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

(Incorporated in Hong Kong with limited liability)
(Stock Code: 388)

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

2013 FINAL RESULTS, FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board submits the Group's consolidated results for the year ended 31 December 2013.

FINANCIAL HIGHLIGHTS

	2013	2012	Change
KEY MARKET STATISTICS			
Average daily turnover of equity products on the Stock Exchange ($bn)	**50.1**	41.0	22%
Average daily turnover of DWs, CBBCs and warrants on the Stock Exchange ($bn)	**12.5**	12.9	(3%)
Average daily turnover value on the Stock Exchange ($bn)	**62.6**	53.9	16%
Average daily number of derivatives contracts traded on the Futures Exchange	**283,610**	259,556	9%
Average daily number of stock options contracts traded on the Stock Exchange	**249,295**	228,438	9%
Average daily volume of metals contracts traded on LME (lots)	**676,283**	633,809 *	7%

* HKEx completed the acquisition of the LME Group on 6 December 2012.

	2013 $m	2012 $m	Change
RESULTS			
Revenue and other income	**8,723**	7,211	21%
Operating expenses	**(2,777)**	(1,957)	42%
EBITDA [1]	**5,946**	5,254	13%
Depreciation and amortisation	**(507)**	(158)	221%
Costs relating to acquisition of LME Group	**–**	(138)	(100%)
Finance costs	**(183)**	(55)	233%
Fair value loss on derivative component of convertible bonds	**–**	(55)	(100%)
Share of loss of a joint venture	**(10)**	(3)	233%
Profit before taxation	**5,246**	4,845	8%
Taxation	**(700)**	(761)	(8%)
Profit for the year	**4,546**	4,084	11%
Loss attributable to non-controlling interests	**6**	–	N/A
Profit attributable to shareholders	**4,552**	4,084	11%
Basic earnings per share	**$3.95**	$3.75	5%
Diluted earnings per share	**$3.94**	$3.74	5%
Interim dividend per share	**$1.82**	$1.85	(2%)
Final dividend per share	**$1.72**	$1.46	18%
	$3.54	$3.31	7%
Dividend payout ratio	**90%**	90%	–

	2013	2012	Change
KEY ITEMS IN CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Equity attributable to shareholders of HKEx ($m)	**20,405**	17,764	15%
Total assets [2] ($m)	**85,943**	80,837	6%
Net assets per share [3] ($)	**17.59**	15.48	14%

Notes:

1 For the purpose of this announcement, EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint venture and other non-recurring costs arising from the acquisition of the LME Group.

2 The Group's total assets include the Margin Funds and cash collateral received from Participants.

3 Based on 1,160,118,524 shares as at 31 December 2013, being 1,161,515,153 shares issued and fully paid less 1,396,629 shares held for the Share Award Scheme (2012: 1,147,408,233 shares, being 1,149,808,087 shares issued and fully paid less 2,399,854 shares held for the Share Award Scheme)

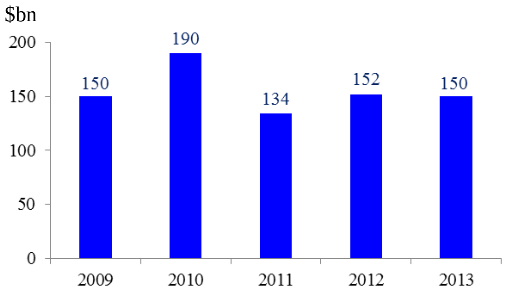
CHAIRMAN'S STATEMENT

"The integration of LME into HKEx supports our vision of building the Group into a leading global, vertically integrated multi-asset class exchange group. In 2013, we continued our effort to consolidate our strategic strengths, sharpen our competitive edge and ensure our businesses are sustainable."

Group's Performance

There was a positive turning point in the global economic recovery in 2013. The US economy grew at a slow but steady pace, the Eurozone shuffled out of the sovereign debt miasma, and the Mainland economy performed within expectations. All these factors provided positive momentum to the trading and fundraising activities of our securities and derivatives markets in Hong Kong. In addition, LME, our commodities market in the UK, had another record trading year in 2013.

