



Hong Kong Exchanges and Clearing Limited
香港交易及結算所有限公司

Quarterly Report 2012

For the nine months ended 30 September

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

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FINANCIAL HIGHLIGHTS

| | Nine months ended 30 Sept 2012 | Nine months ended 30 Sept 2011 | Change | Three months ended 30 Sept 2012 | Three months ended 30 Sept 2011 | Change |
|--|---|---|--------|--|--|--------|
| KEY MARKET STATISTICS | | | | | | |
| Average daily turnover value on the Stock Exchange (\$bn) | 53.1 | 73.2 | (27%) | 46.4 | 72.6 | (36%) |
| Average daily number of derivatives contracts traded on the Futures Exchange | 257,973 | 268,850 | (4%) | 243,303 | 304,229 | (20%) |
| Average daily number of stock options contracts traded on the Stock Exchange | 224,880 | 309,104 | (27%) | 211,479 | 348,598 | (39%) |
| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m | Change |
| RESULTS | | | | | | |
| Revenue and other income | 5,463 | 5,917 | (8%) | 1,693 | 1,945 | (13%) |
| Operating expenses | 1,525 | 1,383 | 10% | 493 | 467 | 6% |
| Operating profit | 3,938 | 4,534 | (13%) | 1,200 | 1,478 | (19%) |
| Costs relating to proposed acquisition of LME Group | (128) | - | N/A | (18) | - | N/A |
| Share of loss of a joint venture | (1) | - | N/A | (1) | - | N/A |
| Profit before taxation | 3,809 | 4,534 | (16%) | 1,181 | 1,478 | (20%) |
| Taxation | (589) | (713) | (17%) | (177) | (241) | (27%) |
| Profit attributable to shareholders | 3,220 | 3,821 | (16%) | 1,004 | 1,237 | (19%) |
| Basic earnings per share | \$2.99 | \$3.55 | (16%) | \$0.93 | \$1.15 | (19%) |
| Diluted earnings per share | \$2.98 | \$3.54 | (16%) | \$0.93 | \$1.15 | (19%) |

| | At 30 Sept 2012 | At 31 Dec 2011 | Change |
|--|--------------------|-------------------|--------|
| KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION | | | |
| Shareholders' funds (\$m) | 8,693 | 9,159 | (5%) |
| Total assets ¹ (\$m) | 55,801 | 54,028 | 3% |
| Net assets per share ² (\$) | 8.03 | 8.50 | (6%) |

Notes:

- The Group's total assets include the Margin Funds received from Participants on futures and options contracts.
- Based on 1,082,084,895 shares as at 30 September 2012, being 1,084,057,087 shares issued and fully paid less 1,972,192 shares held for the Share Award Scheme (31 December 2011: 1,077,670,473 shares, being 1,079,906,640 shares issued and fully paid less 2,236,167 shares held for the Share Award Scheme)

CHAIRMAN'S STATEMENT

In the third quarter of 2012, global financial markets continued to be affected by macroeconomics which has undermined investor confidence. The Hong Kong stock market was of no exception. For the first nine months of 2012, the average daily turnover value on our securities market declined by 27 per cent from the same period last year, while the average daily number of futures and options contracts traded on our derivatives market dropped by 16 per cent year-on-year. The Group's profit attributable to shareholders for the nine months ended 30 September 2012 was \$3.2 billion, a drop of about 16 per cent against that of last year.

The September 2012 announcement by the US Federal Reserve of a third round of quantitative easing and the maintaining of the federal funds rate near zero at least through mid-2015 has helped improve market sentiment, and as a result global financial markets responded positively to these stimulus policies.

Whilst the long-term effectiveness of these policies aiming to inspire global economic growth momentum has yet to be proven, HKEx has been working diligently in adding impetus to its business. Our strong foundation supports our expansion into fixed income, currencies and commodities, as well as RMB businesses.

After gaining over 99 per cent of LMEH shareholders' approval of our proposed acquisition, we applied to FSA for the change of control of LME. Subject to regulatory approval, completion of the acquisition of LME is anticipated by the end of this year. Although committed banking facilities have been arranged to finance the acquisition, we, in light of favourable market conditions and positive feedback from investors, tapped the capital markets and raised US\$500 million by issuing convertible bonds to professional investors. The net proceeds from the issuance of convertible bonds will be used to partly fund the acquisition while allowing us to reduce the necessity of using bridge financing through our committed bank facilities.

Progress has been made in the development of our RMB business. We saw the introduction of a number of RMB products on our markets and the listing of the first RMB-traded equity on the Exchange. We established Ganghui Financial Information Services (Shanghai) Limited as a wholly foreign owned enterprise in Shanghai to provide financial information services on the Mainland, and we formed a joint venture company, China Exchanges Services Company Limited, in Hong Kong with the Shanghai Stock Exchange and the Shenzhen Stock Exchange to develop financial products and related services on the three markets.

Apart from active business development, our work on maintaining and enhancing market quality continues. After market consultation, the Environmental, Social and Governance Reporting Guide will be implemented as a recommended practice under the Listing Rules effective 1 January 2013. This is an important step to foster a caring attitude among issuers, and enhance public access to issuers' performance in this respect. In view of the growing concern about board diversity globally, we published a consultation paper in September 2012 to seek market views on amending the Listing Rules to cover the subject. We believe that good governance lays a firm foundation for companies' sustainable development in a competitive environment.

CHAIRMAN'S STATEMENT

The Board has renewed the contract with Mr Charles Li as HKEx's Chief Executive for a further 3-year term until 15 October 2015. We look forward to working with Mr Li towards the continued success of HKEx and the further development of Hong Kong as an international financial centre.

Although global financial markets are overshadowed by uncertainties, with the continued support of all our stakeholders and the determined effort of our management team, we believe that we are well positioned for the challenges ahead.

CHOW Chung Kong
Chairman

Hong Kong, 7 November 2012

CHIEF EXECUTIVE'S REVIEW

For the first three quarters of the 2012 financial year, we experienced weak fund raising and trading activities amidst economic uncertainties around the world. Nevertheless, our strategic initiatives under the Strategic Plan 2010-2012 began to bear fruit which I believe will significantly enhance our competitive position and prepare us for opportunities when market conditions improve.

Market Performance

In the first three quarters of 2012, 47 companies were newly listed on the Stock Exchange¹. Total capital raised (including post-listing funds) reached \$195.8 billion, a 46 per cent decrease from the same period in 2011. Among them were international companies from Canada, Japan and Singapore that raised a total of about \$6.3 billion.

In the securities market, the average daily turnover value was \$53.1 billion, a 27 per cent decrease from the same period in 2011. Average daily volume for futures was 190,916 contracts and average daily volume for options was 291,937 contracts, down 6 per cent and 22 per cent respectively year-on-year.

Business Development Review

RMB Internationalisation

As part of our continuing effort to promote RMB internationalisation and prepare for the unique opportunities brought about by China's gradual capital account opening, we have developed a variety of RMB-traded products. RMB-traded debt securities with a cumulative value of RMB66 billion were listed as of the end of the third quarter of 2012, including RMB23 billion in sovereign bonds. To provide investors with indirect access to the Mainland stock market, 3 RMB Qualified Foreign Institutional Investor (RQFII) A-share ETFs were newly listed on the Exchange in the third quarter. The assets under their management was in excess of RMB11 billion as at the end of September. On 17 September, we introduced the world's first exchange-traded deliverable RMB futures to cater for the increasing needs of companies and investors to hedge against RMB currency risk.

OTC Clearing

The development of the OTC derivatives clearing business is progressing well. Our new OTC clearing house, OTC Clearing Hong Kong Limited (OTC Clear), is the first OTC clearing house in Hong Kong. The finalisation of OTC Clear's rules and procedures and the implementation of its systems are underway. We have been in discussions with banks and licensed corporations in regard to OTC clearing membership and our Founding Members Programme. Responses received so far have been positive.

Platform Infrastructure Upgrade

In the third quarter of 2012, construction of the new Data Centre in Tseung Kwan O was completed. In October 2012, the IT office relocation and the first phase of data centre migration to the new building were smoothly completed.

¹ Excluding the number of transfers of listing from GEM to the Main Board

The HKEx Orion technology programme is also progressing well. The migration of network circuits for Cash Market Participants and IVs to SDNet/2 was completed in mid-July, while the Orion Market Data Platform is being implemented as planned. On the Derivatives Market, the migration of HKATS/DCASS to the new Genium INET platform has commenced. The Orion Trading Platform and Orion Central Gateway, 2 other initiatives under the HKEx Orion programme, are going through the proof-of-concept and development phases, respectively.

Update on Agreement to Acquire LME

As it is a key step in “kick-starting” HKEx’s strategy of expanding our business into commodities, we continue to work diligently towards the closing of our proposed acquisition of LME. Application for Change of Control was submitted to FSA on 4 September. So far, no major issues have been identified. Meanwhile, an Integration Management Office has been set up to spearhead the preparation for Day-1 operations and the implementation of our strategic initiatives, as laid out in the news release regarding the offer². Subject to FSA’s approval, the transaction is expected to close in the fourth quarter of 2012.

LI Xiaojia, Charles

Director and Chief Executive

Hong Kong, 7 November 2012

² The news release “HKEx Makes Recommended Cash Offer for the London Metal Exchange” dated 15 June 2012 is available on the HKEx website.

BOARD AND COMMITTEES

Board

Independent Non-executive Directors

CHOW Chung Kong *¹ (Chairman)
Ronald Joseph ARCULLI *² GBM, GBS, JP (ex-Chairman)
CHA May-Lung, Laura *³ GBS, JP
CHAN Tze Ching, Ignatius⁴ BBS, JP
CHENG Mo Chi, Moses *³ GBS, JP
Timothy George FRESHWATER *⁵
John Barrie HARRISON *
HUI Chiu Chung, Stephen * JP
KWOK Chi Piu, Bill JP
LEE Kwan Ho, Vincent Marshall
LEE Tze Hau, Michael * JP
John Estmond STRICKLAND GBS, JP
John Mackay McCulloch WILLIAMSON⁴
WONG Sai Hung, Oscar

Executive Director, Chief Executive

LI Xiaojia, Charles⁶

Committees

Audit Committee

John Barrie HARRISON (Chairman)
LEE Kwan Ho, Vincent Marshall (Deputy Chairman)
CHAN Tze Ching, Ignatius⁷
KWOK Chi Piu, Bill
John Mackay McCulloch WILLIAMSON⁷

Environmental, Social and Governance Committee

CHOW Chung Kong⁸ (Chairman)
Ronald Joseph ARCULLI⁹ (ex-Chairman)
CHA May-Lung, Laura³
John Barrie HARRISON
LEE Tze Hau, Michael
LI Xiaojia, Charles

Executive Committee

CHOW Chung Kong⁸ (Chairman)
Ronald Joseph ARCULLI³ (ex-Chairman)
KWOK Chi Piu, Bill
LEE Kwan Ho, Vincent Marshall
LI Xiaojia, Charles
John Mackay McCulloch WILLIAMSON⁷

Committees (continued)

Investment Advisory Committee

John Estmond STRICKLAND (Chairman)
WONG Sai Hung, Oscar (Deputy Chairman)
HUI Chiu Chung, Stephen
LEE Tze Hau, Michael
LUI Yin Tat, David

Nomination Committee

CHOW Chung Kong¹⁰ (Chairman)
Ronald Joseph ARCULLI³ (ex-Chairman)
CHAN Tze Ching, Ignatius⁷
CHENG Mo Chi, Moses³
Timothy George FRESHWATER¹⁰
John Estmond STRICKLAND
WONG Sai Hung, Oscar

Panel Member Nomination Committee

CHAN Tze Ching, Ignatius¹⁰ (Chairman)
CHA May-Lung, Laura³ (ex-Chairman)
KWOK Chi Piu, Bill
LEE Kwan Ho, Vincent Marshall
LEE Tze Hau, Michael
WONG Sai Hung, Oscar

Remuneration Committee

CHOW Chung Kong¹⁰ (Chairman)
Ronald Joseph ARCULLI⁹ (ex-Chairman)
CHA May-Lung, Laura³
CHENG Mo Chi, Moses³
Timothy George FRESHWATER¹⁰
John Barrie HARRISON
John Mackay McCulloch WILLIAMSON⁷

Risk Management Committee^Δ

CHOW Chung Kong⁸ (Chairman)
Ronald Joseph ARCULLI³ (ex-Chairman)
CHAN Ngai Hang **
HE Guangbei **¹¹
KWOK Chi Piu, Bill
LAU Ying Pan, Edmond **¹²
LEE Tze Hau, Michael
LIU Swee Long, Michael **
LUI Kei Kwong, Keith **¹³

Company Secretary

MAU Kam Shing, Joseph

Notes:

| | | |
|---|--|--|
| * Government Appointed Director | 5 Appointment effective 23 April 2012 | 11 Appointment effective 20 January 2012 |
| ** Appointed by the Financial Secretary | 6 Contract renewed effective 16 October 2012 | by virtue of being the Chairman of Hong Kong Interbank Clearing Limited |
| Δ Established under Section 65 of the SFO | 7 Re-appointment effective 24 April 2012 | 12 By virtue of being the HKMA's Executive Director (Monetary Management) effective 20 January 2012 (formerly ad personam) |
| 1 Appointed as Director effective 23 April 2012 and as Chairman effective 27 April 2012 | 8 Appointment effective 27 April 2012 by virtue of being HKEx's Chairman | 13 By virtue of being the SFC's Executive Director (Supervision of Markets) effective 20 January 2012 (formerly ad personam) |
| 2 Ceased chairmanship and re-appointed as Director effective 23 April 2012 | 9 Ceased chairmanship effective 23 April 2012 and re-appointed as member effective 24 April 2012 | |
| 3 Retired on 23 April 2012 | 10 Appointment effective 24 April 2012 | |
| 4 Re-elected on 23 April 2012 | | |

Other Changes in Directors' Information

Other changes in Directors' information since the date of the 2012 Interim Report are set out below.

| | Appointment (effective) | Cessation of office (effective) |
|---|----------------------------|------------------------------------|
| Ronald J Arculli | | |
| • World Federation of Exchanges – chairman and director | – | 15 Oct 2012 |
| Ignatius T C Chan | | |
| • Travel Industry Compensation Fund Management Board – chairman | – | 15 Oct 2012 |
| • Investor Education Centre (established by the SFC) – member of Executive Committee | 19 Oct 2012 | – |
| C K Chow | | |
| • Independent Commission on Remuneration for Members of the Executive Council and the Legislature, and Officials under the Political Appointment System – member | – | 1 Jul 2012 [#] |
| • World Federation of Exchanges – director | 15 Oct 2012 | – |
| Stephen C C Hui | | |
| • Hong Kong Securities and Investment Institute, where Mr Hui is a fellow, officially changed its name from Hong Kong Securities Institute on 17 September 2012. | – | – |
| Bill C P Kwok | | |
| • Hong Kong Securities and Investment Institute, where Dr Kwok is a fellow, officially changed its name from Hong Kong Securities Institute on 17 September 2012. | – | – |
| John M M Williamson | | |
| • Hong Kong Securities and Investment Institute, where Mr Williamson is a fellow, officially changed its name from Hong Kong Securities Institute on 17 September 2012. | – | – |
| Oscar S H Wong | | |
| • China Bio-Med Regeneration Technology Limited * | | |
| – non-executive director | – | 23 Aug 2012 |
| – executive director | 23 Aug 2012 | – |
| • ARN Asian Enterprise Fund Limited (delisted from the Irish Stock Exchange with effect from 22 June 2012, and in members' voluntary liquidation) | | |
| – non-executive director | – | 31 Aug 2012 |

[#] The change was officially announced by the Government on 17 August 2012.

* Currently listed on the Stock Exchange

The updated biographies of Directors are available on the HKEx website.

Save for those disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Main Board Listing Rules.

Listing

Environmental, Social and Governance Reporting Guide

The consultation conclusions on the proposed Environmental, Social and Governance Reporting Guide (Guide) were published on 31 August 2012.

The Guide will be a recommended practice and apply to issuers with financial years ending after 31 December 2012. Subject to further consultation, the Exchange plans to raise the obligation level of some recommended disclosures in the Guide to “comply or explain” by 2015. Dialogue will be continued with listed companies and other stakeholders as and when appropriate to solicit their views on the Guide.

Proposals on Trading Halts and Listing Rule Amendments regarding Inside Information

The Exchange is reviewing the responses to consultations conducted in the third quarter of 2012 on: (i) a proposal to implement trading halts that would allow listed companies to publish announcements with price sensitive information during trading hours; and (ii) proposed Rule changes consequential on the statutory backing of listed companies’ continuing obligation to disclose inside information.

Consultation conclusions on the proposals will be released later this year.

Consultation Paper on Board Diversity

HKEx published a consultation paper on 7 September 2012 to seek views on its proposal to include board diversity in the Corporate Governance Code and Corporate Governance Report (Code).

Under the proposals, the Code’s Principle for “Board Composition” will be revised to include “diversity of perspectives”. An issuer should, upon conducting reviews of its board composition, consider the benefits of diversity in addition to achieving a balance of skills, experience and independence.

The proposals also include a new Code Provision (ie, subject to “comply or explain”) stating that an issuer’s nomination committee (or its board) should have a policy concerning diversity in the boardroom, and should disclose the policy or a summary of the policy in its corporate governance report.

The deadline for submitting responses to the consultation paper is 9 November 2012.

