin deposits, Mainland security and settlement deposits, and cash collateral from CPs at 31 December 2015 against those at 31 December 2014 was mainly due to lower margin deposits collected by LME Clear as more non-cash collateral was posted by Participants in lieu of cash margin.

The decrease in financial assets of Clearing House Funds was mainly attributable to less contributions required from Participants in response to market volatility and changes in risk exposures.

Base metals derivative financial assets and derivative financial liabilities of \$64,480 million (31 December 2014: \$59,679 million) represented the fair value of outstanding contracts cleared through LME Clear that did not qualify for netting treatment under relevant accounting standards, where LME Clear is acting in its capacity as a CCP to the metals contracts traded on the LME.

Corporate Funds at 31 December 2015 increased by \$5,372 million or 52 per cent as compared to those at 31 December 2014 mainly due to the retention of cash generated by the business over the past year partly offset by the cash component of the 2014 final dividend and 2015 interim dividend.

(B) Fixed Assets, Intangible Assets and Capital Commitments

The total net book value of the Group's fixed assets and intangible assets dropped by \$72 million from \$19,504 million at 31 December 2014 to \$19,432 million at 31 December 2015. The drop was due to the disposal of a leasehold property with a net book value of \$59 million, and exchange losses of \$11 million arising from the effect of the depreciation of

USD against HKD on the Group's investment in overseas subsidiaries. Depreciation and amortisation of \$684 million were offset by additions of \$682 million. The additions mainly related to the development and upgrade of various trading and clearing systems including the commodities trading and clearing systems, a cash clearing system, trading and clearing systems to facilitate mutual stock market access between Mainland China and Hong Kong, and a corporate Enterprise Resource Planning system.

The Group's capital expenditure commitments at 31 December 2015, including those authorised by the Board but not yet contracted for, amounted to \$961 million (31 December 2014: \$574 million) and were mainly related to the development and enhancement of IT systems including cash and commodities trading and clearing systems, and trading and clearing systems to facilitate mutual stock market access between Mainland China and Hong Kong.

(C) Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, and Future Plans for Material Investments or Capital Assets

Subsequent to 31 December 2015, the Group completed an internal reorganisation of its subsidiaries on 22 January 2016. Following the internal reorganisation, HKCC, SEOCH, The Stock Exchange Club Limited, HKEx Information Services Limited and HK Conversion Agency Services Limited, which were previously held by HKFE, SEHK and HKSCC, became direct wholly-owned subsidiaries of HKEX. The internal reorganisation will help the Group to focus its attention on complying with various regulatory obligations and better manage the risks associated with the businesses and operations of the recognised exchanges and clearing houses going forward.

Save for those disclosed in this announcement, there were no other significant investments held nor material acquisitions or disposals of subsidiaries during the year. Apart from as disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

(D) Accounts Receivable, Prepayments and Deposits and Accounts Payable, Accruals and Other Liabilities

The Group's accounts receivable, prepayments and deposits and accounts payable, accruals and other liabilities at 31 December 2015 mainly comprised CNS money obligations receivable and payable and other receivables from and payables to EPs and CPs. Following the launch of Stock Connect, certain security deposits (Settlement Reserve Fund and Settlement Guarantee Fund) have been placed by HKSCC with ChinaClear to satisfy its obligations as a CP of ChinaClear. Further details are set out below.

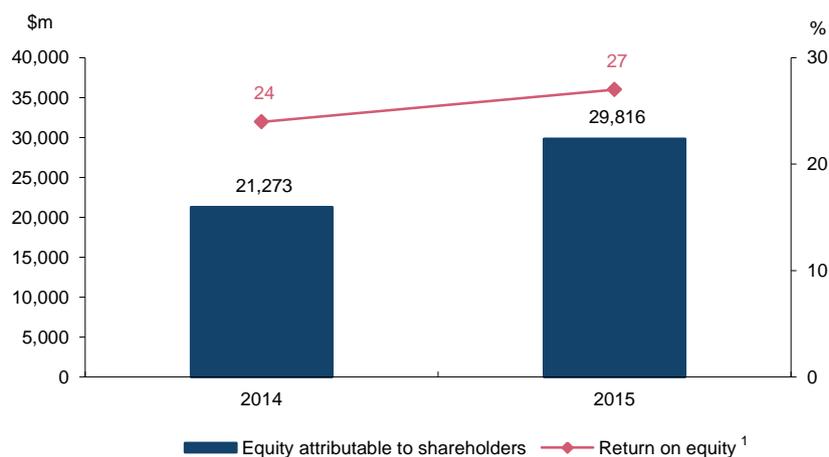
	At 31 Dec 2015 \$m	At 31 Dec 2014 \$m	Change
CNS money obligations receivable	13,529	20,410	(34%)
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear	794	611	30%
Other receivables from Participants	461	831	(45%)
Other accounts receivable, prepayments and deposits	776	753	3%
Less: provision for impairment losses of receivables	(4)	(82)	(95%)
Total accounts receivable, prepayments and deposits	15,556	22,523	(31%)
CNS money obligations payable	13,658	21,029	(35%)
Other payables to Participants	324	508	(36%)
Stamp duty payable to the Collector of Stamp Revenue	172	338	(49%)
Other accounts payable, accruals and other liabilities	1,131	974	16%
Total accounts payable, accruals and other liabilities	15,285	22,849	(33%)

The decrease in CNS money obligations receivable and payable was mainly due to lower market turnover of the Stock Exchange at the end of December 2015.

(E) Equity attributable to Shareholders and Return on Equity

Equity attributable to shareholders increased to \$29,816 million at 31 December 2015 from \$21,273 million at 31 December 2014. This arose from \$3,165 million of shares issued in lieu of cash dividends, \$3,734 million of shares issued for conversion of the Convertible Bonds (excluding the transfer from the convertible bond reserve to share capital and retained earnings which were all part of shareholders' equity) and an increase in retained earnings of \$1,744 million attributable to profit for the year less dividends declared, but was partly offset by the purchase of shares for Share Award Scheme of \$227 million.