HKEx shares' market capitalisation (as at year-end)*



* According to Thomson Reuters, HKEx ranked first in 2010 to 2012 and ranked third in 2013 among the world's listed exchanges.

Note: Figures have been rounded.

With the LME's contribution for the first full year, the Group's profit attributable to shareholders was $4,552 million, an increase of 11 per cent year-on-year. Consistent with our 90 per cent dividend payout policy, the Board recommends a final dividend of $1.72 per share for the year ended 31 December 2013. If the recommendation is approved by Shareholders, the full-year dividend for 2013 will be $3.54, a rise of 7 per cent from the previous year.

Business Development

According to the Global Financial Centres Index released in September 2013, London and Hong Kong are among the top 3 global financial centres. Our market presence in Hong Kong and London provides us with strategic advantages to pursue our vision of building the Group into a leading global, vertically integrated multi-asset class exchange group. Locally, we will continue our focus on reinforcing Hong Kong's position as an offshore RMB centre and a capital formation centre.

In 2013, we organised extensive outreach activities to showcase our products and services to our market participants in Hong Kong, the Mainland and around the globe. Three of the largest projects, the first ever LME Week Asia in Hong Kong, a series of events in Hong Kong and the Mainland to mark the 20^{th} anniversary of H-share listings and the annual LME Week in London, were all held with great success. The 2014 LME Week Asia, one of our major events this year, will be held in Hong Kong on 24 April. We look forward to meeting industry leaders and key market players and sharing insights and views on the future of the commodities industry in Asia, in particular, the growing influence of the Mainland China.

Details of the solid progress we made in 2013 are set out in the Chief Executive's Review and the Business Review sections of this announcement.

Quality Markets

As a recognised exchange controller in Hong Kong, HKEx closely observes its statutory obligations under the SFO. In December 2013, the SFC, upon completion of its review of the Exchange's performance in its regulation of listing matters during 2012, confirmed once again that the operational procedures and decision-making processes reviewed were appropriate to enable the Exchange to discharge its statutory obligations to maintain an orderly, informed and fair market.

HKEx is always mindful of the importance of enhancing the quality of our marketplace. The Listing Rules were amended to complement the introduction of the statutory obligation to disclose inside information, which took effect from January 2013. In addition, with the introduction of the new sponsor regulation by the SFC in October 2013, we made corresponding changes to the Listing Rules with a view to facilitating a more efficient listing process.

Legislative and regulatory changes continue to shape the environment in which the Group operates. We are closely tracking the developments in financial market regulatory framework, including the European Market Infrastructure Regulation requirements and the "Principles for financial market infrastructures" published by the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions, to ensure our compliance with the latest best practices and legislation applicable to our businesses. We will continue to work with regulatory authorities in Hong Kong, the UK and other parts of the world to promote sound and well-functioning global financial markets.

Environmental, Social and Governance Performance

Good Environmental, Social and Governance, or ESG, practices have always been an integral part of HKEx's business strategy and management approach.

Since February 2013, HKEx has had a Board Diversity Policy which sets out its approach to achieve diversity on the Board. Details of the implementation of the Board Diversity Policy and other governance practices will be set out in the Corporate Governance Report of the 2013 Annual Report.

As a good corporate citizen, HKEx also contributes to society indirectly through the Stock Code Balloting for Charity Scheme, which raised $67 million for charity during 2013.

Our 2013 Corporate Social Responsibility Report underscores the Group's commitment to act responsibly, contribute to the community and help protect the environment. The report includes performance data on the Group's ESG activities and will be available on the HKEx website in mid-March 2014.

We are pleased that our sustainability efforts have received positive external recognition, as HKEx continues to be included in the leading global and regional ESG indices.

In light of the new Companies Ordinance which will take effect on 3 March 2014, the Board has proposed the adoption of a new set of Articles of Association to replace HKEx's current Memorandum and Articles of Association and will seek Shareholders' approval at the 2014 AGM. The new Articles of Association align with the new provisions/requirements under the new Companies Ordinance, details of which and other business to be conducted at the 2014 AGM will be set out in the circular to Shareholders to be sent together with the 2013 Annual Report and posted on the HKEx website. Shareholders are encouraged to attend the 2014 AGM so that we can hear your views and address any concerns you may have.