RMB Business Development

In the third quarter of 2012, 3 RMB Qualified Foreign Institutional Investor (RQFII) A-share ETFs were listed on the Exchange. The addition of RQFII A-share ETFs broadens HKEx's RMB product offerings and helps develop the ETF market further, and also enables investors to own physical A-shares.

| RQFII A-share ETF | Benchmark index |
|------------------------------------|----------------------|
| • ChinaAMC CSI 300 Index ETF | CSI 300 Index |
| • CSOP FTSE China A50 ETF | FTSE China A50 Index |
| • E Fund CSI 100 A-Share Index ETF | CSI 100 Index |
| • Harvest MSCI China A Index ETF | MSCI China A Index |

HKEx, with the SFC's collaboration, established the Dual Counter model for RQFII ETFs to offer investors a choice of trading a security in RMB or HKD. A series of market practice sessions were carried out for the market to get familiar with the operations of Dual Counter model. On 12 October 2012, Harvest MSCI China A Index ETF was newly listed on the Exchange as the first Dual Counter security, and on 26 October 2012, ChinaAMC CSI 300 Index ETF also launched the HKD counter (in addition to the RMB counter). HKEx and the SFC have been working with other 2 RQFII A-share ETF managers on the launch of the HKD counter for their RQFII A-share ETFs (in addition to the RMB counter) under the Dual Counter model.

On 29 October 2012, the listing of RMB-traded shares issued by Hopewell Highway Infrastructure Limited on the Exchange (in addition to its HKD-traded shares) marked the debut of the first RMB-traded equity security outside Mainland China and HKEx's first Dual Counter equity security. It set a major milestone in HKEx's RMB product development and reinforced Hong Kong's position as a leading offshore RMB centre.

Number of RMB-traded Products Listed on the Exchange

| | |
|-------------------|----|
| • Equity security | 1 |
| • Debt securities | 43 |
| • ETFs | 5 |
| • REIT | 1 |

RMB Currency Futures commenced trading on 17 September 2012. They are the first exchange-traded deliverable futures based on the exchange rate of USD vs RMB circulated in Hong Kong. The new futures serve as a tool for RMB users to manage foreign exchange risk. A total of 2,172 contracts (US\$217.2 million, or approximately RMB1.4 billion, in value terms) were traded in September 2012, and the month-end open interest was 1,076 contracts (US\$107.6 million, or approximately RMB679 million, in value terms).

With effect from 6 August 2012, the coverage of the RMB Equity Trading Support Facility (TSF) was extended from RMB-traded shares to RMB-traded REITs and ETFs with equities as the underlying benchmark. As at 30 September 2012, there were 45 eligible TSF Participants and 4 TSF eligible securities.

Promotion of RMB products continued in the third quarter of 2012. HKEx organised and/or participated in various marketing and educational activities in Hong Kong, Singapore and the Mainland to enhance these markets' understanding of its RMB products.

Cash Market

Market Performance

In the nine months ended 30 September 2012, 39 companies were newly listed on the Main Board (including 2 transfers from GEM), and 10 on GEM. Total capital raised, including post-listing funds, reached \$195.8 billion. As at 30 September 2012, 1,355 and 178 companies were listed on the Main Board and GEM respectively with a total market capitalisation of about \$19,649 billion. In addition, there were 3,903 DWs, 1,104 CBBCs, 96 ETFs, 9 REITs, and 247 debt securities listed as at 30 September 2012. The average daily turnover value in the first nine months of 2012 was \$53 billion on the Main Board and \$131.7 million on GEM, a decline of 27 per cent and 54 per cent respectively compared with the corresponding period of 2011.

Performance of Major Products

| | Third quarter of 2012 | | Second quarter of 2012 | |
|----------|--------------------------------|-------------------|--------------------------------|-------------------|
| | Average daily turnover \$bn | Market total % | Average daily turnover \$bn | Market total % |
| Equities | 33.3 | 72 | 35.8 | 71 |
| DWs | 5.6 | 12 | 6.3 | 13 |
| CBBCs | 5.7 | 12 | 6.3 | 13 |
| ETFs | 1.6 | 3 | 1.5 | 3 |
| Others | 0.2 | 1 | 0.3 | 0 |
| Total | 46.4 | 100 | 50.2 | 100 |

ETF Market

During the first nine months of 2012, 31 ETFs, which track a diversified range of underlying benchmarks, were newly listed on the Exchange. As at 30 September 2012, there were 96 listed ETFs, 19 ETF managers, and 23 ETF market makers.

Number of ETFs Newly Listed in the First Nine Months of 2012

Underlying benchmark

| | |
|--|----|
| • Regional markets | 18 |
| • Global and regional industry sectors | 7 |
| • Hong Kong market strategy | 3 |
| • Hong Kong industry sector | 1 |
| • Money market | 1 |
| • Gold | 1 |

Derivatives Market

Market Performance

In the nine months ended 30 September of 2012, 35,414,974 futures contracts and 54,154,375 options contracts were traded on the Derivatives Market. The average daily volume in the first nine months of 2012 was 190,916 contracts on futures and 291,937 contracts on options, a decline of 6 per cent and 22 per cent respectively compared with the corresponding period of 2011. On 28 September 2012 (the last trading date in September 2012), the total open interest was 6,015,773 contracts, comprising 368,523 futures contracts and 5,647,250 options contracts.

Record High Volume and Open Interest for Major Derivatives in the Third Quarter of 2012

| | Volume | | Open interest | |
|------------------------------------|---------|---------------------|---------------|---------------------|
| | Date | Number of contracts | Date | Number of contracts |
| H-shares Index Futures | 25 Sept | 222,384 | 25 Sept | 190,052 |
| HSI Dividend Point Index Futures | 1 Aug | 3,000 | 28 Sept | 7,724 |
| HSCEI Dividend Point Index Futures | – | – | 12 Sept | 73,105 |
| H-shares Index Options | 14 Sept | 67,677 | 26 Sept | 702,719 |
| Flexible HSI Options | – | – | 28 Sept | 13,010 |

After-hours Futures Trading

After-hours futures trading will tentatively be implemented in March 2013, subject to the SFC's approval of the related rule amendments. EPs and CPs intending to participate in after-hours futures trading were requested to prepare their systems for a simulation test to be held in December 2012.

Clearing**Scriptless Securities Market**

HKEx continues to support the SFC in preparing the draft subsidiary legislation based on the operational arrangements recommended by the Scriptless Securities Market Working Group. A market consultation for the enabling legislation is tentatively planned for the first half of 2013.

HKCC's Settlement Bank Arrangement

Since August 2012, money settlement arrangements with all Settlement Banks of HKCC have been standardised to streamline the payment flows and to facilitate a higher level of the banks' participation in RMB settlement.

OTC Clearing

The development of HKEx's OTC derivatives clearing business under the new OTC clearing house, OTC Clearing Hong Kong Limited (OTC Clear), is making good progress. Consultation on the draft rules and procedures of OTC Clear was conducted, and comments have been received from a number of market players and an industry body. The relevant rules and procedures are being revised after consideration of the views and suggestions received, and will be finalised in the fourth quarter of this year.

The system implementation work is now in the user acceptance stage. All the system tests, including tests of interfaces with external service providers such as market data suppliers, SWIFT, and trade affirmation platforms, will be completed in November 2012. OTC Clear will then arrange connectivity tests for its Clearing Members. Before the start of the OTC clearing services, OTC Clear will also arrange a market rehearsal with its Clearing Members and all external service providers, and details will be available in November 2012.

In the past few months, OTC Clear has arranged meetings with banks and licensed corporations to provide them with the information about risk management, operating framework and work flow of OTC clearing services. Work is now underway with prospective Direct Clearing Members of OTC Clear on connection to trade affirmation platforms such as MarkitWire, DS-Match, and HKMA-trade repository. Formal clearing membership applications will commence in November 2012.

In July 2012, the HKMA and the SFC jointly issued their consultation conclusions on their proposed regulatory regime for the OTC derivatives market in Hong Kong. The consultation conclusions revealed that the market is generally supportive of the proposed regulatory regime and recognises the need for Hong Kong to be in line with the international regulatory reforms. The regulators plan to issue a consultation paper on the proposed legislative amendments to support mandatory clearing and reporting of OTC derivatives transactions in Hong Kong in the fourth quarter of 2012. The regulatory regime for Hong Kong's OTC derivatives market is expected to be in place around the middle to latter part of 2013.

In the coming months, HKEx will be working closely with the SFC on an application for OTC Clear to be a recognised clearing house for providing OTC clearing services in Hong Kong under the SFO.

Participant Services

Participant Training and Market Education

In the first nine months of 2012, HKEx and the Hong Kong Securities and Investment Institute (formerly known as Hong Kong Securities Institute) jointly organised 8 Continuous Professional Training courses on HKATS operations and trading procedures. There were also 5 training courses related to AMS/3, and 16 related to CCASS or DCASS. In addition, a total of about 3,000 people participated in 52 briefing sessions and 23 seminars on derivatives organised under HKEx's joint promotion programme with EPs.

Participant Recruitment

At the end of September 2012, there were 547 SEHK Participants and 185 HKFE Participants, including 17 SEHK Participants and 13 HKFE Participants admitted in the first nine months of 2012. For HKSCC, there were 24,248 CCASS Participants, including 446 Investor Participants admitted in the first nine months of 2012.

Market Data

HKEx Mainland Market Data Hub

In view of the substantial growth of Mainland IVs, HKEx aims to expand its market data distribution on the Mainland. In the third quarter of 2012, Ganghui Financial Information Services (Shanghai) Limited, an indirect wholly-owned subsidiary of HKEx, was established as a wholly foreign owned enterprise to provide financial information services on the Mainland. It is scheduled to launch a market data hub in Shanghai, through which securities market and index datafeed products will be offered initially, in the third quarter of 2013. The data hub is part of the HKEx Orion programme and will enable HKEx to deliver broader market data products to Mainland IVs and investors through a reliable, scalable, and more cost-effective infrastructure.

Risk Management

Clearing Houses' Risk Management Reform Measures

To strengthen HKEx's clearing house risk management regime, HKEx worked closely with CPs for the implementation of measures to: (i) introduce a standard margin system and a Dynamic Guarantee Fund at HKSCC; (ii) revise certain price movement assumptions in the clearing houses' stress testing; (iii) revise the counterparty default assumption in the stress testing; (iv) revise the collateral assumption at HKCC; and (v) introduce various means of financial support to reduce the impact of risk management reform on CPs. Five briefing sessions were held in August 2012 for HKSCC's CPs on the measures and more than 600 representatives from 334 CPs attended. On 5 November 2012, HKEx successfully implemented the reform measures.

Market Surveillance

Under the Memorandum of Understanding between the SFC and HKEx on matters relating to market surveillance, HKEx referred 20 cases involving possible violations of Hong Kong laws, SFC codes and/or rules and regulations relating to its markets to the SFC for its investigation during the nine months ended 30 September 2012.

Information Technology

Production Systems' Stability and Reliability

During the first nine months of 2012, all major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets continued to perform reliably.

System Enhancement

Further enhancement of CCMS is in progress to facilitate margin offset between products of different settlement currencies including RMB. Production rollout is scheduled in November 2012.

IT Security Enhancements

HKEx has commenced a programme to implement various security enhancement initiatives as recommended in an IT security risk and infrastructure review conducted earlier. The entire programme will be completed by phases before the end of 2013, with important items to be implemented in 2012.

New Data Centre and IT Office Consolidation

Construction of the new Data Centre in Tseung Kwan O, Hong Kong was completed and the relevant building occupancy permit has been obtained. The IT office was relocated to the new building in mid-October and the first phase of data centre migration, involving the Cash Market, was smoothly completed on 29 October after a series of successful market rehearsals with EPs and IVs. The relocation of all other primary data centres will be conducted by phases in 2013.

HKEx Orion Programme

The phased implementation of the HKEx Orion technology programme continued in the third quarter of 2012 with an aim of progressively transforming HKEx's market platforms to improve market access, connectivity, speed, and functionality.

The migration of network circuits for Cash Market Participants and IVs to SDNet/2, which marked the start of HKEx Orion programme, was completed in mid-July to provide higher bandwidth scalability and offer the choice of multiple network carriers for diversity and competitive pricing. The Participants' and IVs' network circuits for the Derivatives Market as well as Cash Clearing are targeted for migration in the first half and second half of 2013 respectively.

Implementation work for the Orion Market Data Platform (OMD) is underway. Rollout is scheduled for the second quarter of 2013 for the Cash Market and by the first quarter of 2014 for the Derivatives Market. The OMD, an integrated low-latency data feed for all asset classes traded on the HKEx markets in a common message format, will enable HKEx to: (i) offer a suite of market data product feeds with content, market depth, and bandwidth requirements tailored to suit the needs of different types of customers; and (ii) establish points of presence for market data distribution outside of Hong Kong such as on the Mainland. The information paper and on-boarding package for OMD Cash Market as well as the fee schedule for new OMD datafeed products are available on the HKEx website.

The proof-of-concept exercise regarding the development of Orion Trading Platform (OTP) is progressing well and will be completed by the end of 2012, after which the project will enter into the development and implementation stages in 2013 and 2014. The OTP will serve as the new Cash Market trading system to provide low latency, high capacity, and new business functionality.

The design phase of the Orion Central Gateway has already been completed and the development phase has commenced with tentative launch date in the fourth quarter of 2013. It will offer access to the Cash Market without the need for any gateway equipment to be deployed in brokers' premises, and there will be new additional features such as FIX (Financial Information eXchange) support and "drop-copy" reports.

For the Derivatives Market, the vendor has commenced the migration of HKATS/DCASS to the new Genium INET platform for technology upgrade and significant improvement in capacity with reduced order latency. Software development is aimed to be completed in early 2013 for commencement of testing in the second quarter of 2013. The new platform is targeted for rollout in the fourth quarter of 2013.

Market Development

Hosting Services

A total of 50 EPs, IVs, network service providers, and technology vendors have entered into contracts to subscribe for the Hosting Services, so the initial capacity of 320 racks to be launched this year is sufficient to address the customer demand thus far.

The Hosting Services infrastructure comprising equipment racks, structured cabling system, and low-latency local area networks has been completed. To prepare for the production launch for the Cash Market trading in December 2012, customers have been invited to start their equipment installation and participate in market rehearsals in the fourth quarter of 2012.

Mainland Development

China Exchanges Services Company Limited (CESC) was incorporated and is jointly owned by HKEx, the Shanghai Stock Exchange and the Shenzhen Stock Exchange for the development of financial products and related services. A 9-member board was formed comprising 3 directors nominated by each of the exchanges in the joint venture. Mr Bryan Chan, Head of Market Data, Mr Calvin Tai, Head of Trading, and Ms Yang Qiumei, Head of Mainland Development, were nominated by HKEx as CESC's directors. Mr Chan was appointed CESC's chief executive by the company's board.

CESC's principal business includes, but is not limited to: (i) the development and franchising of index-linked and other equity derivatives; (ii) the compilation of cross-border indices based on products traded on the 3 markets; and (iii) the development of industry classification for listed companies, as well as information standards and information products. CESC plans to launch a new series of cross-border indices by the end of this year and to introduce index-related products in the first quarter of next year. Those products will be traded on HKEx's Derivatives Market.

HKEx also continues to enhance its Mainland stakeholders' knowledge and understanding of its markets. In the third quarter of 2012, it arranged training programmes on Hong Kong's securities market for the officials of China Securities Regulatory Commission and H-share company executives from various provinces.

Issuer Marketing

In line with its strategy to generate additional growth in its listing business, HKEx has continued to promote Hong Kong as a listing centre of choice for international companies seeking capital, brand awareness, and Asia exposure. HKEx furthered its effort to attract international companies with China nexus to list in Hong Kong by speaking at various conferences held locally as well as overseas, and meeting with listing prospects and market intermediaries from Africa, Australia, Canada, Japan, Mongolia, Russia, Taiwan and the Commonwealth of Independent States.

As part of its marketing work to encourage Mainland enterprises to consider seeking a listing in Hong Kong, HKEx organised a number of major listing promotion events and invited intermediaries to form financial delegations to visit various Mainland provinces to share their Hong Kong IPO experience. HKEx also provided speakers for 30 different conferences and seminars during the third quarter of 2012 and was an active participant in those events.

Offshore RMB fundraising in Hong Kong remains a key focus as substantive conversations continue with potential and listed issuers and influential intermediaries.

BRICS Exchanges Alliance

To promote the cross-listings of benchmark equity index futures and/or options on trading platforms of the BRICS alliance exchanges through enhanced liquidity and investor demand at each exchange, the member exchanges have been sharing information on market maker recruitment, incentive schemes, and investor education resources. A website will be built for easy investor access to market and education information on the 5 exchanges. The exchanges will also jointly organise education events for investors and other market participants.

The alliance's member exchanges are also in the final phase of market testing, shortlisting, and selection after inviting major global index providers to propose index development turnkey solutions. Upcoming major tasks include the confirmation of: (i) product mix, (ii) best onshore and offshore go-to-market strategy, and (iii) the design of the appropriate vehicle for BRICS index business development and operations.

Research and Corporate Development

HKEx conducted its Derivatives Market Transaction Survey 2011/12 in the third quarter of 2012 and will publish the survey report in due course. The Cash Market Transaction Survey 2011/12 has commenced and is expected to be completed by the end of this year with results to be published early next year. The findings of these surveys will help HKEx to keep track of the trends and characteristics of investors' participation in its markets for product and service improvement and ensuring the markets' competitiveness.