Equity attributable to Shareholders and Return on Equity



Return on equity rose by 3 per cent due to the increase in profit attributable to shareholders in 2015.

¹ Based on equity attributable to shareholders at year-end

Liquidity, Financial Resources and Gearing

Working capital rose by \$4,971 million to \$14,595 million at 31 December 2015 (31 December 2014: \$9,624 million). The increase was mainly due to profit attributable to shareholders of \$7,956 million, which was partly offset by the 2014 final dividend and 2015 interim dividend, net of scrip dividends, of \$3,047 million.

In 2015, all of the US\$500 million of Convertible Bonds with carrying value of \$3,701 million at 31 December 2014 were converted into HKEX shares at the adjusted conversion price of HK\$157.62 per share and cancelled upon the exercise of the conversion rights by the bondholders.

At 31 December 2015, the Group had the following outstanding borrowings:

	At 31 Dec 2015		At 31 Dec 2014	
	Carrying value \$m	Maturity	Carrying value \$m	Maturity
USD floating rate bank borrowings	1,585	Jul 2020 & Jul 2021	1,585	Jul 2020 & Jul 2021
2 USD fixed rate notes with average coupon of 2.8 per cent	1,516	Dec 2018 & Jan 2019	1,515	Dec 2018 & Jan 2019
Convertible Bonds	–	N/A	3,701	Oct 2017
Written put options to non-controlling interests	308	N/A	225	N/A
	3,409		7,026	

At 31 December 2015, the Group had a gross gearing ratio (ie, gross debt divided by adjusted capital) of 12 per cent (31 December 2014: 34 per cent), and a net gearing ratio (ie, net debt divided by adjusted capital) of zero per cent (31 December 2014: zero per cent). For this purpose, gross debt is defined as total borrowings and net debt is defined as total borrowings less cash and cash equivalents of Corporate Funds (and will be zero when the amount of cash and cash equivalents of Corporate Funds is greater than total borrowings), and adjusted capital as all components of equity attributable to shareholders other than designated reserves.

Apart from the borrowings used to fund the acquisition of the LME Group, banking facilities have been put in place for contingency purposes. At 31 December 2015, the Group's total available banking facilities for its daily operations amounted to \$17,012 million (31 December 2014: \$17,012 million), which included \$10,000 million (31 December 2014: \$10,000 million) of committed banking facilities and \$7,000 million (31 December 2014: \$7,000 million) of repurchase facilities.

The Group has also put in place foreign exchange facilities for the RMB Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 31 December 2015, the total amount of the facilities was RMB17,000 million (HK\$20,057 million) (31 December 2014: RMB17,000 million (HK\$21,202 million)).

In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (HK\$15,338 million) (31 December 2014: RMB13,000 million (HK\$16,213 million)) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect, eg, natural disasters or extreme weather conditions in Hong Kong.

At 31 December 2015, 92 per cent (31 December 2014: 93 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

Charges on Assets

LME Clear receives securities as collateral for margins posted by its CPs. It also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$9,926 million (HK\$76,928 million) at 31 December 2015 (31 December 2014: US\$10,251 million (HK\$79,495 million)).

This non-cash collateral, which was not recorded on the consolidated statement of financial position of the Group at 31 December 2015, together with certain financial assets amounting to US\$639 million (HK\$4,953 million) at 31 December 2015 (31 December 2014: US\$590 million (HK\$4,575 million)), have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

Exposure to Fluctuations in Exchange Rates and Related Hedges

In respect of its funds available for investment in Hong Kong, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts and foreign currency bank deposits have been used to hedge the currency exposure of the Group's non-HKD securities and liabilities to mitigate risks arising from fluctuations in exchange rates.

Foreign currency margin deposits received by the Group in Hong Kong are mainly hedged by investments in the same currencies, and unhedged investments in USD may not exceed 20 per cent of the Margin Funds and cash collateral. For LME Clear, investments of Margin Funds will generally take place in the currency in which cash was received.

The functional currency of the LME and LME Clear is USD as the majority of their income is denominated in USD. As a result, the LME Group is exposed to foreign currency risk arising from expenditure (predominantly in GBP) and bank deposits denominated in foreign currencies (mainly GBP). Its risk management policy is to forecast and monitor the amount of future GBP payments and to retain some GBP bank deposits or convert from USD to GBP as soon as deemed appropriate. Forward foreign exchange contracts may also be used to hedge the currency exposure resulting from its USD revenue against GBP payments.

The remaining aggregate net open foreign currency positions at 31 December 2015 amounted to \$970 million, of which \$179 million were non-USD exposures (31 December 2014: \$1,441 million, of which \$764 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to \$2,261 million (31 December 2014: \$1,042 million). All forward foreign exchange contracts would mature within 3 months (31 December 2014: 3 months).

Contingent Liabilities

At 31 December 2015, the Group's material contingent liabilities were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding \$71 million (31 December 2014: \$71 million). Up to 31 December 2015, no calls had been made by the SFC in this connection.
- (b) The Group had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 515 trading Participants covered by the indemnity at 31 December 2015 (31 December 2014: 500) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$103 million (31 December 2014: \$100 million).
- (c) HKEX has given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.
- (d) US litigation