Other Promotional Activities

Mr Ronald Arculli, in his capacity as Chairman of World Federation of Exchanges and a Director of HKEx, spoke at the 3rd Annual Russia & CIS Investment Summit in Hong Kong and the Hong Kong Legal Services Forum 2012 in Guangzhou during the third quarter of 2012 on the strengths of Hong Kong's financial markets. Mr Arculli and other HKEx's senior executives also participated in the Trading Architecture Asia 2012 event in Hong Kong to promote HKEx's technology initiatives to the trading community. In addition, HKEx's Chief Executive participated in an investors' forum held in Hong Kong and a commodities conference in Singapore.

Treasury

The Group's funds available for investment comprise Corporate Funds, cash collateral, Margin Funds and Clearing House Funds, totalling \$44.3 billion on average for the nine months ended 30 September 2012 (nine months ended 30 September 2011: \$46.7 billion).

As compared with 30 June 2012, the overall size of funds available for investment as at 30 September 2012 increased by 11 per cent or \$4.7 billion to \$46.2 billion (30 June 2012: \$41.5 billion). Details of the asset allocation of the investments as at 30 September 2012 against those as at 30 June 2012 are set out below.

| | Investment Fund Size \$bn | | Bonds * | | Cash or Bank Deposits | | Global Equities | |
|----------------------|------------------------------|------|---------|-----|-----------------------|------|-----------------|-----|
| | Sept | Jun | Sept | Jun | Sept | Jun | Sept | Jun |
| Corporate Funds | 9.0 | 9.7 | 46% | 49% | 50% | 46% | 4% | 5% |
| Cash collateral | 3.6 | 3.6 | 0% | 0% | 100% | 100% | 0% | 0% |
| Margin Funds | 31.6 | 26.7 | 10% | 17% | 90% | 83% | 0% | 0% |
| Clearing House Funds | 2.0 | 1.5 | 0% | 11% | 100% | 89% | 0% | 0% |
| Total | 46.2 | 41.5 | 15% | 23% | 84% | 76% | 1% | 1% |

* Included certain principal-guaranteed structured notes

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the cash collateral, Margin Funds and Clearing House Funds. Excluding equities held under the Corporate Funds (\$0.4 billion as at 30 September 2012 and 30 June 2012), which have no maturity date, the maturity profiles of the remaining investments as at 30 September 2012 (\$45.8 billion) and 30 June 2012 (\$41.1 billion) were as follows:

| | Investment Fund Size \$bn | | Overnight | | >Overnight to 1 month | | >1 month to 1 year | | >1 year to 3 years | | >3 years | |
|----------------------|------------------------------|------|-----------|-----|-----------------------|-----|--------------------|-----|--------------------|-----|----------|-----|
| | Sept | Jun | Sept | Jun | Sept | Jun | Sept | Jun | Sept | Jun | Sept | Jun |
| Corporate Funds | 8.6 | 9.3 | 24% | 21% | 26% | 12% | 19% | 33% | 14% | 17% | 17% | 17% |
| Cash collateral | 3.6 | 3.6 | 82% | 73% | 14% | 9% | 4% | 18% | 0% | 0% | 0% | 0% |
| Margin Funds | 31.6 | 26.7 | 19% | 14% | 17% | 19% | 58% | 61% | 3% | 3% | 3% | 3% |
| Clearing House Funds | 2.0 | 1.5 | 52% | 48% | 12% | 15% | 36% | 37% | 0% | 0% | 0% | 0% |
| Total | 45.8 | 41.1 | 26% | 22% | 18% | 16% | 46% | 50% | 5% | 6% | 5% | 6% |

Credit exposure is well diversified. The Group's bond portfolio (which includes certain principal-guaranteed structured notes) held is of investment grade and, as at 30 September 2012, had a weighted average credit rating of Aa3 (30 June 2012: Aa3) and a weighted average maturity of 2.3 years (30 June 2012: 2.1 years). Deposits are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time.

BUSINESS REVIEW

Risk management techniques, such as Value-at-Risk (VaR) and portfolio stress testing, are used to identify, measure, monitor and control market risks. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (1 year is used by the Group). The overall risk, as measured by the VaR methodology, during the third quarter of 2012 and the second quarter of 2012 was as follows:

| | Average VaR \$m | | Highest VaR \$m | | Lowest VaR \$m | |
|----------------------|--------------------|---------|--------------------|---------|-------------------|---------|
| | Jul-Sept | Apr-Jun | Jul-Sept | Apr-Jun | Jul-Sept | Apr-Jun |
| Corporate Funds | 21.5 | 21.7 | 23.9 | 24.1 | 16.4 | 18.5 |
| Cash collateral | 0.0 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |
| Margin Funds | 1.0 | 1.3 | 1.4 | 1.6 | 0.6 | 1.0 |
| Clearing House Funds | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 |

Details of the Group's net investment income are set out in the Revenue and Other Income section under the Financial Review and note 6 to the condensed consolidated financial statements of this Quarterly Report.

FINANCIAL REVIEW

Overall Performance

| | | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|---|-----|---|---|--------------|
| RESULTS | | | | |
| Revenue and other income: | | | | |
| Market revenue | (A) | 3,395 | 4,120 | (18%) |
| Stock Exchange listing fees | (B) | 682 | 714 | (4%) |
| Market data fees | (C) | 423 | 491 | (14%) |
| Other revenue | (D) | 339 | 357 | (5%) |
| Net investment income | (E) | 613 | 235 | 161% |
| Other income | | 11 | – | N/A |
| | | 5,463 | 5,917 | (8%) |
| Operating expenses | | 1,525 | 1,383 | 10% |
| Operating profit | | 3,938 | 4,534 | (13%) |
| Costs relating to proposed acquisition of LME Group | | (128) | – | N/A |
| Share of loss of a joint venture | | (1) | – | N/A |
| Profit before taxation | | 3,809 | 4,534 | (16%) |
| Taxation | | (589) | (713) | (17%) |
| Profit attributable to shareholders | | 3,220 | 3,821 | (16%) |

The Group's revenue and other income declined by 8 per cent for the first nine months of 2012 compared to the same period in 2011. The decline was attributable to macroeconomic uncertainties, including the European economic crisis, the slowdown in Mainland China's economic growth rate, and global weak economic growth rate which contributed to reduced investor confidence and led to lower levels of trading activity on the Stock Exchange which also affected revenue levels for several of the Group's service products. The average daily turnover value on the Cash Market dropped 27 per cent to \$53.1 billion.

Market revenue dropped by 18 per cent, or \$725 million to \$3,395 million in the first nine months of 2012 mainly due to lower trading fees and trading tariff and clearing and settlement fees associated with the lower turnover value on the Cash and Derivatives Markets.

Net investment income rose 161 per cent, mainly due to higher net fair value gains on investments, reflecting market movements, a rise in interest income due to increases in bank deposit rates, and a slight 1 per cent increase in the average amount of funds available for investment in the Group's Margin Funds.

Operating expenses increased over the same period in 2011, mainly due to higher staff costs, premises expenses, legal and professional fees and depreciation.

The Group incurred \$128 million of legal, professional and other expenses related to the proposed acquisition of the LME Group.

Profit attributable to shareholders decreased to \$3,220 million in the first nine months of 2012 against \$3,821 million for the same period in 2011. The drop was mainly due to lower market revenue due to lower turnover value and higher operating expenses, but partly offset by an increase in net investment income.

Revenue and Other Income

(A) Market Revenue

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|---|---|---|--------------|
| Trading fees and trading tariff | 1,790 | 2,266 | (21%) |
| Clearing and settlement fees | 1,045 | 1,268 | (18%) |
| Depository, custody and nominee services fees | 560 | 586 | (4%) |
| Total | 3,395 | 4,120 | (18%) |

Trading fees and trading tariff decreased by 21 per cent in the first nine months of 2012 compared to the same period in 2011 due to a 27 per cent reduction in the average daily turnover value on the Stock Exchange and a 16 per cent reduction in the average daily number of contracts on the Derivatives Market.

Clearing and settlement fees are derived predominantly from Cash Market transactions and are affected by the volume of settlement instructions (SIs). In the first nine months of 2012, the clearing and settlement fees declined less than the percentage reduction in the average daily turnover value on the Cash Market compared with the corresponding period in 2011 as a higher proportion of the transactions' settlements was subject to the minimum fee (ie, the fee rate is higher as a percentage of transaction value than the normal fee rate) and the volume of SIs dropped by a smaller percentage.

Depository, custody and nominee services fees mainly comprise scrip fees, corporate action fees, stock custody fees, dividend collection fees and stock withdrawal fees. The fees are generally influenced by the level of Cash Market activity. For the first nine months of 2012, depository, custody and nominee services fees fell 4 per cent to \$560 million due mainly to a drop in scrip fees and stock withdrawal fees.

Key Market Indicators

| | Nine months ended 30 Sept 2012 | Nine months ended 30 Sept 2011 | Change |
|--|--------------------------------------|--------------------------------------|--------|
| Average daily turnover value on the Stock Exchange (\$bn) | 53.1 | 73.2 | (27%) |
| Average daily number of derivatives contracts traded on the Futures Exchange | 257,973 | 268,850 | (4%) |
| Average daily number of stock options contracts traded on the Stock Exchange | 224,880 | 309,104 | (27%) |

(B) Stock Exchange Listing Fees

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|---|---|---|-------------|
| Annual listing fees | 349 | 329 | 6% |
| Initial and subsequent issue listing fees | 330 | 381 | (13%) |
| Others | 3 | 4 | (25%) |
| Total | 682 | 714 | (4%) |

Initial and subsequent issue listing fees dropped by \$51 million for the first nine months of 2012 compared to the same period in 2011 due primarily to a slowdown in IPOs and a 24 per cent reduction in the number of newly listed DWs. The result was partly offset by an increase in annual listing fees attributable to a 4 per cent increase in the number of listed companies at 30 September 2012 compared to 30 September 2011.

Key Drivers for Annual Listing Fees

| | At 30 Sept 2012 | At 30 Sept 2011 | Change |
|--|--------------------|--------------------|--------|
| Number of companies listed on Main Board | 1,355 | 1,301 | 4% |
| Number of companies listed on GEM | 178 | 166 | 7% |
| Total | 1,533 | 1,467 | 4% |

Key Drivers for Initial and Subsequent Issue Listing Fees

| | Nine months ended 30 Sept 2012 | Nine months ended 30 Sept 2011 | Change |
|--|--------------------------------------|--------------------------------------|--------|
| Number of newly listed DWs | 4,281 | 5,641 | (24%) |
| Number of newly listed CBBCs | 4,605 | 3,781 | 22% |
| Number of newly listed companies on Main Board * | 39 | 61 | (36%) |
| Number of newly listed companies on GEM | 10 | 8 | 25% |
| Total equity funds raised on Main Board | | | |
| – IPOs (\$bn) | 43.7 | 193.6 | (77%) |
| – Post-IPOs (\$bn) | 148.9 | 163.1 | (9%) |
| Total equity funds raised on GEM | | | |
| – IPOs (\$bn) | 1.0 | 0.8 | 25% |
| – Post-IPOs (\$bn) | 2.2 | 5.3 | (58%) |

* Including 2 transfers from GEM (2011: 11 transfers from GEM)

(C) Market Data Fees

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|------------------|---|---|--------|
| Market data fees | 423 | 491 | (14%) |

Market data fees decreased by 14 per cent primarily due to a decline in certain fees charged on a per quote basis from the same period in 2011, which was in line with the lower average daily turnover value on the Cash Market.

(D) Other Revenue

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|--|---|---|--------|
| Network, terminal user, dataline and software sub-license fees | 270 | 281 | (4%) |
| Participants' subscription and application fees | 27 | 26 | 4% |
| Trading booth user fees | 8 | 12 | (33%) |
| Sales of Trading Rights | 15 | 16 | (6%) |
| Miscellaneous revenue | 19 | 22 | (14%) |
| Total | 339 | 357 | (5%) |

Other revenue fell 5 per cent due to decreases in network, terminal user, dataline and software sub-license fees which was primarily due to a drop in Cash Market trading system line rental revenue following the migration of the Group's network services to SDNet/2. As a result of the migration, EPs can directly contract with accredited vendors for Cash Market network line rental services instead of HKEx.

(E) Net Investment Income

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|----------------------------------|---|---|--------|
| Gross investment income | 615 | 237 | 159% |
| Interest rebates to Participants | (2) | (2) | 0% |
| Net investment income | 613 | 235 | 161% |

Net investment income rose 161 per cent due to an increase in net fair value gains on investments and an increase in interest income related to higher bank deposit rates. The average amount of funds available for investment fell slightly 5 per cent.

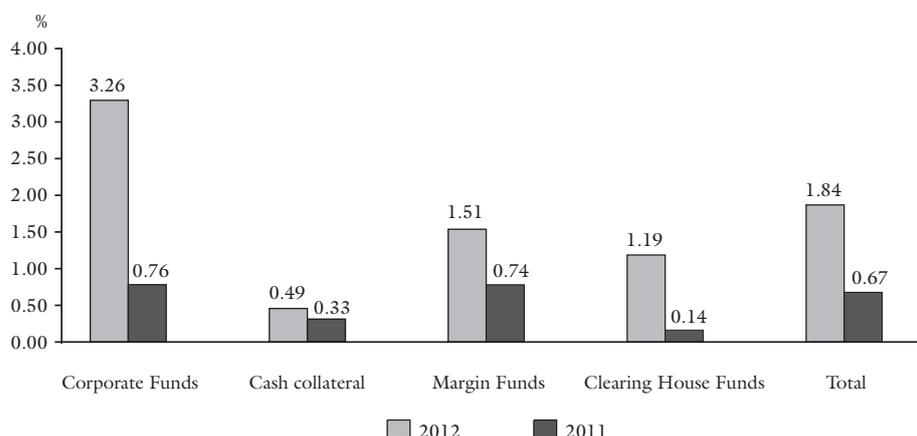
The average amounts of funds available for investment were as follows:

| | Nine months ended 30 Sept 2012 \$bn | Nine months ended 30 Sept 2011 \$bn | Change |
|----------------------|--|--|--------|
| Corporate Funds | 10.6 | 10.8 | (2%) |
| Cash collateral | 3.2 | 4.3 | (26%) |
| Margin Funds | 28.8 | 28.4 | 1% |
| Clearing House Funds | 1.7 | 3.2 | (47%) |
| Total | 44.3 | 46.7 | (5%) |

The declines in cash collateral and Clearing House Funds were mainly in response to market fluctuations and changes in risk exposure.

The annualised net return on funds available for investment after the deduction of interest rebates to Participants rose to 1.84 per cent for the first nine months of 2012 compared to the same period in 2011 as noted below:

Annualised Net Return on Funds Available for Investment



The higher net returns on the Corporate Funds, Margin Funds and Clearing House Funds were mainly attributable to an increase in net fair value gains on investments (including certain principal-guaranteed structured notes) and higher bank deposit rates during the period in 2012.

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

The increase in net return on cash collateral was mainly attributable to increases in bank deposit rates and a larger portion of funds invested in longer-term time deposits for yield enhancement.

Details of the investment portfolio are set out in the Treasury section under the Business Review.

Operating Expenses

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|--|---|---|------------|
| Staff costs and related expenses | 884 | 793 | 11% |
| IT and computer maintenance expenses | 219 | 222 | (1%) |
| Premises expenses | 185 | 161 | 15% |
| Product marketing and promotion expenses | 14 | 11 | 27% |
| Legal and professional fees | 32 | 25 | 28% |
| Depreciation | 91 | 70 | 30% |
| Other operating expenses | 100 | 101 | (1%) |
| Total | 1,525 | 1,383 | 10% |

Staff costs and related expenses increased by \$91 million mainly as a result of an increase in permanent staff from 910 at 30 September 2011 to 1,043 at 30 September 2012. The increase was in relation to the recruitment of staff related to the various initiatives under the Strategic Plan 2010-2012 as well as salary adjustments to keep up with the market trend, and higher share-based compensation expenses arising from the shares granted to employees in 2011. The increase was partly offset by a reduction in performance bonus accrual due to the lower profit in the first nine months of 2012 compared with the corresponding period in 2011.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by the Participants of \$105 million (2011: \$110 million), were \$114 million (2011: \$112 million). The decrease in the costs of services and goods directly consumed by the Participants was mainly due to lower Cash Market trading system line rental costs in the third quarter of 2012 following the migration of the Group's network services to SDNet/2. Under this migration, EPs can directly contract with accredited vendors for Cash Market network line rental services instead of HKEx.

The rise in premises expenses was mainly attributable to higher rent upon the renewal of certain leases and the lease of additional office premises to accommodate the increased staff.

Depreciation increased mainly due to capital spending associated with the upgrades of the Cash Market trading system (AMS/3.8) and Market Data system (MDS/3.8) rolled out in December 2011 as well as the completion of phase one of the construction of the new Data Centre at Tseung Kwan O in September 2012.

Taxation

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Change |
|----------|---|---|--------|
| Taxation | 589 | 713 | (17%) |

Taxation dropped mainly due to a lower profit before taxation and higher non-taxable investment income, which were partly offset by non-deductible costs relating to the proposed acquisition of the LME Group.

Comparison of 2012 Third Quarter Performance with 2012 Second Quarter Performance

| | Three months ended 30 Sept 2012 \$m | Three months ended 30 Jun 2012 \$m | Change |
|---|--|---|--------|
| Revenue and other income: | | | |
| Market revenue: | | | |
| Trading fees and trading tariff | 551 | 580 | (5%) |
| Clearing and settlement fees | 322 | 334 | (4%) |
| Depository, custody and nominee services fees | 141 | 338 | (58%) |
| | 1,014 | 1,252 | (19%) |
| Stock Exchange listing fees | 220 | 218 | 1% |
| Market data fees | 137 | 139 | (1%) |
| Other revenue | 95 | 117 | (19%) |
| Net investment income | 221 | 165 | 34% |
| Other income | 6 | 4 | 50% |
| | 1,693 | 1,895 | (11%) |
| Operating expenses | 493 | 519 | (5%) |
| Operating profit | 1,200 | 1,376 | (13%) |
| Costs relating to proposed acquisition of LME Group | (18) | (91) | (80%) |
| Share of loss of a joint venture | (1) | - | N/A |
| Profit before taxation | 1,181 | 1,285 | (8%) |
| Taxation | (177) | (217) | (18%) |
| Profit attributable to shareholders | 1,004 | 1,068 | (6%) |

The Group's revenue and other income declined by 11 per cent in the third quarter of 2012 compared to the second quarter of 2012. The decline was attributable to macroeconomic uncertainties, including the European economic crisis, the slowdown in Mainland China's economic growth rate, and global weak economic growth rate which contributed to reduced investor confidence and led to lower levels of trading activity on the Stock Exchange and across several of the Group's revenue products. The average daily turnover value on the Cash Market fell 8 per cent to \$46.4 billion.

Market revenue dropped by 19 per cent for the third quarter of 2012 compared to the second quarter of 2012 due primarily to the lower trading fees and trading tariff and clearing and settlement fees driven by the decrease in turnover on the Cash and Derivatives Markets, and a decline in depository, custody and nominee services fees as a result of a drop in scrip fees due to seasonal fluctuations.

Net investment income rose 34 per cent in the third quarter of 2012 compared to the second quarter of 2012 due primarily to the higher net fair value gains on investments.

Profit attributable to shareholders fell from \$1,068 million in the second quarter of 2012 to \$1,004 million in the third quarter. The decrease was mainly driven by a drop in depository, custody and nominee services fees and a decline in trading and clearing fees, which were partly offset by a rise in net investment income and a decrease in costs relating to the proposed acquisition of the LME Group.

Key Market Indicators

| | Three months ended 30 Sept 2012 | Three months ended 30 Jun 2012 | Change |
|--|---------------------------------------|--------------------------------------|--------|
| Average daily turnover value on the Stock Exchange (\$bn) | 46.4 | 50.2 | (8%) |
| Average daily number of derivatives contracts traded on the Futures Exchange | 243,303 | 276,109 | (12%) |
| Average daily number of stock options contracts traded on the Stock Exchange | 211,479 | 225,266 | (6%) |

Corporate Funds Available for Investment

Corporate Funds available for investment fell by \$636 million or 7 per cent to \$9,033 million at 30 September 2012 (31 December 2011: \$9,669 million). The decline was mainly due to dividend payments of \$3,772 million and payments for capital expenditures of \$838 million during the first nine months of 2012 which were partly offset by net cash inflow from operating activities of \$3,970 million.

Capital Expenditures and Commitments

During the first nine months of 2012, the Group incurred capital expenditures of \$889 million (first nine months of 2011: \$378 million) mainly on the new Data Centre at Tseung Kwan O with Hosting Services capability, upgrade and enhancement of the Derivatives Market trading and clearing systems and development of a clearing system for OTC derivatives.

The Group's capital expenditure commitments at 30 September 2012, including those authorised by the Board but not yet contracted for, amounted to \$1,066 million (31 December 2011: \$1,605 million) and were mainly related to the relocation of the primary data centres to the new Data Centre at Tseung Kwan O, the development of Hosting Services, a new market data system, a clearing system for OTC derivatives and a Central Gateway for the Cash Market, and the upgrade and enhancement of the Derivatives Market trading and clearing systems. The Group has adequate resources to fund its capital expenditure commitments.

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

(A) Proposed Acquisition of LME Group

On 15 June 2012, HKEx, HKEx Investment (UK) Limited (HKEx Investment) and LMEH entered into an agreement under which HKEx Investment made an offer to acquire the entire issued ordinary share capital of LMEH for cash by way of a scheme of arrangement and a capital reduction under the United Kingdom Companies Act. The offer price is GBP1.388 billion (\$17.378 billion).

At 30 September 2012, the proposed acquisition remained subject to the approval of FSA and the sanction by the High Court of Justice of England and Wales. The acquisition is expected to complete before the end of 2012.

On 25 September 2012, HKEx entered into a subscription agreement with certain banks under which the banks agree severally to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds of US\$500 million principal amount that pay interest at 0.50 per cent per annum and mature in October 2017 (the Bonds). The closing date of the subscription and the issue date of the Bonds was 23 October 2012. HKEx intends to use the proceeds of the Bonds to fund part of the proposed acquisition of the LME Group.

(B) Joint Venture with Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE)

On 28 June 2012, HKEx, SSE and SZSE (the three JV investors) entered into a tripartite agreement to establish a joint venture with an aim of developing financial products and related services. On 16 August 2012, China Exchanges Services Company Limited (CESC) was incorporated as a limited company in Hong Kong for such purpose. In accordance with the agreement, HKEx injected cash of \$100 million into CESC in September 2012 for the purpose of subscribing for more shares in CESC. Subsequent to 30 September 2012, CESC issued 99,999,999 fully paid ordinary shares with a par value of \$1 per share to each of the three JV investors.

Exposure to Fluctuations in Exchange Rates and Related Hedges

During the nine months ended 30 September 2012, the Group has made an offer to acquire the entire LME Group at a consideration of GBP1.388 billion.

In respect of its funds available for investment, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts have been used to hedge the currency exposure of the Group's non-HKD investments (including, in part, the proposed acquisition of the LME Group) to mitigate risks arising from fluctuations in exchange rates.

At 30 September 2012, the aggregate net open foreign currency positions amounted to HK\$2,073 million, of which HK\$1,939 million was non-USD exposure (31 December 2011: HK\$2,116 million, of which HK\$427 million was non-USD exposure) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$4,244 million (31 December 2011: HK\$5,180 million). All forward foreign exchange contracts will mature within 6 months (31 December 2011: 3 months).

Foreign currency margin deposits received by the Group are mainly hedged by investments in the same currencies. Unhedged investments in USD should not exceed 20 per cent of the Margin Funds.

Contingent Liabilities

Details of contingent liabilities are included in note 30 to the condensed consolidated financial statements of this Quarterly Report.

Changes since 31 December 2011

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2011.

It is the Group's plan to declare dividend only at the half-year and year-end. Therefore, no dividend will be proposed for the quarter ended 30 September 2012 (third quarter of 2011: \$Nil).

Due to fluctuations in market conditions and changes in the operating environment, certain categories of revenue, other income and operating expenses may vary substantially from quarter to quarter. Therefore, quarterly results should not be extrapolated to project the Group's full-year performance.

Review of Financial Statements

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the nine months ended 30 September 2012 in conjunction with HKEx's external auditor.

The external auditor has carried out certain agreed-upon procedures in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants on the unaudited condensed consolidated financial statements for the nine months ended 30 September 2012.

OPERATIONAL REVIEW

Organisational Changes

Mr David Graham will join HKEx in January 2013 as Head of Listing (Designate) to succeed Mr Mark Dickens who will retire in July 2013. Mr Graham, as HKEx's first Chief Regulatory Officer, will also oversee all other regulatory, legal and compliance functions across HKEx.

There were other senior personnel changes in the third quarter of 2012. Messrs Lawrence Fok and Stewart Shing retired as Chief Marketing Officer and Advisor to HKEx's Chief Executive respectively after more than 20 years of service with HKEx and its predecessor entities. We are grateful for their invaluable contributions to HKEx.

The updated organisational chart is available on the HKEx website.

Long-term Incentive Schemes

HKEx adopted the Share Award Scheme to recognise the contributions of certain employees and help retain them for the Group's operations and further development. Prior to the adoption of the Share Award Scheme, HKEx had 2 share option schemes, the Pre-Listing Scheme and the Post-Listing Scheme, both of which ended on 30 May 2010.

Share Option Schemes

There are no outstanding options under the Pre-Listing Scheme. The unexercised options under the Post-Listing Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the exercise periods.

Movements in the outstanding share options granted under the Post-Listing Scheme during the nine months ended 30 September 2012 are set out below.

| Date of grant | Exercise price \$ | Number of shares issuable under the options | | | | Exercise ² period |
|------------------|----------------------|---|--|--|-----------------------|---------------------------------|
| | | As at 1 Jan 2012 | Issued upon ¹ subscription during the nine months ended 30 Sept 2012 | Cancelled/ lapsed during the nine months ended 30 Sept 2012 | As at 30 Sept 2012 | |
| Employees | | | | | | |
| 31 Mar 2004 | 16.96 | 382,000 | 26,500 | – | 355,500 | 31 Mar 2006 – 30 Mar 2014 |
| 17 May 2004 | 15.91 | 25,000 | – | – | 25,000 | 17 May 2006 – 16 May 2014 |
| 26 Jan 2005 | 19.25 | 577,600 | 49,000 | – | 528,600 | 26 Jan 2007 – 25 Jan 2015 |

Notes:

- 1 The weighted average closing price immediately before the dates on which the options were exercised was \$108.96.
- 2 Options granted were subject to a vesting scale in tranches of 25 per cent each per annum starting on the 2nd anniversary and became fully vested on the 5th anniversary of the grant.

Share Award Scheme

The Share Award Scheme was adopted by the Board on 14 September 2005 (Adoption Date). The rules and trust deed of the scheme are available on the HKEx website. Since the Adoption Date, a total of 3,728,960 shares had been awarded up to the date of this Quarterly Report, representing 0.35 per cent of HKEx's issued share capital as at the Adoption Date.

Details of the awards (save for those which had been fully vested or lapsed as of 31 December 2011), including the number of shares which were awarded and vested according to the terms of the Share Award Scheme during the nine months ended 30 September 2012, are set out below.

| Date of approval by Board | Date of ¹ award | Awarded sum \$'000 | Number of shares purchased | Number of Awarded Shares | Average ² fair value per share \$ | Number of Awarded Shares vested during the nine months ended 30 Sept 2012 | Vesting period ³ |
|---------------------------|----------------------------|--------------------|----------------------------|--------------------------|--|---|--------------------------------|
| 15 May 2007 | 17 Jul 2007 | 600 | 5,500 | 5,500 | 102.29 | 1,375 | 18 Jun 2009 – 18 Jun 2012 |
| 12 Dec 2007 | 4 Feb 2008 | 26,300 | 151,000 | 150,965 | 163.72 | 654 | 12 Dec 2009 – 12 Dec 2012 |
| 10 Dec 2008 | 3 Feb 2009 | 4,900 | 59,900 | 59,900 | 81.96 | 14,975 | 1 Jan 2011 – 1 Jan 2014 |
| 23 Apr 2010 | 10 Jun 2010 | 88,516 | 720,100 | 720,054 ⁴ | 123.29 | 308,250 ⁵ | 13 May 2012 – 13 May 2013 |
| 23 Apr 2010 | 9 Jul 2010 | 840 | 6,900 | 6,900 | 121.88 | 3,450 | 10 Jun 2012 – 10 Jun 2013 |
| 23 Apr 2010 | 9 Jul 2010 | 2,520 | 21,000 | 21,000 | 120.32 | – | 2 Jul 2012 – 2 Jul 2013 |
| 14 Dec 2010 | 31 Dec 2010 | 91,303 | 518,100 | 518,039 ⁴ | 176.75 | 4,442 | 14 Dec 2012 – 14 Dec 2013 |
| 14 Dec 2010 | 30 Mar 2011 | 570 | 3,300 | 3,300 | 169.92 | – | 13 Jan 2013 – 13 Jan 2014 |
| 14 Dec 2010 | 30 Mar 2011 | 2,310 | 13,600 | 13,600 | 169.92 | – | 1 Feb 2013 – 1 Feb 2014 |
| 14 Dec 2010 | 8 Apr 2011 | 263 | 1,400 | 1,400 | 179.55 | – | 1 Apr 2013 – 1 Apr 2014 |
| 14 Dec 2010 | 9 Jun 2011 | 570 | 3,300 | 3,300 | 171.59 | – | 26 Apr 2013 – 26 Apr 2014 |
| 14 Dec 2010 | 8 Jul 2011 | 1,560 | 9,200 | 9,200 | 168.87 | – | 8 Jul 2013 – 8 Jul 2014 |
| 14 Dec 2010 | 7 Sept 2011 | 405 | 2,900 | 2,900 | 137.12 | – | 20 Jul 2013 – 20 Jul 2014 |
| 14 Dec 2010 | 11 Oct 2011 | 1,620 | 11,800 | 11,800 | 137.22 | – | 19 Sept 2013 – 19 Sept 2014 |
| 14 Dec 2010 | 11 Oct 2011 | 1,560 | 14,400 | 14,400 | 108.03 | – | 3 Oct 2013 – 3 Oct 2014 |
| 14 Dec 2010 | 28 Mar 2012 | 500 | 3,400 | 3,400 | 143.74 | – | 3 Jan 2014 – 3 Jan 2015 |
| 14 Dec 2011 | 30 Dec 2011 | 113,624 | 567,800 | 912,437 ^{4,6} | 124.75 | 11,524 | 14 Dec 2013 – 14 Dec 2014 |
| 14 Dec 2011 | 22 Jun 2012 | 256 | 2,300 | 2,300 | 108.45 | – | 26 Mar 2014 – 26 Mar 2015 |
| 14 Dec 2011 | 22 Jun 2012 | 345 | 3,100 | 3,100 | 108.42 | – | 2 Apr 2014 – 2 Apr 2015 |
| 14 Dec 2011 | 22 Jun 2012 | 412 | 3,800 | 3,800 | 108.45 | – | 2 May 2014 – 2 May 2015 |
| 14 Dec 2011 | 22 Jun 2012 | 990 | 9,100 | 9,100 | 108.39 | – | 2 May 2014 – 2 May 2015 |
| 14 Dec 2011 | 5 Sept 2012 | 975 | 8,900 | 8,900 | 109.00 | – | 7 Jul 2014 – 7 Jul 2015 |

Notes:

- 1 The date of award refers to the date on which the trustee allocated the Awarded Shares to the selected employees from the shares purchased with the awarded sum determined by the Board.
- 2 The fair value of the Awarded Shares was based on the average purchase cost per share.
For the shares awarded on 30 December 2011, the fair value of the Awarded Shares was based on the average fair value calculated from the weighted average of the following:
 - (a) for shares awarded from unallocated or forfeited shares: closing price of the HKEx shares on the date of approval of the awarded sum by the Board; and
 - (b) for shares purchased from the market: average cost per share.
- 3 Effective 13 May 2010, the vesting period of the Awarded Shares was changed from 5 years to 3 years. Accordingly, the Awarded Shares and the related income are vested in 2 equal tranches in the 2nd and 3rd year after the grant, as opposed to 4 equal tranches from the 2nd to 5th year, the arrangement prior to the change.
- 4 The relevant awards included 184,568 shares awarded to HKEx's Chief Executive.
- 5 It included 36,608 Awarded Shares vested and transferred to HKEx's Chief Executive according to the terms of the Share Award Scheme.
- 6 The Share Award Scheme's trustee applied 344,706 shares held under the scheme, which were unallocated or forfeited pursuant to the Share Award Scheme, to partly satisfy the relevant award.

As at 30 September 2012, taking into account the shares acquired out of the dividends from the shares held under the trust, there were 1,972,192 shares held in trust under the Share Award Scheme.

Corporate Governance

Throughout the nine months ended 30 September 2012, HKEx complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Main Board Listing Rules) and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012), with the exception 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 Section 77 of the SFO. The term of office of HKEx's Chief Executive in his capacity as a Director is governed by Article 90(4) of HKEx's Articles of Association and is not subject to retirement by rotation.

The Directors acknowledge the need to further their knowledge and skills so they can continue contributing to the Company. During the first nine months of 2012, they received a total of about 170 hours of training, including internally-facilitated sessions as well as external seminars/programmes on topics relevant to their duties and responsibilities as Directors.

As of 29 October 2012, the Global and Home Market ESG Ratings assigned to HKEx by GMI Ratings, an independent provider of global corporate governance and ESG ratings and research, were both A (superior). On 31 October 2012, HKEx received the Gold Award in the "General" Category of the 2012 Best Annual Reports Awards organised by The Hong Kong Management Association.

The Company's corporate governance information is set out in the Corporate Governance section of the HKEx website.

Corporate Social Responsibility

HKEx continues to be included in the FTSE4Good Index Series, the Hang Seng Corporate Sustainability Index Series, the Dow Jones Sustainability Asia Pacific Index, and the STOXX® Global ESG Leaders Indices.

The consultation conclusions on the Environmental, Social and Governance Reporting Guide and the consultation paper on the proposal to include board diversity in the Corporate Governance Code and Corporate Governance Report, both of which demonstrate HKEx's efforts to promote sustainability in the marketplace, are available on the HKEx website.

To support employees' continuous learning and development, HKEx organised 97 in-house courses in the nine months ended 30 September 2012. Collectively, they attracted more than 4,200 participants. Moreover, a total of 216 employees attended external seminars, while 102 employees participated in HKEx's e-learning scheme. In October 2012, HKEx joined the Work-Life Balance Week launched by Community Business to reinforce its commitment to work-life balance and to raise awareness of work-life balance as a business issue.