In 2013, the LME, LMEH and HKEX were named as defendants in aluminium warehousing litigation alleging anti-competitive behaviour in the US. Following vigorous defence by the Group, the US District Court for the Southern District of New York (District Court) dismissed all the claims in a series of orders. In 2014, plaintiffs classified as "consumer end users" and "commercial end users" filed appeals against the District Court's decisions but the appeals were all dismissed by the US Court of Appeals in July 2015 with the agreement of the plaintiffs. While the direct action plaintiffs and plaintiffs classified as "first level" purchasers do not currently have a right to appeal against the District Court's decisions, they may do so after their claims against the other non-HKEX Group defendants have concluded or if the court grants them permission to appeal in the meantime. It is not clear when the litigation against the non-HKEX Group defendants will conclude but to date, no application to appeal has been filed by any of the direct action plaintiffs or the "first level" purchasers against the District Court's decisions.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$m	2014 \$m
Trading fees and trading tariff		5,469	3,760
Stock Exchange listing fees		1,114	1,102
Clearing and settlement fees		3,118	1,998
Depository, custody and nominee services fees		867	725
Market data fees		803	769
Other revenue	3	862	773
REVENUE		12,233	9,127
Investment income		702	713
Interest rebates to Participants		(24)	(6)
Net investment income	4	678	707
Gain on disposal of a leasehold property	5	445	—
Sundry income		19	15
REVENUE AND OTHER INCOME	2	13,375	9,849
OPERATING EXPENSES			
Staff costs and related expenses		(2,020)	(1,716)
IT and computer maintenance expenses		(517)	(510)
Premises expenses		(294)	(294)
Product marketing and promotion expenses		(41)	(53)
Legal and professional fees		(99)	(175)
Other operating expenses:			
Reversal of provision for impairment losses arising from Participants' default on market contracts	6(a)	77	77
Others	6(b)	(396)	(287)
		(3,290)	(2,958)
EBITDA		10,085	6,891
Depreciation and amortisation		(684)	(647)
OPERATING PROFIT		9,401	6,244
Finance costs	7	(114)	(196)
Share of loss of a joint venture		(9)	(10)
PROFIT BEFORE TAXATION	2	9,278	6,038
TAXATION	8	(1,347)	(900)
PROFIT FOR THE YEAR		7,931	5,138
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEX		7,956	5,165
- Non-controlling interests		(25)	(27)
PROFIT FOR THE YEAR		7,931	5,138
Basic earnings per share	9(a)	\$6.70	\$4.44
Diluted earnings per share	9(b)	\$6.67	\$4.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 \$m	2014 \$m
PROFIT FOR THE YEAR	7,931	5,138
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	(7)	(815)
OTHER COMPREHENSIVE INCOME	(7)	(815)
TOTAL COMPREHENSIVE INCOME	7,924	4,323
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEX	7,949	4,350
- Non-controlling interests	(25)	(27)
TOTAL COMPREHENSIVE INCOME	7,924	4,323

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	Note	At 31 Dec 2015			At 31 Dec 2014		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	11	110,890	–	110,890	136,778	–	136,778
Financial assets measured at fair value through profit or loss	11	72,705	–	72,705	62,686	–	62,686
Financial assets measured at amortised cost	11	19,439	57	19,496	10,199	57	10,256
Accounts receivable, prepayments and deposits	12	15,535	21	15,556	22,517	6	22,523
Taxation recoverable		2	–	2	8	–	8
Interest in a joint venture		–	68	68	–	77	77
Goodwill and other intangible assets		–	17,872	17,872	–	17,901	17,901
Fixed assets		–	1,560	1,560	–	1,603	1,603
Lease premium for land		–	22	22	–	23	23
Deferred tax assets		–	22	22	–	5	5
Total assets		218,571	19,622	238,193	232,188	19,672	251,860
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities at fair value through profit or loss		64,486	–	64,486	59,680	–	59,680
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs		115,213	–	115,213	129,484	–	129,484
Accounts payable, accruals and other liabilities	13	15,270	15	15,285	22,835	14	22,849
Deferred revenue		773	–	773	646	–	646
Taxation payable		653	–	653	348	–	348
Other financial liabilities		42	–	42	84	–	84
Participants' contributions to Clearing House Funds		7,474	–	7,474	9,426	–	9,426
Borrowings	14	–	3,409	3,409	–	7,026	7,026
Provisions		65	70	135	61	58	119
Deferred tax liabilities		–	761	761	–	839	839
Total liabilities		203,976	4,255	208,231	222,564	7,937	230,501

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AT 31 DECEMBER 2015

	Note	At 31 Dec 2015			At 31 Dec 2014		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Equity							
Share capital				19,285			12,225
Shares held for Share Award Scheme				(590)			(482)
Employee share-based compensation reserve				199			142
Exchange reserve				(254)			(247)
Convertible bond reserve				–			409
Designated reserves				778			643
Reserve relating to written put options to non-controlling interests				(293)			(217)
Retained earnings	15			10,691			8,800
Equity attributable to shareholders of HKEX				29,816			21,273
Non-controlling interests				146			86
Total equity				29,962			21,359
Total liabilities and equity				238,193			251,860
Net current assets				14,595			9,624

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These consolidated financial statements have been prepared in accordance with HKFRSs, which include all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and interpretations issued by the HKICPA.

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Adoption of new/revised HKFRSs

In 2015, the Group has adopted the following new/revised HKFRSs which were effective for accounting periods beginning on or after 1 January 2015:

Amendments to HKAS 27	Equity Method in Separate Financial Statements
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Annual Improvements to HKFRSs 2010 – 2012 Cycle

Amendments to HKAS 27 provide an accounting policy choice to allow entities to apply the equity method to account for the investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amendments to HKAS 27 does not have any financial impact to HKEX as HKEX elects to continue accounting for its investments in subsidiaries and the joint venture at cost in its separate financial statements.

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs. Of these, the following two amendments are pertinent to the Group's operations:

Amendments to HKFRS 8	Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total Reportable Segment Assets to the Entity's Assets
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Amendments to HKAS 24	Related Party Disclosures – Key Management Personnel
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The amendments to HKFRS 8 require disclosure of the judgement made by management in aggregating operating segments. The amendments also clarify that a reconciliation of the total of the reportable segment assets to the entity's assets is required only if this information is regularly reported to the chief operating decision-maker. The adoption of the amendments to HKFRS 8 does not have any financial impact to the Group as no operating segments are aggregated and segment assets are not regularly reported to the chief operating decision-maker.