To invest in our community, HKEx raised over \$1.4 million in donations (including corporate and employee donations) and mobilised about 1,470 participants for various external charitable events and HKEx Volunteer Team activities during the first nine months of 2012. The HKEx 4th Annual Volunteer Recognition Ceremony was held on 31 August 2012 to recognise employees who served the community through volunteering with the HKEx Volunteer Team in 2011. A total of 27 employees and 4 divisions/departments received awards for their individual contributions and joint efforts.

HKEx's performance in waste avoidance, waste recycling and green purchasing during the 12-month period ended 31 July 2012 was assessed under the Wastewi\$e Label recognition scheme of the Hong Kong Awards for Environmental Excellence. The results will be announced by the Environmental Campaign Committee in the fourth quarter of 2012. To further enhance employees' knowledge of waste management, an in-house eco-workshop "Turn Waste into Gold" and an organic farm visit were organised in September and October 2012 respectively, which attracted 128 participants in total.

The Company's corporate social responsibility information is set out in the Corporate Social Responsibility section of the HKEx website.

DISCLOSURE OF INTERESTS

Compliance with Model Code

HKEx has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code throughout the nine months ended 30 September 2012.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of HKEx

As at 30 September 2012, the interests and short positions of Directors and HKEx's Chief Executive in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code are set out below.

Long Positions in Shares and Underlying Shares of HKEx

| Name of Director | Number of shares/underlying shares held | | | | Total | % of issued ¹ share capital |
|-------------------|---|------------------|---------------------|-----------------|---------|--|
| | Personal interests | Family interests | Corporate interests | Other interests | | |
| C K Chow | 15,000 ² | – | – | – | 15,000 | 0.00 |
| Charles X Li | 194,678 ³ | – | – | – | 194,678 | 0.01 |
| John E Strickland | 18,000 ⁴ | – | – | – | 18,000 | 0.00 |

Notes:

- 1 Based on 1,084,057,087 HKEx shares in issue as at 30 September 2012
- 2 Mr Chow was the beneficial owner of those shares.
- 3 It included Mr Li's interest in 147,960 Awarded Shares and 7,902 shares acquired out of the dividends from the Awarded Shares according to the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in the Operational Review of this Quarterly Report.
- 4 Mr Strickland was the beneficial owner of those shares.

Save for those disclosed above, as at 30 September 2012, none of the Directors or HKEx's Chief Executive had any interests or short positions in the shares, underlying shares or debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code.

Apart from the Share Award Scheme, at no time during the period under review, was HKEx or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, HKEx or any other body corporate. Save for the disclosed, none of the Directors or HKEx's Chief Executive (including their spouses and children under the age of 18), during the nine months ended 30 September 2012, held any interests in or was granted any right to subscribe for the securities of HKEx and its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Other Persons' Interests and Short Positions in Shares and Underlying Shares of HKEx

Minority Controllers

Under Section 61 of the SFO, no person shall be or become a Minority Controller (ie, a person who either alone or with any associated person or persons is entitled to exercise, or control the exercise of, 5 per cent or more of the voting power at any general meeting of the recognised exchange controller) except with the SFC's approval in writing after consultation with the Financial Secretary.

DISCLOSURE OF INTERESTS

Since 7 September 2007, the Government has become a Minority Controller. According to the Government, the provisions of Section 61 of the SFO do not expressly, or by necessary implication, bind the Government and accordingly by virtue of Section 66 of the Interpretation and General Clauses Ordinance the provisions of Section 61 of the SFO, requiring a person becoming a Minority Controller to obtain the SFC's approval, do not affect the right of and are not binding on the Government.

As at the date of this Quarterly Report, the SFC has granted approval to 8 entities to be Minority Controllers on the basis that the shares are held by them in custody for their clients. According to the Participant Shareholding Report as at 30 September 2012, the 8 approved Minority Controllers in aggregate held approximately 56 per cent of HKEx's issued share capital.

As at 30 September 2012, other persons' interests and short positions in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange are set out below.

Long Positions in Shares and Underlying Shares of HKEx

| Name | Capacity | Number of shares/ underlying shares held | Total | % of issued ¹ share capital |
|---|--|--|-------------------------|---|
| Deutsche Bank Aktiengesellschaft | Beneficial owner Investment manager Person having a security interest in shares Custodian corporation/ approved lending agent | 47,495,247 1,482,315 21,419,532 740,970 | 71,138,064 ² | 6.56 |
| The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund) | Beneficial owner | 62,919,500 ³ | 62,919,500 | 5.80 |

Short Positions in Shares and Underlying Shares of HKEx

| Name | Capacity | Number of shares/ underlying shares held | Total | % of issued ¹ share capital |
|-------------------------------------|--|---|-------------------------|---|
| Deutsche Bank Aktiengesellschaft | Beneficial owner Person having a security interest in shares | 39,293,255 21,060,123 | 60,353,378 ⁴ | 5.56 |

Notes:

- 1 Based on 1,084,057,087 HKEx shares in issue as at 30 September 2012
- 2 It included an aggregate interest in 45,081,976 underlying shares through its holding of certain physically settled listed equity derivatives (35,191,179 underlying shares), physically settled unlisted equity derivatives (7,268,531 underlying shares) and cash settled unlisted equity derivatives (2,622,266 underlying shares). It also included 740,970 shares in the lending pool.
- 3 Based on a disclosure of interest filing made by the Government on 10 September 2007 which it stated was voluntary
- 4 It included an aggregate interest in 36,215,604 underlying shares through its holding of certain physically settled listed equity derivatives (35,600,304 underlying shares) and cash settled unlisted equity derivatives (615,300 underlying shares).

Save for those disclosed above, as at 30 September 2012, no other persons had any interests or short positions in the shares or underlying shares of HKEx as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the nine months ended 30 September 2012, neither HKEx nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, 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 Exchange a total of 30,600 HKEx shares at a total consideration of \$3.4 million.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

| | | Nine months ended 30 Sept 2012 | Nine months ended 30 Sept 2011 | Three months ended 30 Sept 2012 | Three months ended 30 Sept 2011 |
|--|-------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| | Note | \$m | \$m | \$m | \$m |
| Trading fees and trading tariff | 3 | 1,790 | 2,266 | 551 | 801 |
| Stock Exchange listing fees | 4 | 682 | 714 | 220 | 247 |
| Clearing and settlement fees | | 1,045 | 1,268 | 322 | 441 |
| Depository, custody and nominee services fees | | 560 | 586 | 141 | 192 |
| Market data fees | | 423 | 491 | 137 | 159 |
| Other revenue | 5 | 339 | 357 | 95 | 111 |
| REVENUE AND TURNOVER | | 4,839 | 5,682 | 1,466 | 1,951 |
| Investment income/(loss) | | 615 | 237 | 222 | (5) |
| Interest rebates to Participants | | (2) | (2) | (1) | (1) |
| Net investment income/(loss) | 6 | 613 | 235 | 221 | (6) |
| Other income | | 11 | - | 6 | - |
| REVENUE AND OTHER INCOME | 2 | 5,463 | 5,917 | 1,693 | 1,945 |
| OPERATING EXPENSES | | | | | |
| Staff costs and related expenses | 7 | 884 | 793 | 291 | 275 |
| Information technology and computer maintenance expenses | 8 | 219 | 222 | 61 | 73 |
| Premises expenses | | 185 | 161 | 65 | 55 |
| Product marketing and promotion expenses | | 14 | 11 | 1 | 2 |
| Legal and professional fees | | 32 | 25 | 9 | 8 |
| Depreciation | | 91 | 70 | 35 | 20 |
| Other operating expenses | | 100 | 101 | 31 | 34 |
| | 2 | 1,525 | 1,383 | 493 | 467 |
| OPERATING PROFIT | 2 | 3,938 | 4,534 | 1,200 | 1,478 |
| Costs relating to proposed acquisition of LME Group | 9 | (128) | - | (18) | - |
| Share of loss of a joint venture | 18(c) | (1) | - | (1) | - |
| PROFIT BEFORE TAXATION | 2 | 3,809 | 4,534 | 1,181 | 1,478 |
| TAXATION | 10 | (589) | (713) | (177) | (241) |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS | | 3,220 | 3,821 | 1,004 | 1,237 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | |
| Fair value gain of cash flow hedges | | 35 | - | 35 | - |
| OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS | | 35 | - | 35 | - |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS | | 3,255 | 3,821 | 1,039 | 1,237 |
| Basic earnings per share | 12(a) | \$2.99 | \$3.55 | \$0.93 | \$1.15 |
| Diluted earnings per share | 12(b) | \$2.98 | \$3.54 | \$0.93 | \$1.15 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

| | | At 30 Sept 2012 | | | At 31 Dec 2011 | | |
|--|--------|-----------------|--------------|---------------|----------------|--------------|---------------|
| | | Current | Non-current | Total | Current | Non-current | Total |
| Note | | \$m | \$m | \$m | \$m | \$m | \$m |
| ASSETS | | | | | | | |
| | 13 | 27,808 | – | 27,808 | 18,221 | – | 18,221 |
| | 14 | 7,246 | – | 7,246 | 11,169 | 180 | 11,349 |
| | 15 | 11,079 | 132 | 11,211 | 15,848 | 403 | 16,251 |
| | 16 | 7,675 | 8 | 7,683 | 7,210 | 23 | 7,233 |
| | 18 | – | 99 | 99 | – | – | – |
| | | – | 1,730 | 1,730 | – | 948 | 948 |
| | | – | 24 | 24 | – | 25 | 25 |
| | | – | – | – | – | 1 | 1 |
| Total assets | | 53,808 | 1,993 | 55,801 | 52,448 | 1,580 | 54,028 |
| LIABILITIES AND EQUITY | | | | | | | |
| Liabilities | | | | | | | |
| | 19 | 31,648 | – | 31,648 | 31,359 | – | 31,359 |
| | 20 | 3,554 | – | 3,554 | 3,233 | – | 3,233 |
| | 21 | 9,570 | – | 9,570 | 8,456 | – | 8,456 |
| | | 201 | – | 201 | 524 | – | 524 |
| | | 612 | – | 612 | 262 | – | 262 |
| | | 87 | – | 87 | 60 | – | 60 |
| | 22 | 1,310 | – | 1,310 | 880 | – | 880 |
| | | 38 | 47 | 85 | 35 | 27 | 62 |
| | | – | 41 | 41 | – | 33 | 33 |
| Total liabilities | | 47,020 | 88 | 47,108 | 44,809 | 60 | 44,869 |
| Equity | | | | | | | |
| | 23 | | | 1,084 | | | 1,080 |
| | 23 | | | 1,088 | | | 639 |
| | 23 | | | (263) | | | (296) |
| | 24 | | | 143 | | | 106 |
| | 25 | | | 35 | | | – |
| | 22, 26 | | | 585 | | | 577 |
| | 27 | | | 6,021 | | | 7,053 |
| Shareholders' funds | | | | 8,693 | | | 9,159 |
| Total liabilities and equity | | | | 55,801 | | | 54,028 |
| Net current assets | | | | 6,788 | | | 7,639 |
| Total assets less current liabilities | | | | 8,781 | | | 9,219 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

| | Share capital, share premium and shares held for Share Award Scheme (note 23) \$m | Employee share-based compensation reserve (note 24) \$m | Hedging reserve (note 25) \$m | Designated reserves (note 26) \$m | Retained earnings (note 27) \$m | Total equity \$m |
|--|---|--|--|--|--|------------------------|
| At 1 Jan 2012 | 1,423 | 106 | – | 577 | 7,053 | 9,159 |
| Profit attributable to shareholders | – | – | – | – | 3,220 | 3,220 |
| Other comprehensive income attributable to shareholders | – | – | 35 | – | – | 35 |
| Total comprehensive income attributable to shareholders | – | – | 35 | – | 3,220 | 3,255 |
| 2011 final dividend at \$2.09 per share | – | – | – | – | (2,252) | (2,252) |
| 2012 interim dividend at \$1.85 per share | – | – | – | – | (1,996) | (1,996) |
| Unclaimed HKEx dividends forfeited | – | – | – | – | 7 | 7 |
| Shares issued upon exercise of employee share options | 2 | – | – | – | – | 2 |
| Shares issued in lieu of cash dividends | 442 | – | – | – | – | 442 |
| Shares purchased for Share Award Scheme | (3) | – | – | – | – | (3) |
| Vesting of shares of Share Award Scheme | 45 | (42) | – | – | (3) | – |
| Employee share-based compensation benefits | – | 79 | – | – | – | 79 |
| Transfer of reserves | – | – | – | 8 | (8) | – |
| At 30 Sept 2012 | 1,909 | 143 | 35 | 585 | 6,021 | 8,693 |

| | Share capital, share premium and shares held for Share Award Scheme \$m | Employee share-based compensation reserve \$m | Hedging reserve \$m | Designated reserves \$m | Retained earnings \$m | Total equity \$m |
|--|--|---|---------------------------|-------------------------------|-----------------------------|------------------------|
| At 1 Jan 2011 | 1,275 | 56 | – | 580 | 6,766 | 8,677 |
| Profit attributable to shareholders | – | – | – | – | 3,821 | 3,821 |
| 2010 final dividend at \$2.31 per share | – | – | – | – | (2,487) | (2,487) |
| 2011 interim dividend at \$2.16 per share | – | – | – | – | (2,327) | (2,327) |
| Unclaimed HKEx dividends forfeited | – | – | – | – | 5 | 5 |
| Shares issued upon exercise of employee share options | 8 | – | – | – | – | 8 |
| Shares issued in lieu of cash dividends | 103 | – | – | – | – | 103 |
| Shares purchased for Share Award Scheme | (7) | – | – | – | – | (7) |
| Vesting of shares of Share Award Scheme | 2 | (2) | – | – | – | – |
| Employee share-based compensation benefits | – | 62 | – | – | – | 62 |
| Transfer of reserves | 2 | (2) | – | (2) | 2 | – |
| At 30 Sept 2011 | 1,383 | 114 | – | 578 | 5,780 | 7,855 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

| | Note | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m |
|---|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net cash inflow from operating activities | 28 | 3,970 | 4,894 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for purchases of fixed assets | | (838) | (224) |
| Payment for investment in a joint venture | | (100) | - |
| Net decrease/(increase) in financial assets of the Corporate Funds: | | | |
| Decrease in time deposits with original maturities more than three months | | 1,668 | 726 |
| Payments for purchases of financial assets measured at amortised cost (excluding time deposits) | | - | (1,169) |
| Net proceeds from sales or maturity of financial assets measured at amortised cost (excluding time deposits) | | 380 | 1,411 |
| Net proceeds from sales or maturity of financial assets measured at fair value through profit or loss | | 603 | 88 |
| Interest received from financial assets measured at amortised cost (excluding time deposits) | | 13 | 12 |
| Interest received from financial assets measured at fair value through profit or loss | | 57 | 116 |
| Net cash inflow from investing activities | | 1,783 | 960 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares upon exercise of employee share options | | 2 | 8 |
| Purchases of shares for Share Award Scheme | | (3) | (7) |
| Dividends paid | | (3,772) | (2,398) |
| Net cash outflow from financing activities | | (3,773) | (2,397) |
| Net increase in cash and cash equivalents | | 1,980 | 3,457 |
| Cash and cash equivalents at 1 Jan | | 2,340 | 1,945 |
| Cash and cash equivalents at 30 Sept | | 4,320 | 5,402 |
| Analysis of cash and cash equivalents | | | |
| Cash on hand and balances and deposits with banks | | 4,320 | 5,402 |

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard (HKAS) 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2011 annual consolidated financial statements. Except as described below and the change in the presentation to the notes to the condensed consolidated financial statements as described in notes 2 and 4, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements and segment information are consistent with those used in the annual consolidated financial statements and segment information for the year ended 31 December 2011.

Early adoption of new/revised Hong Kong Financial Reporting Standards (HKFRSs)

In 2012, Hong Kong Exchanges and Clearing Limited (HKEx) and its subsidiaries (collectively the Group) have early adopted the following new/revised HKFRSs where early adoption is permitted:

Amendments to HKAS 1 (Revised): Presentation of Financial Statements

HKAS 19 (2011): Employee Benefits

HKAS 28 (2011): Investments in Associates and Joint Ventures

HKFRS 10: Consolidated Financial Statements

Amendments to HKFRS 10: Consolidated Financial Statements

HKFRS 11: Joint Arrangements

Amendments to HKFRS 11: Joint Arrangements

HKFRS 12: Disclosure of Interests in Other Entities

Amendments to HKFRS 12: Disclosure of Interests in Other Entities

HKFRS 13: Fair Value Measurement

The amendments to HKAS 1 (Revised) require companies to classify items within other comprehensive income under two categories: (i) items which may be reclassified to profit or loss in the future and (ii) items which would never be reclassified to profit or loss. The adoption of the amended HKAS 1 (Revised) only affects the disclosure of the condensed consolidated statement of comprehensive income.

HKAS 19 (2011) eliminates the option of deferring the recognition of gains and losses arising from defined benefit plans, and enhances the disclosure requirements for defined benefit plans. The early adoption of HKAS 19 (2011) does not have any impact to the Group as it does not have a defined benefit plan.

Under HKFRS 10, there is a single approach for determining control for the purpose of consolidation of subsidiaries by an entity based on the concept of power, variability of returns and the ability to use power to affect the amount of returns. This replaces the previous approach which emphasised legal control under HKAS 27 (Revised) (for companies) or exposure to risks and rewards under HK(SIC)-INT 12 (for special purpose entities). The adoption of HKFRS 10 does not have any financial impact to the Group as all subsidiaries within the Group are wholly-owned and satisfy the requirements for control under HKFRS 10.

1. Basis of Preparation and Accounting Policies (continued)

Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangements. As the Group's new investment in China Exchanges Services Company Limited (note 18) is a joint arrangement under which each investor has joint control and the rights to the net assets of the arrangement, it is a joint venture. In accordance with HKFRS 11, the joint venture is accounted for by the Group using the equity method under HKAS 28 (2011).

HKAS 28 (2011) stipulates that equity method should be applied to both joint ventures and associates. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the investee. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition profit or loss and movements in other comprehensive income of the investee.

HKFRS 12 specifies the disclosure requirements for subsidiaries, joint arrangements and associates, and introduces new requirements for unconsolidated structured entities. The adoption of HKFRS 12 only affects the disclosures relating to the joint venture in the Group's financial statements.

The amendments to HKFRSs 10, 11 and 12 provide additional transition guidance on adopting the standards. The amendments aim to simplify the process of adopting HKFRSs 10 and 11 and provide relief from disclosures in respect of unconsolidated structured entities. There is no impact to the Group on adoption of the amendments.

The Group has applied the above new/revised HKFRSs retrospectively.

HKFRS 13 establishes a single source of guidance for all fair value measurements required or permitted by HKFRSs. It clarifies the definition of fair value as an exit price, which is defined as a price at which an orderly transaction to sell the asset or transfer the liability would take place between market participants at the measurement date under market conditions, and enhances disclosures about fair value measurement. The adoption of HKFRS 13 only affects disclosures of financial assets in the Group's financial statements.

Change in useful lives of leasehold buildings and leasehold improvements

Effective from 1 January 2012, the estimated useful lives of leasehold buildings and leasehold improvements were revised to better reflect the useful lives of the fixed assets as follows:

| | Old useful lives | New useful lives |
|------------------------|--|---|
| Leasehold buildings | 25 years | Up to 35 years or remaining lives of the leases if shorter |
| Leasehold improvements | Over the remaining lives of the leases but not exceeding 5 years | Over the remaining lives of the leases but not exceeding 10 years |

The effect of the above changes in estimated useful lives resulted in a decrease in depreciation charge of less than \$1 million for the nine months ended 30 September 2012.

1. Basis of Preparation and Accounting Policies (continued)

Hedge accounting

In the third quarter of 2012, the Group designated certain foreign exchange forward contracts as cash flow hedges (note 25) for hedging the foreign exchange risks of the consideration for the proposed acquisition of LME Holdings Limited (LMEH) and its subsidiary, The London Metal Exchange Limited (LME) (collectively referred to as the LME Group).

The accounting policy for the cash flow hedge is as follows:

The Group documents at the inception of the transactions the relationship between the hedging instruments and the hedged items, as well as the risk management objectives and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at the inception of the hedges and on an ongoing basis, of whether the hedging instruments are highly effective in offsetting changes in cash flows of the hedged items caused by the risk being hedged.

For hedging instruments that are designated and qualify as cash flow hedges, the changes in the fair value relating to the effective portion of the hedges are recognised in other comprehensive income and accumulated in equity as hedging reserve. The gains or losses relating to the ineffective portion of the hedges are recognised immediately in profit or loss.

Amounts accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged items affect profit or loss. However, when the forecast transactions that are hedged result in the recognition of a non-financial asset, the gains and losses previously deferred in hedging reserve are transferred from hedging reserve and included in the initial measurement of the cost of the non-financial asset. In case of business combination, the amounts accumulated in the hedging reserve will be treated as a basis adjustment to goodwill (and as part of the consideration payable).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been retained in hedging reserve at that time remains in hedging reserve and is recognised in accordance with the above policy when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss retained in hedging reserve is immediately reclassified to profit or loss.

2. Operating Segments

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

In 2012, the Group has amended the format of management information provided to the chief operating decision-maker for the purpose of assessing the performance of the operating segments. Previously, central income (mainly net investment income of the Corporate Funds) and central costs (mainly costs of support functions that centrally provide services to all of the operating segments and other costs not directly related to any of the operating segments) were allocated to the respective operating segments. From June 2012 onwards, the central income and central costs are included as "Corporate Items" and are no longer allocated to the respective operating segments. Income and expenses that are directly attributable to the reportable segments are not affected. Comparative figures have been restated to conform with the current period's presentation.

The Group has four reportable segments ("Corporate Items" is not a reportable segment). The segments are managed separately as each business offers different products and services and requires different information technology systems and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

2. Operating Segments (continued)

The **Cash Market** business mainly refers to the operations of The Stock Exchange of Hong Kong Limited (Stock Exchange), which covers all products traded on the Cash Market platforms, such as equities, callable bull/bear contracts (CBBs) and derivative warrants (DWs). Currently, the Group operates two Cash Market platforms, the Main Board and the Growth Enterprise Market (GEM). The major sources of revenue of the business are trading fees, trading tariff and listing fees. Results of the listing function are included in the Cash Market. Stock Exchange listing fees and costs of the listing function are further explained in note 4.

The **Derivatives Market** business refers to the derivatives products traded on Hong Kong Futures Exchange Limited and stock options traded on the Stock Exchange, which includes the provision and maintenance of trading platforms for a range of derivatives products, such as stock and equity index futures and options. Its revenue and other income mainly comprise trading fees, trading tariff and net investment income on the Margin Funds invested.

The **Clearing Business** refers to the operations of the three clearing houses, namely Hong Kong Securities Clearing Company Limited (HKSCC), The SEHK Options Clearing House Limited (SEOCH) and HKFE Clearing Corporation Limited (HKCC), which are responsible for clearing, settlement and custodian activities of the Cash and Derivatives Markets operated by the Group. Its revenue and other income are derived primarily from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Clearing House Funds.

The **Market Data** business is responsible for developing, promoting, compiling and sales of real-time, historical as well as statistical market data and issuer information. Its revenue comprises primarily market data fees of the Cash and Derivatives Markets.

An analysis of the Group's four reportable segment profit before taxation for the period is shown below and reconciled to the Group's total as follows:

| | Nine months ended 30 Sept 2012 | | | | | |
|---|--------------------------------|---------------------------|--------------------------|--------------------|------------------------|--------------|
| | Cash Market \$m | Derivatives Market \$m | Clearing Business \$m | Market Data \$m | Corporate Items \$m | Group \$m |
| Revenue from external customers | 2,117 | 579 | 1,717 | 426 | - | 4,839 |
| Net investment income | - | 328 | 27 | - | 258 | 613 |
| Other income | - | - | 11 | - | - | 11 |
| Revenue and other income | 2,117 | 907 | 1,755 | 426 | 258 | 5,463 |
| Operating expenses | 523 | 142 | 284 | 65 | 511 | 1,525 |
| Reportable segment operating results | 1,594 | 765 | 1,471 | 361 | (253) | 3,938 |
| Costs relating to proposed acquisition of LME Group | - | - | - | - | (128) | (128) |
| Share of loss of a joint venture | - | (1) | - | - | - | (1) |
| Reportable segment profit before taxation | 1,594 | 764 | 1,471 | 361 | (381) | 3,809 |
| | As restated | | | | | |
| | Nine months ended 30 Sept 2011 | | | | | |
| | Cash Market \$m | Derivatives Market \$m | Clearing Business \$m | Market Data \$m | Corporate Items \$m | Group \$m |
| Revenue from external customers | 2,561 | 646 | 1,983 | 492 | - | 5,682 |
| Net investment income | - | 159 | 14 | - | 62 | 235 |
| Revenue and other income | 2,561 | 805 | 1,997 | 492 | 62 | 5,917 |
| Operating expenses | 507 | 133 | 272 | 55 | 416 | 1,383 |
| Reportable segment profit before taxation | 2,054 | 672 | 1,725 | 437 | (354) | 4,534 |

3. Trading Fees and Trading Tariff

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|--|--|--|---|---|
| Trading fees and trading tariff were derived from: | | | | |
| Securities traded on the Cash Market | 1,177 | 1,566 | 355 | 533 |
| Derivatives contracts traded on the Derivatives Market | 613 | 700 | 196 | 268 |
| | 1,790 | 2,266 | 551 | 801 |

4. Stock Exchange Listing Fees

Stock Exchange listing fees and costs of listing function comprised the following:

| | Nine months ended 30 Sept 2012 | | | | As restated Nine months ended 30 Sept 2011 | | | |
|--|--------------------------------|-------------|----------------------------------|--------------|---|-------------|----------------------------------|--------------|
| | Equity | | CBBCs, DWs & others \$m | Total \$m | Equity | | CBBCs, DWs & others \$m | Total \$m |
| | Main Board \$m | GEM \$m | | | Main Board \$m | GEM \$m | | |
| Stock Exchange listing fees | | | | | | | | |
| Annual listing fees | 329 | 18 | 2 | 349 | 309 | 18 | 2 | 329 |
| Initial and subsequent issue listing fees | 70 | 7 | 253 | 330 | 69 | 5 | 307 | 381 |
| Other listing fees | 3 | - | - | 3 | 4 | - | - | 4 |
| Total | 402 | 25 | 255 | 682 | 382 | 23 | 309 | 714 |
| Direct costs of listing function | 204 | 54 | 15 | 273 | 196 | 44 | 13 | 253 |
| Contribution to Cash Market segment operating results | 198 | (29) | 240 | 409 | 186 | (21) | 296 | 461 |

| | Three months ended 30 Sept 2012 | | | | As restated Three months ended 30 Sept 2011 | | | |
|--|---------------------------------|-------------|----------------------------------|--------------|--|------------|----------------------------------|--------------|
| | Equity | | CBBCs, DWs & others \$m | Total \$m | Equity | | CBBCs, DWs & others \$m | Total \$m |
| | Main Board \$m | GEM \$m | | | Main Board \$m | GEM \$m | | |
| Stock Exchange listing fees | | | | | | | | |
| Annual listing fees | 111 | 6 | - | 117 | 106 | 6 | 1 | 113 |
| Initial and subsequent issue listing fees | 22 | 2 | 78 | 102 | 30 | 2 | 101 | 133 |
| Other listing fees | 1 | - | - | 1 | 1 | - | - | 1 |
| Total | 134 | 8 | 78 | 220 | 137 | 8 | 102 | 247 |
| Direct costs of listing function | 64 | 20 | 5 | 89 | 69 | 16 | 5 | 90 |
| Contribution to Cash Market segment operating results | 70 | (12) | 73 | 131 | 68 | (8) | 97 | 157 |

4. Stock Exchange Listing Fees (continued)

Listing fees are primarily fees paid by issuers to enable them to gain access to the Stock Exchange and enjoy the privileges and facilities by being admitted, listed and traded on the Stock Exchange.

The costs listed above are regulatory in nature, which comprise costs of the listing function on vetting Initial Public Offerings and enforcing the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and disseminating information relating to listed companies.

Previously, central costs (mainly costs of support functions that centrally provide services to all of the operating segments and other costs not directly related to any of the operating segments) were allocated as indirect costs of listing function. As a result of the change in the format of management information provided to the chief operating decision-maker (note 2), these costs are no longer included as costs of the listing function. Comparative figures have been restated to conform with current period's presentation.

5. Other Revenue

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|--|---|---|--|--|
| Network, terminal user, dataline and software sub-license fees | 270 | 281 | 72 | 87 |
| Participants' subscription and application fees | 27 | 26 | 9 | 9 |
| Trading booth user fees | 8 | 12 | 2 | 4 |
| Sales of Trading Rights | 15 | 16 | 6 | 3 |
| Miscellaneous revenue | 19 | 22 | 6 | 8 |
| | 339 | 357 | 95 | 111 |

6. Net Investment Income/(Loss)

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|--|---|---|--|--|
| Gross interest income | 284 | 182 | 102 | 79 |
| Interest rebates to Participants | (2) | (2) | (1) | (1) |
| Net interest income | 282 | 180 | 101 | 78 |
| Net fair value gains/(losses) including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss | 318 | 45 | 115 | (88) |
| Gains on disposal of financial assets measured at amortised cost | 1 | - | 1 | - |
| Others | 12 | 10 | 4 | 4 |
| Net investment income/(loss) | 613 | 235 | 221 | (6) |

7. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|---|---|---|--|--|
| Salaries and other short-term employee benefits | 742 | 680 | 246 | 237 |
| Employee share-based compensation benefits | 79 | 62 | 24 | 21 |
| Termination benefits | 2 | – | – | – |
| Retirement benefit costs (note 31(c)) | 61 | 51 | 21 | 17 |
| | 884 | 793 | 291 | 275 |

8. Information Technology and Computer Maintenance Expenses

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|-------------------------------------|---|---|--|--|
| Costs of services and goods: | | | | |
| – consumed by the Group | 114 | 112 | 37 | 37 |
| – directly consumed by Participants | 105 | 110 | 24 | 36 |
| | 219 | 222 | 61 | 73 |

9. Costs Relating to Proposed Acquisition of LME Group

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|-----------------------------|---|---|--|--|
| Legal and professional fees | 121 | – | 13 | – |
| Others | 7 | – | 5 | – |
| | 128 | – | 18 | – |

The costs above are solely incurred for the proposed acquisition of the LME Group. LME is a leading exchange for the trading of base metals forward and options contracts. Both LMEH and LME are companies incorporated in England and Wales.

On 15 June 2012, HKEx, HKEx Investment (UK) Limited (HKEx Investment) and LMEH entered into an agreement under which HKEx Investment made an offer to acquire the entire issued ordinary share capital of LMEH for cash by way of a scheme of arrangement and a capital reduction under the United Kingdom Companies Act. The offer price is £1.388 billion (\$17.378 billion) based on 12,900,000 LMEH shares at £107.60 (\$1,347.15) per share. The consideration was determined on an arm's length basis. The Group has obtained banking facilities of more than \$20 billion in relation to the proposed acquisition.

At 30 September 2012, the proposed acquisition remained subject to the approval of The Financial Services Authority of the United Kingdom (FSA) and the sanction by the High Court of Justice of England and Wales. The acquisition is expected to complete before the end of 2012.

9. Costs Relating to Proposed Acquisition of LME Group (continued)

HKEx Investment has agreed to pay LMEH a break fee of (i) £25 million (\$313 million) if the agreement is terminated in the event that FSA does not grant approval for the change of control or (ii) £30 million (\$376 million) if HKEx is in material breach of its warranty or the agreement and such breach is not capable of remedy within 10 business days. LMEH has agreed to pay HKEx Investment a break fee of £25 million (\$313 million) if the agreement is terminated in certain circumstances and an offer or proposal by a third party competitor to acquire more than 50% of LMEH, LME or any material part of the business or assets of the LME Group completes or becomes unconditional within 12 months after the termination of the agreement.

10. Taxation

Taxation charge in the condensed consolidated statement of comprehensive income represented:

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|---|---|---|--|--|
| Provision for Hong Kong Profits Tax at 16.5% (2011: 16.5%) | 580 | 705 | 168 | 243 |
| Deferred taxation | 9 | 8 | 9 | (2) |
| | 589 | 713 | 177 | 241 |

11. Dividends

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|---|---|---|--|--|
| Interim dividend paid of \$1.85 (2011: \$2.16) per share | 2,000 | 2,331 | - | - |
| Less: Dividend for shares held by Share Award Scheme | (4) | (4) | - | - |
| | 1,996 | 2,327 | - | - |

12. Earnings per Share

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

(a) Basic earnings per share

| | Nine months ended 30 Sept 2012 | Nine months ended 30 Sept 2011 | Three months ended 30 Sept 2012 | Three months ended 30 Sept 2011 |
|--|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Profit attributable to shareholders (\$m) | 3,220 | 3,821 | 1,004 | 1,237 |
| Weighted average number of shares in issue less shares held for Share Award Scheme (in '000) | 1,078,370 | 1,076,912 | 1,079,235 | 1,077,353 |
| Basic earnings per share (\$) | 2.99 | 3.55 | 0.93 | 1.15 |

12. Earnings per Share (continued)

(b) Diluted earnings per share

| | Nine months ended 30 Sept 2012 | Nine months ended 30 Sept 2011 | Three months ended 30 Sept 2012 | Three months ended 30 Sept 2011 |
|---|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Profit attributable to shareholders (\$m) | 3,220 | 3,821 | 1,004 | 1,237 |
| Weighted average number of shares in issue less shares held for Share Award Scheme (in '000) | 1,078,370 | 1,076,912 | 1,079,235 | 1,077,353 |
| Effect of employee share options (in '000) | 815 | 1,101 | 768 | 952 |
| Effect of Awarded Shares (in '000) | 2,008 | 1,382 | 1,859 | 1,366 |
| Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000) | 1,081,193 | 1,079,395 | 1,081,862 | 1,079,671 |
| Diluted earnings per share (\$) | 2.98 | 3.54 | 0.93 | 1.15 |

13. Cash and Cash Equivalents

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|---|---------------------------|--------------------------|
| Cash and cash equivalents: | | |
| – Clearing House Funds (note 22) | 1,320 | 835 |
| – Margin Funds (note 19) | 18,868 | 12,719 |
| – Cash collateral (note 20) (note (a)) | 3,300 | 2,327 |
| – Corporate Funds (note 17) | 23,488 | 15,881 |
| | 4,320 | 2,340 |
| | 27,808 | 18,221 |

- (a) The cash and cash equivalents of Clearing House Funds, Margin Funds and cash collateral are held for specific purposes and cannot be used by the Group to finance other activities. Therefore, they are not included in cash and cash equivalents of the Group for cash flow purpose in the condensed consolidated statement of cash flows.