The amendments to HKAS 24 expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. The adoption of the amendments to HKAS 24 does not have any impact on the Group’s related party disclosures as there is no such management entity providing services to the Group.

Apart from those disclosed above, other new/revised HKFRSs that are effective for accounting periods beginning on 1 January 2015 do not have any impact on the Group.

New/revised HKFRSs issued before 31 December 2015 but not yet effective and not early adopted

The Group has not applied the following new/revised HKFRSs which were issued before 31 December 2015 and are pertinent to its operations but not yet effective:

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKAS 1	Presentation of Financial Statements – Disclosure Initiative ²

¹ Effective for accounting periods beginning on or after 1 January 2018

² Effective for accounting periods beginning on or after 1 January 2016

The adoption of the amendments to HKAS 1 is not expected to have any impact on the Group’s consolidated financial statements. The Group is in the process of making an assessment on the impact of HKFRS 9 (2014) and HKFRS 15.

There are no other new/revised HKFRSs that are not yet effective that would be expected to have an impact on the Group.

2. Operating Segments

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision-maker.

The Group has 5 reportable segments (“Corporate Items” is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different IT systems and marketing strategies. The operations in each of the Group’s reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms and the SSE through Stock Connect, sales of market data relating to these products and other related activities. The major sources of revenue of the segment are trading fees, trading tariff, listing fees of equity products and market data fees.

The **Equity and Financial Derivatives** segment refers to derivatives products traded on the Futures Exchange and the Stock Exchange and other related activities. These include the provision and maintenance of trading platforms for a range of equity and financial derivatives products, such as stock and equity index futures and options, DWs, CBBCs and warrants and sales of market data relating to these products. The major sources of revenue are trading fees, trading tariff and listing fees of derivatives products and market data fees.

The **Commodities** segment refers to the operations of the LME, which operates an exchange in the UK for the trading of base metals futures and options contracts. It also covers the Asia Commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees, commodity market data fees and fees generated from other ancillary operations.

The **Clearing** segment refers to the operations of the five clearing houses, namely HKSCC, SEOCH, HKCC, OTC Clear and LME Clear, which are responsible for clearing, settlement and custodian activities of the Stock Exchange, the Futures Exchange and the SSE through Stock Connect, clearing and settlement of OTC derivatives contracts, and clearing and settlement of base metals futures and options contracts traded on the LME. Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Margin Funds and Clearing House Funds.

The **Platform and Infrastructure** segment refers to all services in connection with providing users with access to the platform and infrastructure of the Group. Its major sources of revenue are network, terminal user, dataline and software sub-license fees, trading booth user fees and hosting services fees.

Central income (including net investment income of Corporate Funds) and central costs (costs of central support functions that provide services to all of the operating segments, finance costs and other costs not directly related to any of the operating segments) are included as "Corporate Items".

The chief operating decision-maker assesses the performance of the operating segments principally based on their EBITDA. An analysis by operating segment of the Group's EBITDA, profit before taxation and other selected financial information for the year is as follows:

	2015						
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Clearing \$m	Platform and Infrastructure \$m	Corporate Items \$m	Group \$m
Revenue from external customers	3,433	2,178	1,735	4,383	499	5	12,233
Net investment income	-	-	-	604	-	74	678
Gain on disposal of a leasehold property	-	-	-	-	-	445	445
Sundry income	2	1	-	15	-	1	19
Revenue and other income	3,435	2,179	1,735	5,002	499	525	13,375
Operating expenses	(531)	(446)	(546)	(692)	(148)	(927)	(3,290)
Reportable segment EBITDA	2,904	1,733	1,189	4,310	351	(402)	10,085
Depreciation and amortisation	(85)	(87)	(275)	(148)	(43)	(46)	(684)
Finance costs	-	-	-	-	-	(114)	(114)
Share of loss of a joint venture	-	(9)	-	-	-	-	(9)
Reportable segment profit before taxation	2,819	1,637	914	4,162	308	(562)	9,278
Other segment information:							
Interest income	-	-	-	615	-	71	686
Interest rebates to Participants	-	-	-	(24)	-	-	(24)
Other material non-cash items:							
Forfeiture of unclaimed cash dividends held by HKSCC Nominees Limited	-	-	-	11	-	-	11
Employee share-based compensation expenses	(27)	(21)	(25)	(38)	(2)	(70)	(183)
Gain on disposal of other fixed assets	2	1	-	4	-	1	8
(Provision for)/ reversal of provision for impairment losses	(1)	-	-	77	-	-	76

	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Clearing \$m	Platform and Infrastructure \$m	Corporate Items \$m	Group \$m
Revenue from external customers	2,761	1,666	1,274	2,956	465	5	9,127
Net investment income	–	–	–	532	–	175	707
Sundry income	–	–	–	15	–	–	15
Revenue and other income	2,761	1,666	1,274	3,503	465	180	9,849
Operating expenses	(461)	(400)	(568)	(586)	(152)	(791)	(2,958)
Reportable segment EBITDA	2,300	1,266	706	2,917	313	(611)	6,891
Depreciation and amortisation	(89)	(64)	(322)	(98)	(46)	(28)	(647)
Finance costs	–	–	–	–	–	(196)	(196)
Share of loss of a joint venture	–	(10)	–	–	–	–	(10)
Reportable segment profit before taxation	2,211	1,192	384	2,819	267	(835)	6,038
Other segment information:							
Interest income	–	–	–	517	–	77	594
Interest rebates to Participants	–	–	–	(6)	–	–	(6)
Other material non-cash items:							
Forfeiture of unclaimed cash dividends held by HKSCC Nominees Limited	–	–	–	15	–	–	15
Employee share-based compensation expenses	(21)	(16)	(14)	(29)	(2)	(55)	(137)
Reversal of provision for/(provision for) impairment losses	1	–	(2)	77	–	–	76

(a) The accounting policies of the reportable segments are the same as the Group's accounting policies. Taxation charge/credit is not allocated to reportable segments.