14. Financial Assets Measured at Fair Value through Profit or Loss

| | At 30 Sept 2012 | | | |
|---|---|-------------------------------------|--|--------------|
| | Clearing House Funds (note 22) \$m | Margin Funds (note 19) \$m | Corporate Funds (note 17) \$m | Total \$m |
| Mandatorily measured at fair value | | | | |
| Equity securities: | | | | |
| – listed in Hong Kong | – | – | 122 | 122 |
| – listed outside Hong Kong | – | – | 284 | 284 |
| | – | – | 406 | 406 |
| Debt securities: | | | | |
| – listed in Hong Kong | – | – | 211 | 211 |
| – listed outside Hong Kong | – | – | 1,529 | 1,529 |
| – unlisted | – | 3,008 | 2,055 | 5,063 |
| | – | 3,008 | 3,795 | 6,803 |
| Derivative financial instruments: | | | | |
| – forward foreign exchange contracts | – | – | 37 | 37 |
| | – | 3,008 | 4,238 | 7,246 |
| The expected recovery dates of the financial assets are analysed as follows: | | | | |
| Within twelve months (note (a)) | – | 3,008 | 4,238 | 7,246 |

14. Financial Assets Measured at Fair Value through Profit or Loss (continued)

| | At 31 Dec 2011 | | | |
|--|---|-------------------------------------|--|--------------|
| | Clearing House Funds (note 22) \$m | Margin Funds (note 19) \$m | Corporate Funds (note 17) \$m | Total \$m |
| <u>Mandatorily measured at fair value</u> | | | | |
| Equity securities: | | | | |
| – listed in Hong Kong | – | – | 102 | 102 |
| – listed outside Hong Kong | – | – | 284 | 284 |
| | – | – | 386 | 386 |
| Debt securities: | | | | |
| – listed in Hong Kong | – | – | 217 | 217 |
| – listed outside Hong Kong | 125 | 283 | 1,914 | 2,322 |
| – unlisted | 159 | 5,982 | 2,251 | 8,392 |
| | 284 | 6,265 | 4,382 | 10,931 |
| Derivative financial instruments: | | | | |
| – forward foreign exchange contracts | – | – | 32 | 32 |
| | 284 | 6,265 | 4,800 | 11,349 |
| The expected recovery dates of the financial assets are analysed as follows: | | | | |
| Within twelve months (note (a)) | 284 | 6,265 | 4,620 | 11,169 |
| More than twelve months | – | – | 180 | 180 |
| | 284 | 6,265 | 4,800 | 11,349 |

- (a) Included financial assets maturing after twelve months of \$1,792 million (31 December 2011: \$1,867 million) attributable to the Margin Funds that could readily be liquidated to meet liquidity requirements of the Funds.

15. Financial Assets Measured at Amortised Cost

| | At 30 Sept 2012 | | | | |
|--|---|-------------------------------------|--|--|--------------|
| | Clearing House Funds (note 22) \$m | Margin Funds (note 19) \$m | Cash collateral (note 20) \$m | Corporate Funds (note 17) \$m | Total \$m |
| Debt securities: | | | | | |
| – listed outside Hong Kong | – | – | – | 204 | 204 |
| – unlisted | – | – | – | 121 | 121 |
| | – | – | – | 325 | 325 |
| Time deposits with original maturities over three months | | | | | |
| | 626 | 9,757 | 254 | 187 | 10,824 |
| Other financial assets | | | | | |
| | – | – | – | 62 | 62 |
| | 626 | 9,757 | 254 | 574 | 11,211 |
| The expected recovery dates of the financial assets are analysed as follows: | | | | | |
| Within twelve months | 626 | 9,757 | 254 | 442 | 11,079 |
| More than twelve months | – | – | – | 132 | 132 |
| | 626 | 9,757 | 254 | 574 | 11,211 |

15. Financial Assets Measured at Amortised Cost (continued)

| | At 31 Dec 2011 | | | | Total \$m |
|---|---|-------------------------------------|--|--|--------------|
| | Clearing House Funds (note 22) \$m | Margin Funds (note 19) \$m | Cash collateral (note 20) \$m | Corporate Funds (note 17) \$m | |
| | Debt securities: | | | | |
| – listed outside Hong Kong | – | – | – | 245 | 245 |
| – unlisted | – | – | – | 461 | 461 |
| | – | – | – | 706 | 706 |
| Time deposits with original maturities over three months | 367 | 12,368 | 906 | 1,855 | 15,496 |
| Other financial assets | – | – | – | 49 | 49 |
| | 367 | 12,368 | 906 | 2,610 | 16,251 |
| The expected recovery dates of the financial assets are analysed as follows: | | | | | |
| Within twelve months | 367 | 12,368 | 906 | 2,207 | 15,848 |
| More than twelve months | – | – | – | 403 | 403 |
| | 367 | 12,368 | 906 | 2,610 | 16,251 |

16. 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 89 per cent (31 December 2011: 90 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within two 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 three months.

17. Corporate Funds

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|---|---------------------------|--------------------------|
| The Group's Corporate Funds were invested in the following instruments: | | |
| Cash and cash equivalents (note 13) | 4,320 | 2,340 |
| Financial assets measured at fair value through profit or loss (note 14) | 4,238 | 4,800 |
| Financial assets measured at amortised cost (note 15) | 574 | 2,610 |
| | 9,132 | 9,750 |

18. Interest in a Joint Venture

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|--|---------------------------|--------------------------|
| Share of net liabilities of a joint venture (note (b)) | (1) | – |
| Amount due from a joint venture (note (d)) | 100 | – |
| | 99 | – |

18. Interest in a Joint Venture (continued)

- (a) Details of the joint venture at 30 September 2012 were as follows:

| Name | Place of business and country of incorporation | Principal activities | Particulars of shares held | % of ownership interest | Measurement method |
|---|--|---|----------------------------|-------------------------|--------------------|
| China Exchanges Services Company Limited (CESC) | Hong Kong | Development of index-linked and equity derivatives products | 1 ordinary share | 33.33% | Equity |

On 28 June 2012, HKEx, the Shanghai Stock Exchange and the Shenzhen Stock Exchange (the three JV investors) entered into a tripartite agreement to establish a joint venture with an aim of developing financial products and related services. On 16 August 2012, CESC, a limited company, was incorporated in Hong Kong for such purpose. CESC is a strategic investment to the Group and it is expected to enhance the competitiveness of Hong Kong, help promote the development of China's capital markets and the internationalisation of the Group.

The three JV investors have equal shareholding interest in CESC and have joint control over CESC as, under the agreement, unanimous consent is required from all investors for all activities that significantly affect the returns of the arrangement (ie, relevant activities). The joint arrangement also provides the three JV investors with rights to the net assets of CESC. Therefore, CESC is classified as a joint venture of the Group.

CESC is a private company and there is no quoted market price available for its shares.

- (b) Summarised statement of financial position of CESC and reconciliation to the carrying amount of the Group's share of net liabilities of CESC at 30 September 2012

| | Current \$m | Non-current \$m | Total \$m |
|--|-------------|-----------------|-----------|
| Assets | | | |
| Cash and cash equivalents | 200 | – | 200 |
| Other assets | – | 6 | 6 |
| Total assets | 200 | 6 | 206 |
| Liabilities | | | |
| Amounts due to shareholders | 3 | 200 | 203 |
| Accounts payable, accruals, other liabilities and provisions | 6 | 1 | 7 |
| Total liabilities | 9 | 201 | 210 |
| Net assets/(liabilities) | 191 | (195) | (4) |
| Carrying amount of the Group's share of net liabilities of CESC (@33.33%) | | | (1) |

- (c) Summarised statement of comprehensive income of CESC for the period from 16 August 2012 (date of incorporation) to 30 September 2012

| | \$m |
|--|-----|
| Operating expenses | 4 |
| Loss and total comprehensive income | (4) |
| Share of loss of CESC (@33.33%) | (1) |

18. Interest in a Joint Venture (continued)

- (d) The amount due from a joint venture represents the investment commitment of HKEx in CESC, and is unsecured and interest-free. The amount was intended for the subscription of additional shares in CESC once all three JV investors have paid in their \$100 million of investment commitment.

Subsequent to the reporting period, on 22 October 2012, CESC issued a total of 299,999,997 ordinary shares with a par value of \$1 each to the shareholders (99,999,999 shares for each of the three shareholders), and the issued share capital of CESC increased to \$300 million.

19. Margin Deposits from Clearing Participants on Derivatives Contracts

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|--|---------------------------|--------------------------|
| Margin deposits from Clearing Participants comprised (note (a)): | | |
| SEOCH Clearing Participants' margin deposits | 4,178 | 5,302 |
| HKCC Clearing Participants' margin deposits | 27,470 | 26,057 |
| | 31,648 | 31,359 |
| The margin deposits were invested in the following instruments for managing the obligations of the Margin Funds: | | |
| Cash and cash equivalents (note 13) | 18,868 | 12,719 |
| Financial assets measured at fair value through profit or loss (note 14) | 3,008 | 6,265 |
| Financial assets measured at amortised cost (note 15) | 9,757 | 12,368 |
| Margin receivable from Clearing Participants | 15 | 7 |
| | 31,648 | 31,359 |

- (a) Amounts excluded non-cash collateral received and utilised as alternative to cash margin.

20. Cash Collateral from HKSCC Clearing Participants

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|--|---------------------------|--------------------------|
| Cash collateral from HKSCC Clearing Participants (note (a)) | 3,554 | 3,233 |
| The cash collateral was invested in the following instruments: | | |
| Cash and cash equivalents (note 13) | 3,300 | 2,327 |
| Financial assets measured at amortised cost (note 15) | 254 | 906 |
| | 3,554 | 3,233 |

- (a) Amounts excluded non-cash collateral received and utilised as alternative to cash collateral.

21. 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 72 per cent (31 December 2011: 77 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

22. Clearing House Funds

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|--|---------------------------|--------------------------|
| The Clearing House Funds were attributable to: | | |
| Clearing Participants' cash contributions (note (a)) | 1,310 | 880 |
| Designated reserves (note 26) | 585 | 577 |
| | 1,895 | 1,457 |
| The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds: | | |
| Cash and cash equivalents (note 13) | 1,320 | 835 |
| Financial assets measured at fair value through profit or loss (note 14) | – | 284 |
| Financial assets measured at amortised cost (note 15) | 626 | 367 |
| | 1,946 | 1,486 |
| Less: Other financial liabilities of Clearing House Funds | (51) | (29) |
| | 1,895 | 1,457 |
| The Clearing House Funds comprised the following Funds: | | |
| HKSCC Guarantee Fund | 232 | 226 |
| SEOCH Reserve Fund | 304 | 578 |
| HKCC Reserve Fund | 1,359 | 653 |
| | 1,895 | 1,457 |

(a) Amounts excluded bank guarantees received and utilised as alternatives to cash contributions.

23. Share Capital, Share Premium and Shares Held for Share Award Scheme

| | | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m | | |
|---|--|---------------------------|--------------------------|---|--------------|
| Authorised: | | | | | |
| 2,000,000,000 shares of \$1 each | | 2,000 | 2,000 | | |
| Issued and fully paid: | | | | | |
| | Number of shares of \$1 each '000 | Share capital \$m | Share premium \$m | Shares held for Share Award Scheme \$m | Total \$m |
| At 1 Jan 2011 | 1,076,436 | 1,078 | 416 | (219) | 1,275 |
| Shares issued upon exercise of employee share options (note (a)) | 470 | – | 8 | – | 8 |
| Shares issued in lieu of cash dividends (note (b)) | | | | | |
| – total | 1,345 | 2 | 213 | – | 215 |
| – to Share Award Scheme | (47) | – | – | (7) | (7) |
| | 1,298 | 2 | 213 | (7) | 208 |
| Transfer from employee share-based compensation reserve upon exercise of employee share options | – | – | 2 | – | 2 |
| Shares purchased for Share Award Scheme (note (c)) | (628) | – | – | (80) | (80) |
| Vesting of shares of Share Award Scheme (note (d)) | 94 | – | – | 10 | 10 |
| At 31 Dec 2011 | 1,077,670 | 1,080 | 639 | (296) | 1,423 |
| At 1 Jan 2012 | 1,077,670 | 1,080 | 639 | (296) | 1,423 |
| Shares issued upon exercise of employee share options (note (a)) | 76 | – | 2 | – | 2 |
| Shares issued in lieu of cash dividends (note (b)) | | | | | |
| – total | 4,075 | 4 | 447 | – | 451 |
| – to Share Award Scheme | (71) | – | – | (9) | (9) |
| | 4,004 | 4 | 447 | (9) | 442 |
| Shares purchased for Share Award Scheme (note (c)) | (30) | – | – | (3) | (3) |
| Vesting of shares of Share Award Scheme (note (d)) | 365 | – | – | 45 | 45 |
| At 30 Sept 2012 | 1,082,085 | 1,084 | 1,088 | (263) | 1,909 |

23. Share Capital, Share Premium and Shares Held for Share Award Scheme (continued)

- (a) During the nine months ended 30 September 2012, employee share options granted under the Post-Listing Share Option Scheme were exercised to subscribe for 75,500 shares (year ended 31 December 2011: 469,900 shares) in HKEx at an average consideration of \$18.45 per share (year ended 31 December 2011: \$18.29 per share), of which \$1.00 per share was credited to share capital and the balance was credited to the share premium account.
- (b) During the nine months ended 30 September 2012, the following shares were issued to shareholders who elected to receive HKEx shares in lieu of cash dividends pursuant to the scrip dividend scheme:

| | Nine months ended 30 Sept 2012 | | | | | |
|---|--------------------------------|----------------|-------------------|-------------------|--|------------|
| | Number of shares | Scrip price \$ | Share capital \$m | Share premium \$m | Shares held for Share Award Scheme \$m | Total \$m |
| Issued as 2011 final scrip dividends: | | | | | | |
| – total | 860,935 | 124.46 | 1 | 106 | – | 107 |
| – to Share Award Scheme | (37,053) | 124.46 | – | – | (5) | (5) |
| Issued as 2012 interim scrip dividends: | | | | | | |
| – total | 3,214,012 | 106.98 | 3 | 341 | – | 344 |
| – to Share Award Scheme | (33,597) | 106.98 | – | – | (4) | (4) |
| | 4,004,297 | | 4 | 447 | (9) | 442 |
| | Year ended 31 Dec 2011 | | | | | |
| | Number of shares | Scrip price \$ | Share capital \$m | Share premium \$m | Shares held for Share Award Scheme \$m | Total \$m |
| Issued as 2010 final scrip dividends: | | | | | | |
| – total | 586,917 | 181.14 | 1 | 106 | – | 107 |
| – to Share Award Scheme | (21,148) | 181.14 | – | – | (4) | (4) |
| Issued as 2011 interim scrip dividends: | | | | | | |
| – total | 757,477 | 142.06 | 1 | 107 | – | 108 |
| – to Share Award Scheme | (25,747) | 142.06 | – | – | (3) | (3) |
| | 1,297,499 | | 2 | 213 | (7) | 208 |

- (c) During the nine months ended 30 September 2012, the Share Award Scheme acquired 30,600 HKEx shares (year ended 31 December 2011: 627,700 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$3 million (year ended 31 December 2011: \$80 million).
- (d) During the nine months ended 30 September 2012, the Share Award Scheme transferred 365,225 HKEx shares (year ended 31 December 2011: 94,421 shares) to the awardees upon vesting of certain Awarded Shares and the shares arising from related dividends reinvested. The total cost of the vested shares was \$45 million (year ended 31 December 2011: \$10 million).

24. Employee Share-based Compensation Reserve

The Group operates two employee share option schemes and a Share Award Scheme. The employee share-based compensation expenses in relation to the options and share awards were charged to profit or loss under staff costs over the relevant vesting periods with a corresponding increase in employee share-based compensation reserve.

No share options were granted during the nine months ended 30 September 2012. Details of Awarded Shares awarded during the nine months ended 30 September 2012 are set out below:

| Date of approval by Board | Date of award | Awarded Sum \$'000 | Number of shares purchased | Number of shares awarded | Average fair value per share \$ | Vesting period |
|---------------------------|---------------|--------------------|----------------------------|--------------------------|---------------------------------|---------------------------|
| 14 Dec 2010 | 28 Mar 2012 | 500 | 3,400 | 3,400 | 143.74 | 3 Jan 2014 – 3 Jan 2015 |
| 14 Dec 2011 | 22 Jun 2012 | 256 | 2,300 | 2,300 | 108.45 | 26 Mar 2014 – 26 Mar 2015 |
| 14 Dec 2011 | 22 Jun 2012 | 345 | 3,100 | 3,100 | 108.42 | 2 Apr 2014 – 2 Apr 2015 |
| 14 Dec 2011 | 22 Jun 2012 | 412 | 3,800 | 3,800 | 108.45 | 2 May 2014 – 2 May 2015 |
| 14 Dec 2011 | 22 Jun 2012 | 990 | 9,100 | 9,100 | 108.39 | 2 May 2014 – 2 May 2015 |
| 14 Dec 2011 | 5 Sept 2012 | 975 | 8,900 | 8,900 | 109.00 | 7 Jul 2014 – 7 Jul 2015 |

25. Hedging Reserve

During the nine months ended 30 September 2012, the Group entered into several foreign exchange forward contracts to purchase British Pound Sterling totalling £130 million. These foreign exchange forward contracts were designated as cash flow hedges for hedging the foreign exchange risks of the consideration for the proposed acquisition of the LME Group.

At 30 September 2012, the fair values of these foreign exchange forward contracts totalled \$35 million and were recognised as financial assets measured at fair value through profit or loss. The net fair value gains of these contracts of \$35 million were deferred in hedging reserve and will be transferred to the initial measurement of the investment cost when the acquisition completes, which is expected to be in the fourth quarter of 2012. No ineffective portion arising from cash flow hedges was recognised in profit or loss during the nine months ended 30 September 2012.

26. Designated Reserves

Designated reserves are segregated for their respective purposes and comprised the following:

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|--------------------------------|---------------------------|--------------------------|
| Clearing House Funds reserves | | |
| – HKSCC Guarantee Fund reserve | 124 | 123 |
| – SEOCH Reserve Fund reserve | 111 | 110 |
| – HKCC Reserve Fund reserve | 350 | 344 |
| | <u>585</u> | <u>577</u> |

27. Retained Earnings (Including Proposed Dividend)

| | 2012 \$m | 2011 \$m |
|--|--------------|--------------|
| At 1 Jan | 7,053 | 6,766 |
| Profit attributable to shareholders | 3,220 | 5,093 |
| Transfer (to)/from Clearing House Funds reserves | (8) | 3 |
| Dividends: | | |
| 2011/2010 final dividend | (2,252) | (2,487) |
| 2012/2011 interim dividend | (1,996) | (2,327) |
| Unclaimed HKEx dividends forfeited | 7 | 6 |
| Vesting of shares of Share Award Scheme | (3) | (1) |
| | <u>6,021</u> | <u>7,053</u> |
| At 30 Sept 2012/31 Dec 2011 | | |
| Representing: | | |
| Retained earnings | 6,021 | 4,801 |
| Proposed dividend | – | 2,252 |
| | <u>6,021</u> | <u>7,053</u> |
| At 30 Sept 2012/31 Dec 2011 | | |

28. Notes to the Condensed Consolidated Statement of Cash Flows

Reconciliation of profit before taxation to net cash inflow from operating activities:

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m |
|--|---|---|
| Profit before taxation | 3,809 | 4,534 |
| Adjustments for: | | |
| Net interest income | (282) | (180) |
| Dividend income | (11) | (9) |
| Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss | (318) | (45) |
| Gains on disposal of financial assets measured at amortised cost of Corporate Funds | (1) | – |
| Forfeiture of unclaimed cash dividends held by HKSCC Nominees Limited | (11) | – |
| Depreciation | 91 | 70 |
| Employee share-based compensation benefits | 79 | 62 |
| Gain on disposal of fixed assets | (1) | – |
| (Reversal of provision for)/provision for impairment losses of trade receivables | (1) | 3 |
| Changes in provisions | 4 | 8 |
| Share of loss of a joint venture | 1 | – |
| Net increase in Margin Fund financial assets | (236) | (21,908) |
| Net increase in Margin Fund financial liabilities | 289 | 21,847 |
| Net (increase)/decrease in Clearing House Fund financial assets | (455) | 733 |
| Net increase/(decrease) in Clearing House Fund financial liabilities | 452 | (737) |
| Net increase in financial assets of cash collateral | (321) | (2,258) |
| Net increase in cash collateral received from HKSCC Clearing Participants | 321 | 2,258 |
| Net increase in financial assets measured at fair value through profit or loss less financial liabilities at fair value through profit or loss | (30) | (88) |
| (Increase)/decrease in accounts receivable, prepayments and deposits | (226) | 2,033 |
| Increase/(decrease) in other current liabilities | 687 | (1,486) |
| Net cash inflow from operations | 3,840 | 4,837 |
| Dividends received | 11 | 8 |
| Interest received from bank deposits | 273 | 169 |
| Interest received from financial assets measured at fair value through profit or loss | 78 | 90 |
| Interest paid | (2) | (2) |
| Hong Kong Profits Tax paid | (230) | (208) |
| Net cash inflow from operating activities | 3,970 | 4,894 |

29. Capital Expenditures and Commitments

During the nine months ended 30 September 2012, the Group incurred capital expenditures of \$889 million (2011: \$378 million) and disposed of fixed assets with net book value of \$16 million (2011: less than \$1 million). The capital expenditures incurred were mainly on the new Data Centre at Tseung Kwan O with Hosting Services capability.

In addition to the investment commitment disclosed in note 9, the Group had the following commitments in respect of capital expenditures at 30 September 2012:

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|-----------------------------------|---------------------------|--------------------------|
| Contracted but not provided for | 266 | 729 |
| Authorised but not contracted for | 800 | 876 |
| | 1,066 | 1,605 |

The commitments in respect of capital expenditures were mainly related to the construction of the new Data Centre at Tseung Kwan O, the development of the next generation market data system, the over-the-counter derivatives clearing system and Central Gateway for the Cash Market, and the upgrade and enhancement of the Derivatives Market's trading and clearing systems.

30. Contingent Liabilities

In addition to that disclosed in note 9, the Group's material contingent liabilities at 30 September 2012 were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the Securities and Futures Commission (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 2011: \$71 million). Up to 30 September 2012, 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 506 trading Participants covered by the indemnity at 30 September 2012 (31 December 2011: 498) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$101 million (31 December 2011: \$100 million).
- (c) HKEx had 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.

31. Material Related Party Transactions

In addition to the transactions and balances disclosed in note 18, the Group has entered into the following material related party transactions:

(a) Key management personnel compensation

| | Nine months ended 30 Sept 2012 \$m | Nine months ended 30 Sept 2011 \$m | Three months ended 30 Sept 2012 \$m | Three months ended 30 Sept 2011 \$m |
|---|---|---|--|--|
| Salaries and other short-term employee benefits | 60 | 54 | 22 | 18 |
| Employee share-based compensation benefits | 23 | 19 | 8 | 7 |
| Retirement benefit costs | 5 | 4 | 2 | 1 |
| | 88 | 77 | 32 | 26 |

(b) Balance with a related party

| | At 30 Sept 2012 \$m | At 31 Dec 2011 \$m |
|---------------------------------------|---------------------------|--------------------------|
| Amount due from a joint venture, CESC | 3 | – |

The amount represents expenses paid on behalf of CESC and is unsecured, interest-free and repayable on demand. The amount is included in accounts receivable, prepayments and deposits under current assets.

(c) Post-employment benefit plans

The Group has sponsored a defined contribution provident fund scheme (ORSO Plan) and a Mandatory Provident Fund scheme (MPF Scheme). The retirement benefit costs charged to the condensed consolidated statement of comprehensive income represent contributions paid and payable by the Group to the ORSO Plan and the MPF Scheme and related fees (note 7).

(d) Save as aforesaid, the Group has entered into other transactions in the ordinary course of business with companies that are related parties but the amounts were immaterial.

32. Changes in Group Structure

On 26 March 2012, The Stock Exchange Nominee Limited, a dormant indirect subsidiary of HKEx held by the Stock Exchange, was renamed as HKEx Hosting Services Limited. On 2 April 2012, all of the shares of HKEx Hosting Services Limited were transferred to HKEx at a consideration of \$2. There is no financial impact to the Group on the share transfer. The principal activity of HKEx Hosting Services Limited is the provision of hosting services.

On 16 May 2012, OTC Clearing Hong Kong Limited, a new direct wholly-owned subsidiary of HKEx, was incorporated. The company will act as a clearing house for over-the-counter derivatives.

On 5 June 2012, HKEx International Limited, a new direct wholly-owned subsidiary of HKEx, was incorporated and will act as an investment holding company. On 14 June 2012, HKEx Investment (UK) Limited, a company with limited liability and registered in England and Wales, was acquired by HKEx International Limited at a consideration of £1. HKEx Investment (UK) Limited will act as the holding company for the proposed acquisition of the LME Group (note 9).

On 6 July 2012, Ganghui Financial Information Services (Shanghai) Limited, a new indirect subsidiary of HKEx and wholly-owned by HKEx Information Services Limited, was established in the People's Republic of China. The company will operate as a market data hub in Shanghai.

33. Convertible Bonds

On 25 September 2012, HKEx entered into a subscription agreement with certain banks under which the banks agree severally to subscribe and pay for, or to procure subscribers to subscribe and pay for, convertible bonds of US\$500 million principal amount that pay interest at 0.50 per cent per annum and mature in October 2017 (the Bonds). The closing date of the subscription and the issue date of the Bonds was 23 October 2012.

The redemption value of the Bonds at maturity on 23 October 2017 is 102.56 per cent of the principal amount. At any time between 3 December 2012 and 13 October 2017, the Bonds can be converted into ordinary shares of HKEx at an initial conversion price of HK\$160 per share (subject to adjustments) at the option of the holders of the Bonds.

To the extent that the holders of the Bonds have not previously exercised their conversion option, at any time after 7 November 2014, HKEx may, by giving notice to the holders of the Bonds, elect to redeem the Bonds in whole but not in part, if the closing price of HKEx shares for any 20 out of the 30 consecutive trading days immediately prior to the date upon which notice of such redemption is given, was at least 130 per cent of the applicable early redemption amount (translated into HK\$ at the fixed exchange rate of HK\$7.7531 = US\$1) divided by the conversion ratio (ie, if the HKEx share price is above the floor price of HK\$208 accreting at 0.5 per cent per annum). HKEx also has the option to redeem the outstanding Bonds in whole but not in part if the aggregate principal amount of the Bonds outstanding is less than US\$50 million.

HKEx intends to use the proceeds of the Bonds to fund part of the proposed acquisition of the LME Group (the Acquisition) (note 9). HKEx is entitled at its option to redeem the Bonds if FSA disapproves of the Acquisition, or on 23 March 2013 if FSA has not granted approval of the Acquisition by that date.

33. Convertible Bonds (continued)

From an accounting perspective, the Bonds comprise two elements and are accounted for as follows:

- (i) The loan element of approximately US\$450 million is treated as a financial liability and measured at amortised cost and interest expense is recognised in profit or loss using the effective interest method.
- (ii) The remaining conversion option element is treated as a derivative liability and measured at fair value through profit or loss. The impact of the fair value movements on profit or loss generally has an inverse correlation to movements in HKEx's share price.

34. Fair Value of Financial Assets and Financial Liabilities

- (a) Financial assets and financial liabilities carried at fair value

The following tables present the carrying value of financial assets and financial liabilities measured at fair value according to the levels of the fair value hierarchy defined in HKFRS 13: Fair Value Measurement, with the fair value of each financial asset and financial liability categorised based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within level 1 are directly or indirectly based on observable market data.
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

| | At 30 Sept 2012 | | |
|---|-----------------|----------------|--------------|
| | Level 1 \$m | Level 2 \$m | Total \$m |
| Recurring fair value measurements: | | | |
| Assets | | | |
| Financial assets measured at fair value through profit or loss: | | | |
| – equity securities | 406 | – | 406 |
| – debt securities | – | 6,803 | 6,803 |
| – forward foreign exchange contracts | 37 | – | 37 |
| | 443 | 6,803 | 7,246 |
| Recurring fair value measurements: | | | |
| Liabilities | | | |
| Other financial liabilities of Corporate Funds: | | | |
| Financial liabilities at fair value through profit or loss: | | | |
| – forward foreign exchange contracts | 16 | – | 16 |

34. Fair Value of Financial Assets and Financial Liabilities (continued)

(a) Financial assets and financial liabilities carried at fair value (continued)

| | At 31 Dec 2011 | | |
|---|----------------|----------------|---------------|
| | Level 1 \$m | Level 2 \$m | Total \$m |
| Recurring fair value measurements: | | | |
| Assets | | | |
| Financial assets measured at fair value through profit or loss: | | | |
| – equity securities | 386 | – | 386 |
| – debt securities | – | 10,931 | 10,931 |
| – forward foreign exchange contracts | 32 | – | 32 |
| | <u>418</u> | <u>10,931</u> | <u>11,349</u> |
| Recurring fair value measurements: | | | |
| Liabilities | | | |
| Other financial liabilities of Corporate Funds: | | | |
| Financial liabilities at fair value through profit or loss: | | | |
| – forward foreign exchange contracts | 11 | – | 11 |
| | <u>11</u> | <u>–</u> | <u>11</u> |

During the nine months ended 30 September 2012, no financial assets or financial liabilities were classified under Level 3 and there were no transfers of instruments between Level 1 and Level 2.

Level 2 fair values of debt securities have been determined based on quotes from market makers or alternative pricing sources supported by observable inputs. The most significant input is market interest rates.

The Group's policy is to recognise transfer into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

34. Fair Value of Financial Assets and Financial Liabilities (continued)

(b) Fair values of financial assets and financial liabilities not reported at fair value

Summarised in the following table are the carrying amounts and fair values of financial assets and financial liabilities not presented in the condensed consolidated statement of financial position at their fair values. The carrying amounts of short-term receivables (eg, accounts receivable, deposits and cash and cash equivalents) and short-term payables (eg, accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

| | At 30 Sept 2012 | | At 31 Dec 2011 | |
|--|--|-------------------|--|-------------------|
| | Carrying amount in condensed consolidated statement of financial position \$m | Fair value \$m | Carrying amount in condensed consolidated statement of financial position \$m | Fair value \$m |
| Financial assets | | | | |
| Financial assets measured at amortised cost: | | | | |
| – debt securities ¹ | 325 | 325 | 706 | 710 |
| – other financial assets maturing over one year ² | 62 | 60 | 49 | 48 |
| Financial liabilities | | | | |
| Financial guarantee contract ³ | 20 | 101 | 20 | 86 |

¹ The fair values are provided by the custodian of the investments, a reputable independent third party custodian bank, or by the banks from whom the investments were purchased.

² The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets, adjusted by an estimated credit spread. Assets without a contractual maturity date are assumed to mature exactly one year after the end of the reporting period. The discount rates used ranged from 0.79 per cent to 1.36 per cent at 30 September 2012 (31 December 2011: 0.83 per cent to 1.13 per cent).

³ The fair values are based on the fees charged by financial institutions for granting such guarantees discounted using a ten-year Hong Kong Government bond rate to perpetuity but capped at the maximum exposure of the financial guarantee. The discount rate was 0.74 per cent at 30 September 2012 (31 December 2011: 1.46 per cent).

GLOSSARY

| | |
|---|---|
| AMS/3 | Automatic Order Matching and Execution System/Third Generation |
| Awarded Shares | Shares awarded under the Share Award Scheme |
| BBS | Bronze Bauhinia Star |
| Board | HKEx's board of directors |
| BRICS | Refers to Brazil, Russia, India, China and South Africa, in connection with the BRICS Exchanges Alliance |
| Cash Market | HKEx's securities related business excluding stock options |
| CBBCs | Callable Bull/Bear Contracts |
| CCASS | The Central Clearing and Settlement System |
| CCMS | The Common Collateral Management System |
| Corporate Governance Code and Corporate Governance Report | Refers to Appendix 14 to the Main Board Listing Rules |
| CPs | Clearing Participants |
| DCASS | The Derivatives Clearing and Settlement System |
| Derivatives Market | HKEx's derivatives related business including stock options |
| Director(s) | HKEx's director(s) |
| DWs | Derivative Warrants |
| EP(s) or Participant(s) | Exchange Participant(s) |
| ESG | Environmental, Social and Governance |
| ETF(s) | Exchange Traded Fund(s) |
| Exchange or Stock Exchange or SEHK | The Stock Exchange of Hong Kong Limited |
| Financial Secretary | Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China |
| FSA | The Financial Services Authority of the United Kingdom |
| Futures Exchange or HKFE | Hong Kong Futures Exchange Limited |
| GBM | Grand Bauhinia Medal |
| GBS | Gold Bauhinia Star |
| GEM | The Growth Enterprise Market |
| Government | Government of the Hong Kong Special Administrative Region of the People's Republic of China |
| Government Appointed Director(s) | Director(s) appointed by the Financial Secretary pursuant to Section 77 of the SFO |
| Group | HKEx and its subsidiaries |
| HKATS | The Hong Kong Futures Automated Trading System |
| HKCC | HKFE Clearing Corporation Limited |
| HKEx or the Company | Hong Kong Exchanges and Clearing Limited |
| HKMA | Hong Kong Monetary Authority |
| HKSCC | Hong Kong Securities Clearing Company Limited |
| H-shares Index or HSCEI | Hang Seng China Enterprises Index |
| HSI | Hang Seng Index |
| IPO(s) | Initial Public Offering(s) |
| IT | Information Technology |
| IVs | Information Vendors |
| JP | Justice of the Peace |
| Listing Rule(s) or Rule | Main Board Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited |
| LME | The London Metal Exchange Limited |
| LME Group | LMEH and its subsidiary, LME |
| LMEH | LME Holdings Limited |
| Main Board Listing Rules | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| Model Code | Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules |
| OTC | Over-the-counter |
| Post-Listing Scheme | Post-Listing Share Option Scheme approved by Shareholders on 31 May 2000 which was subsequently amended by Shareholders on 17 April 2002 |
| Pre-Listing Scheme | Pre-Listing Share Option Scheme approved by Shareholders on 31 May 2000 |
| REIT(s) | Real Estate Investment Trust(s) |
| RMB | Renminbi |
| SDNet | The Securities and Derivatives Network |
| SEOCH | The SEHK Options Clearing House Limited |
| SFC | Securities and Futures Commission |
| SFO | Securities and Futures Ordinance |
| 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 and 13 May 2010 |
| US | United States of America |
| US\$/USD | United States dollar |
| \$/HKD | Hong Kong dollar |
| \$bn | Hong Kong dollar in billion |
| \$m | Hong Kong dollar in million |
| £/GBP | Pound sterling |

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