(b) Geographical information

(i) Revenue

The Group's revenue from external customers is derived from its operations in the following geographical location:

	2015 \$m	2014 \$m
Hong Kong (place of domicile)	9,757	7,644
United Kingdom	2,476	1,483
	12,233	9,127

(ii) Non-current assets

The Group's non-current assets (excluding financial assets and deferred tax assets) by geographical location are detailed below:

	At 31 Dec 2015 \$m	At 31 Dec 2014 \$m
Hong Kong (place of domicile)	2,059	2,140
United Kingdom	17,481	17,465
Mainland China	3	5
	19,543	19,610

(c) Information about major customers

In 2015 and 2014, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

3. Other Revenue

	2015 \$m	2014 \$m
Network, terminal user, dataline and software sub-license fees	389	356
Commodities stock levies and warehouse listing fees	102	117
Hosting services fees	105	98
Participants' subscription and application fees	73	69
Brokerage on direct IPO allotments	6	34
Trading booth user fees	5	11
Accommodation income (note (a))	72	28
Sales of Trading Rights	11	6
Post-liquidation interest arising from a Participant's default on market contracts (note (b))	38	–
Miscellaneous revenue	61	54
	862	773

(a) Accommodation income mainly comprises income from Participants on securities deposited as alternatives to cash deposits of Margin Funds and interest shortfall collected from LME Clear Participants on cash collateral where the investment return on the collateral is below the benchmarked interest rates stipulated in the clearing rules of LME Clear.

(b) In 2015, the liquidators of LBSA paid a post-liquidation interest of \$38 million on LBSA's debts arising from its default on market contracts. An equal amount was appropriated to the HKSCC Guarantee Fund reserve from retained earnings during the year.

4. Net Investment Income

	2015 \$m	2014 \$m
Gross interest income from financial assets measured at amortised cost	686	594
Interest rebates to Participants	(24)	(6)
Net interest income	662	588
Net fair value gains including interest income on financial assets mandatorily measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	49	109
Others	(33)	10
Net investment income	678	707

5. Gain on Disposal of a Leasehold Property

In 2015, the Group sold a leasehold property to a third party at a consideration of \$509 million. The gain on disposal of the leasehold property, after deducting related selling expenses, amounted to \$445 million and was recognised in the consolidated income statement.

6. Other Operating Expenses

- (a) In prior years, the Group lodged claims with the liquidators of LBSA in respect of the losses of approximately \$160 million previously recognised in the Group's results. During the year ended 31 December 2015, the liquidators declared dividends of \$77 million (2014: \$77 million), and these were recognised in the Group's consolidated income statement, as a reversal of a provision for impairment losses recognised in prior years. Following the receipt of the dividends in 2015, the full amount of the claim lodged has now been recovered.

The amount recovered of \$77 million, together with an interim dividend declared in December 2014 but received in January 2015 of \$23 million, were appropriated to the HKSCC Guarantee Fund reserve from retained earnings during the year ended 31 December 2015 (2014: \$54 million).

- (b) Others

	2015 \$m	2014 \$m
Insurance	14	9
Financial data subscription fees	26	21
Custodian and fund management fees	31	13
Bank charges	50	36
Repairs and maintenance expenses	66	45
License fees	27	20
Communication expenses	15	16
Travel expenses	41	34
Security expenses	17	14
Premises cleaning expenses	9	7
Contribution to Financial Reporting Council	7	5
Other miscellaneous expenses	93	67
	396	287

7. Finance Costs

	2015 \$m	2014 \$m
Interest expenses:		
- Bank borrowings (note 14(a))	23	33
- Convertible Bonds (note 14(b))	42	113
- Notes (note 14(c))	44	42
- Written put options to non-controlling interests (note 14(d))	7	7
Net foreign exchange (gains)/losses on financing activities	(2)	1
	114	196

8. Taxation

Taxation charge/(credit) in the consolidated income statement represented:

	2015 \$m	2014 \$m
Current tax – Hong Kong Profits Tax		
- Provision for the year	1,159	885
- Overprovision in respect of prior years	(2)	–
	1,157	885
Current tax – Overseas Tax		
- Provision for the year	280	3
- Under/(overprovision) in respect of prior years	3	(11)
	283	(8)
Total current tax	1,440	877
Deferred tax		
- (Reversal)/origination of temporary differences	(28)	23
- Impact of changes in UK Corporation Tax rates (note (b))	(65)	–
Total deferred tax	(93)	23
Taxation charge	1,347	900

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2014: 16.5 per cent) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates, with the average corporation tax rates applicable to the subsidiaries in the UK being 20.25 per cent (2014: 21.5 per cent).
- (b) Through the enactment of the 2015 Finance Act in November 2015, the UK Corporation Tax rate will drop to 19 per cent effective from 1 April 2017 and 18 per cent effective from 1 April 2020. As a result of the reduction in UK Corporation Tax rates, the Group's net deferred tax liabilities decreased by approximately \$65 million.

9. Earnings Per Share

The calculation of the basic and diluted earnings per share is as follows:

- (a) Basic earnings per share

	2015	2014
Profit attributable to shareholders (\$m)	7,956	5,165
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,186,802	1,163,712
Basic earnings per share (\$)	6.70	4.44

(b) Diluted earnings per share

	2015	2014
Profit attributable to shareholders (\$m)	7,956	5,165
Interest expense on Convertible Bonds (net of tax) (\$m)	41	–
Adjusted profit attributable to shareholders (\$m)	7,997	5,165
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,186,802	1,163,712
Effect of employee share options (in '000)	6	350
Effect of Awarded Shares (in '000)	2,721	1,286
Effect of Convertible Bonds (in '000)	8,841	–
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,198,370	1,165,348
Diluted earnings per share (\$)	6.67	4.43

- (i) The effect of the outstanding Convertible Bonds was not included in the computation of diluted earnings per share for 2014 as it was anti-dilutive.

10. Dividends

	2015 \$m	2014 \$m
Interim dividend paid:		
\$3.08 (2014: \$1.83) per share	3,688	2,136
Less: Dividend for shares held by Share Award Scheme (note (a))	(9)	(3)
	3,679	2,133
Final dividend proposed (note (b)):		
\$2.87 (2014: \$2.15) per share based on issued share capital at 31 Dec	3,468	2,511
Less: Dividend for shares held by Share Award Scheme at 31 Dec (note (a))	(9)	(6)
	3,459	2,505
	7,138	4,638

- (a) The results and net assets of the Share Award Scheme are included in HKEX's financial statements. Therefore, dividends for shares held by the Share Award Scheme were deducted from the total dividends.
- (b) The final dividend proposed after 31 December is not recognised as a liability at 31 December. The 2014 final dividend paid was \$2,533 million, as \$28 million was paid for shares issued for conversion of Convertible Bonds and exercise of employee share options after 31 December 2014 and before the ex-dividend date.
- (c) The 2015 final dividend will be payable in cash with a scrip dividend alternative subject to the permission of the SFC of the listing of and permission to deal in the new shares to be issued.

11. Financial Assets

As part of its day to day operations, the Group receives cash prepayments for A shares, margin deposits, Mainland security and settlement deposits, and cash collateral from CPs, and Participants' contributions to Clearing House Funds. LME Clear, which acts as a CCP to the metals contracts traded on the LME, records the fair value of certain outstanding base metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32 as financial assets. The Group classifies the corresponding assets into the following categories:

Margin Funds – the Margin Funds are established by cash received or receivable from the CPs in respect of margin deposits, Mainland security and settlement deposits, and cash collateral of the five clearing houses (ie, HKSCC, HKCC, SEOCH, OTC Clear and LME Clear) to cover their open positions. Part of the Mainland security and settlement deposits is used by HKSCC to satisfy its obligations as a CP of ChinaClear in respect of trades transacted through Stock Connect. These funds are held in segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities.

Clearing House Funds – the Clearing House Funds are established under the Clearing House Rules. Assets contributed by the CPs and the Group are held by the respective clearing houses (ie, HKSCC, HKCC, SEOCH, OTC Clear and LME Clear) (together with the accumulated income less related expenses for the clearing houses in Hong Kong) expressly for the purpose of ensuring that the respective clearing houses are able to fulfil their counterparty obligations in the event that one or more of the CPs fail to meet their obligations to the clearing houses. The HKSCC Guarantee Fund also provides resources to enable HKSCC to discharge its liabilities and obligations if defaulting CPs deposit defective securities into CCASS. The amounts earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear and its accumulated investment income was also included in Clearing House Funds for presentation purpose. These funds are held in segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities.

Base metals derivatives contracts include the fair value of the outstanding base metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32, where LME Clear is acting in its capacity as a CCP to the contracts traded on the LME.

Cash prepayments for A shares represent cash received by HKSCC from its CPs for releasing their allocated A shares for same day settlement. Such prepayments will be used to settle HKSCC's Continuous Net Settlement obligations payable on the next business day.

Financial assets belonging to the Group, which are funded by share capital and funds generated from operations (other than base metals derivatives contracts, amounts received for the Margin Funds, Clearing House Funds and cash prepayments for A shares), are classified as Corporate Funds.

The financial assets of Margin Funds, Clearing House Funds, base metals derivatives contracts, cash prepayments for A shares and Corporate Funds are invested into cash and cash equivalents, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost, details of which are as follows:

	At 31 Dec 2015 \$m	At 31 Dec 2014 \$m
<u>Margin Funds</u>		
Cash and cash equivalents	89,807	117,903
Financial assets measured at fair value through profit or loss	5,844	895
Financial assets measured at amortised cost	18,765	10,071
	114,416	128,869
<u>Clearing House Funds</u>		
Cash and cash equivalents	8,210	10,189
Financial assets measured at amortised cost	220	100
	8,430	10,289
<u>Base metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss	64,480	59,679
<u>Cash prepayments for A shares</u>		
Cash and cash equivalents	129	619
<u>Corporate Funds</u>		
Cash and cash equivalents	12,744	8,067
Financial assets measured at fair value through profit or loss	2,381	2,112
Financial assets measured at amortised cost	511	85
	15,636	10,264
	203,091	209,720

The expected maturity dates of the financial assets are analysed as follows:

	At 31 Dec 2015						At 31 Dec 2014					
	Clearing House Funds	Margin Funds	Cash prepayments for A shares	Base metals derivatives contracts	Corporate Funds	Total	Clearing House Funds	Margin Funds	Cash prepayments for A shares	Base metals derivatives contracts	Corporate Funds	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Within 12 months	8,430	114,416	129	64,480	15,579	203,034	10,289	128,869	619	59,679	10,207	209,663
Over 12 months	-	-	-	-	57	57	-	-	-	-	57	57
	8,430	114,416	129	64,480	15,636	203,091	10,289	128,869	619	59,679	10,264	209,720

12. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable under the T+2 settlement cycle, which accounted for 87 per cent (31 December 2014: 91 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within 2 days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

13. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 89 per cent (31 December 2014: 92 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations payable mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within 3 months.

14. Borrowings

	At 31 Dec 2015 \$m	At 31 Dec 2014 \$m
Bank borrowings (note (a))	1,585	1,585
Convertible Bonds (note (b))	–	3,701
Notes (note (c))	1,516	1,515
Written put options to non-controlling interests (note (d))	308	225
Total borrowings	3,409	7,026

(a) Bank borrowings

At 31 December 2015, bank borrowings mature within 6 years (31 December 2014: 7 years). During the year, the bank borrowings bore average coupons of 1.4 per cent (2014: 1.8 per cent) per annum, and the average effective interest rate was 1.5 per cent (2014: 2.0 per cent) per annum.

(b) Convertible Bonds

During the year ended 31 December 2015, all of the Convertible Bonds were converted into HKEX's shares at the prevailing adjusted conversion price of HK\$157.62 per share and cancelled upon the exercise of the conversion rights by the bondholders. As a result, a total number of 24,594,225 shares in HKEX were issued and credited as fully paid. As the Convertible Bonds were fully converted, the convertible bond reserve was partly transferred to share capital (\$143 million, being the difference between the consideration of shares issued and the carrying amount of liability component of the Convertible Bonds at the time of conversion) and partly transferred to retained earnings (\$266 million) (note 15).

(c) Notes

In December 2013 and January 2014, HKEX issued US\$100 million (HK\$775 million) and US\$95 million (HK\$737 million) of fixed rate senior notes which will be due in December 2018 and January 2019 respectively.

The average effective interest rate of the senior notes was 2.9 per cent (2014: 2.9 per cent) per annum.

(d) Written put options to non-controlling interests

(i) In October 2013 and August 2015, OTC Clear issued 1,200 and 420 non-voting ordinary shares to certain third party shareholders at a consideration of \$252 million and \$88 million respectively. As part of the arrangement, put options were written by HKEX to the non-controlling interests of OTC Clear to sell part or all of their non-voting ordinary shares in OTC Clear to HKEX at the initial subscription price of \$210,000 per share less accumulated dividends received by the non-controlling interests. The put options are exercisable by the non-controlling interests at any time following the date falling five years after the shares were issued if the non-controlling interests can demonstrate to HKEX that they have used reasonable endeavours for at least three months to find a suitable purchaser for their shares at a price equal to or more than their fair market values. The carrying amount of written put options represents the present value of the amount payable by HKEX to acquire the non-controlling interests at the date at which the written put options first become exercisable.

(ii) The effective interest rate of the liabilities was 3.0 per cent (2014: 3.0 per cent) per annum.

15. Retained Earnings

	2015 \$m	2014 \$m
At 1 Jan	8,800	7,800
Profit attributable to shareholders	7,956	5,165
Transfer to Clearing House Funds reserves	(135)	(57)
Dividends:		
2014/2013 final dividend	(2,533)	(1,996)
2015/2014 interim dividend	(3,679)	(2,133)
Unclaimed HKEX dividends forfeited	18	29
Vesting of dividend shares of Share Award Scheme	(8)	(8)
Tax credit relating to Share Award Scheme	3	–
Transfer from convertible bond reserve upon conversion of Convertible Bonds (note 14(b))	266	–
Changes in ownership interests in a subsidiary	3	–
At 31 Dec	10,691	8,800

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group's results for the year ended 31 December 2015 have been agreed by the Group's external auditor, PricewaterhouseCoopers Hong Kong (PwC), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

REVIEW OF 2015 CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (AC) reviewed the 2015 Consolidated Financial Statements in conjunction with HKEX's external auditor. Based on this review and discussions with management, the AC was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2015.

DISTRIBUTABLE RESERVES

As at 31 December 2015, HKEX's distributable reserves, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to \$6.6 billion (31 December 2014: \$7.0 billion).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of \$2.87 per share (2014: \$2.15 per share) to Shareholders whose names appear on HKEX's Register of Members on 6 May 2016, and the retention of the remaining profit for the year. Including the interim dividend, total dividend for 2015 amounts to a total of \$5.95 per share (2014: \$3.98 per share), which represents a payout ratio of 90 per cent (2014: 90 per cent) of the profit attributable to shareholders for the year ended 31 December 2015. Dividend paid to shares held in trust under the Share Award Scheme amounts to \$18 million (2014: \$9 million). The Board also proposes to offer a scrip dividend alternative to allow Shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares in lieu of cash.

SCRIP DIVIDEND ALTERNATIVE

Subject to Shareholders' approval at the 2016 AGM of the proposed final dividend and a general mandate to issue shares, the final dividend will be payable in cash with a scrip alternative where a 5 per cent discount on the subscription price will be offered to Shareholders who elect to subscribe for shares. The scrip dividend alternative is also conditional upon the SFC's granting the listing of, and permission to deal in, new shares of HKEX to be issued pursuant thereto.

A circular containing details of the scrip dividend alternative, where available, together with an election form (where applicable) is expected to be despatched to Shareholders on or about Wednesday, 11 May 2016. The scrip share subscription price for calculating the number of new shares to be allotted will be announced on or about Tuesday, 17 May 2016. Definitive share certificates in respect of the scrip dividend and dividend warrants are expected to be despatched to Shareholders on Thursday, 2 June 2016.

CLOSURE OF HKEX'S REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the 2016 AGM, and entitlement to the final dividend, HKEX's Register of Members will be closed as set out below:

- (i) For determining eligibility to attend and vote at the 2016 AGM:
 - Latest time to lodge transfer documents for registration with HKEX's registrar At 4:30 pm on 25 April 2016
 - Closure of HKEX's Register of Members 26 April 2016 to 28 April 2016
(both dates inclusive)
 - Record date 28 April 2016

- (ii) For determining entitlement to the final dividend:
 - Ex-dividend date 3 May 2016
 - Latest time to lodge transfer documents for registration with HKEX's registrar At 4:30 pm on 4 May 2016
 - Closure of HKEX's Register of Members 5 May 2016 to 6 May 2016
(both dates inclusive)
 - Record date 6 May 2016

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2016 AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKEX's registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The 2016 AGM will be held on Thursday, 28 April 2016. The Notice of the 2016 AGM, which constitutes part of the circular to Shareholders, will be sent together with the 2015 Annual Report. The Notice of the 2016 AGM, the circular which sets out details of the business to be conducted at the 2016 AGM, and the proxy form will be available under the About HKEX (Investor Relations) section of the HKEX website. The poll results of the proposed resolutions will be published on the HKEX website shortly after the 2016 AGM is held.

All Shareholders are encouraged to attend the 2016 AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting, and will be able to meet with Directors and the senior management.

APPOINTMENT AND ELECTION OF DIRECTORS

The service terms of C K Chow and Tim Freshwater (Government Appointed Directors) and Oscar Wong (Elected Director) will expire at the conclusion of the 2016 AGM. Pursuant to the Nomination Policy as amended by the Board in 2015, Mr Wong, who would have been serving on the Board for 13 consecutive years by the end of the 2016 AGM, is not eligible for nomination by the Board to stand for re-election. The Board expressed its deep gratitude to Mr Wong for his long and distinguished service over the past years.

On 22 February 2016, the Nomination Committee recommended the Board nominate Apurv Bagri to stand for election by Shareholders at the 2016 AGM. The nomination has been made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity, as set out under the Board Diversity Policy. Given Mr Bagri's background and vast experience in the non-ferrous metals futures trading business, his appointment would help broaden the Board diversity and enhance its performance.

On 2 March 2016, the Nomination Committee's nomination was accepted by the Board. Mr Bagri does not have any service contracts with any member of the Group that are not determinable by the Group within 1 year without compensation (other than statutory compensation). His particulars will be set out in the circular to Shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year 2015, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exceptions of Code Provisions A.4.1 (re-election of non-executive directors) and A.4.2 (retirement by rotation of directors).

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by the SFO. HKEX's Chief Executive in his capacity as a Director is not subject to retirement by rotation, as his term on the Board is coterminous with his employment with HKEX under HKEX's Articles of Association.

Details of HKEX's compliance with the Corporate Governance Code are set out under the About HKEX (Corporate Governance) section of the HKEX website.

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

During 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the HKEX shares, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,137,400 HKEX shares at a total consideration of \$227 million.

PUBLICATION OF 2015 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the HKEXnews website at www.hkexnews.hk and the HKEX website at www.hkex.com.hk/eng/exchange/invest/results/2016Results.htm. The 2015 Annual Report will be available on the HKEXnews and HKEX websites and despatched to Shareholders on or about Wednesday, 23 March 2016.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
Joseph MAU
Company Secretary

Hong Kong, 2 March 2016

At the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, Ms FUNG Yuen Mei, Anita, Mr Rafael GIL-TIENDA, Mr John Barrie HARRISON, Dr HU Zuli, Fred, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mrs LEUNG KO May Yee, Margaret, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEX's Chief Executive.

GLOSSARY

2016 AGM	HKEX's annual general meeting to be held on 28 April 2016
ADT	Average daily turnover value
AHFT	After-Hours Futures Trading
AMS	Automatic Order Matching and Execution System
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEX's board of directors
Cash Market	HKEX's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CCASS	Central Clearing and Settlement System
CCP(s)	Central counterparty(ies)
ChinaClear	China Securities Depository and Clearing Corporation Limited
CNH	Offshore RMB traded outside Mainland China
CNS	Continuous Net Settlement
Convertible Bonds	The US\$500 million 0.50 per cent convertible bonds due 2017 constituted under the trust deed dated 23 October 2012, as amended and restated effective 17 December 2012
Corporate Governance Code and Corporate Governance Report	Refer to Appendix 14 to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
CSR	Corporate Social Responsibility
Derivatives Market	HKEX's derivatives related business including stock options
Director(s)	HKEX's director(s)
DWs	Derivative warrants
Elected Director	Director elected by the Shareholders at general meetings
EPs or Participant(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
EU	European Union
FIC	Fixed income and currency
Financial Secretary	Financial Secretary of the Hong Kong Special Administrative Region of the PRC
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GBP	Pound sterling
GEM	The Growth Enterprise Market
Government Appointed Directors	Directors appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEX and its subsidiaries
HKCC	HKFE Clearing Corporation Limited
HKEX or the Company	Hong Kong Exchanges and Clearing Limited
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSCC	Hong Kong Securities Clearing Company Limited
HSCEI/H-shares Index	Hang Seng China Enterprises Index
HSI	Hang Seng Index
IPO(s)	Initial Public Offering(s)
IT	Information Technology
LCH	LCH.Clearnet Group Limited
Listing Committees	Listing Committee and GEM Listing Committee
Listing Rules	Main Board Listing Rules and Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
LME	The London Metal Exchange
LME Clear	LME Clear Limited
LME Group	HKEX Investment (UK) Limited, LMEH, the LME and LME Clear

LMEH	LME Holdings Limited
LMEselect	The electronic platform for the trading of all LME contracts
London Metal Mini Futures	London Aluminium/Zinc/Copper/Nickel/Tin/Lead Mini Futures
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MOI	Market open interest
Northbound Trading	Hong Kong and overseas investors trading in eligible securities that are listed on the SSE through the Stock Connect
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
PFMI	Principles for Financial Market Infrastructures
PRC	People's Republic of China
QDII2	Qualified Domestic Individual Investor
RMB	Renminbi
SECH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai-Hong Kong Stock Connect or Stock Connect	A pilot programme that links the stock markets in Shanghai and Hong Kong. Under the programme, investors in Hong Kong and Mainland China can trade and settle shares listed on the other market via the exchange and clearing house in their home market
Shareholders	HKEX's shareholders
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006, 13 May 2010, 17 December 2013 and 17 June 2015
Southbound Trading	Mainland investors trading in eligible securities that are listed on the Stock Exchange through the Stock Connect
SSE	Shanghai Stock Exchange
SSE Securities	Shares eligible for trading under Northbound Trading of the Stock Connect
Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
UK	United Kingdom
US	United States of America
US\$/USD	United States dollar
\$/HK\$/HKD	Hong Kong dollar
\$bn/bn	Hong Kong dollar in billion/billion
\$m	Hong Kong dollar in million