Acknowledgments

I would like to take this opportunity to thank my fellow Board and Committee members for their support and contributions throughout the year. On behalf of the Board, I would like to extend thanks to all the Shareholders for their steadfast confidence in HKEx, to the investing public for their interest in our products and services and to our stakeholders, including our regulators and market participants, for their support to our initiatives. I would also like to express our appreciation to all the employees for their hard work, commitment and achievements that provide the foundation for the Group's success and future development.

Outlook

Despite signs of improving economic data, downside risks remain considerable as recovery of the US economy lays the premise of tapering the quantitative easing measures. The tapering call might result in capital outflows from emerging economies and undue volatility in the global financial markets. At HKEx, we will gear up quickly for any challenges that emerge, and stay vigilant as we pursue the initiatives laid down in our Strategic Plan 2013-2015. We aim to position our exchanges at the forefront of global exchanges, and we are confident of our achievements.

CHOW Chung Kong
Chairman

CHIEF EXECUTIVE'S REVIEW

2013 marked the opening chapter of our strategic plan for 2013-2015. At the beginning of the year, we set out a goal to build HKEx into a leading global vertically-integrated multi-asset class exchange and prepare ourselves for the managed but accelerating opening of China's capital account. With this vision in mind, we have continued our effort to not only strengthen our core business, but also to enhance our capability to deal with challenges and grasp new opportunities in the years to come, through a number of strategic initiatives.

Over the past year, we continued to enhance the regulatory environment for IPO listings and to attract more issuers, from local, Mainland and international, to list in Hong Kong. We improved market efficiency and integrity by implementing market structure reforms, expanded asset classes by launching OTC Clear, and strengthened our capabilities for further developments by investing and implementing platform infrastructure programmes. While each of our initiatives started to make its own contribution to our business growth, together they lay the foundation for our future strategic initiatives, which I believe will bring us to a new level of competitiveness once all are completed and connected together.

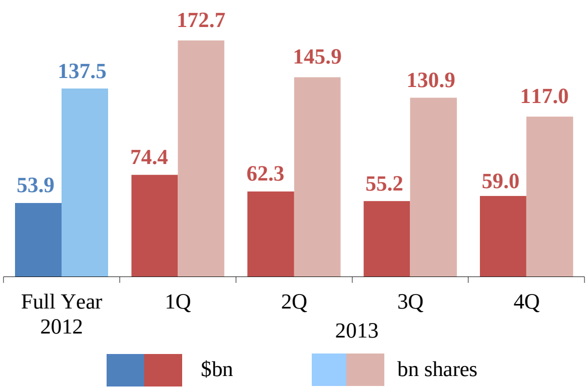
Market Performance

The world witnessed a pick-up in global growth in 2013; so did our markets both in terms of funds raised and turnover. In the primary market, IPOs in Hong Kong raised $169.0 billion, an 88 per cent rise from 2012. 110 companies were newly listed on our market, compared to 64 in 2012[1]. Our continuing effort in attracting international issuers continued to make returns, with 5 companies from overseas listing in Hong Kong, raising a total of $5.6 billion through their IPOs.

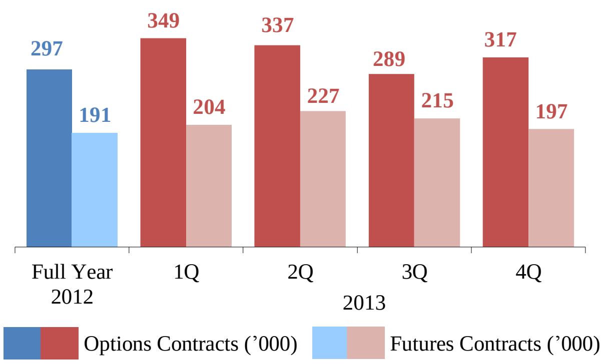
In the secondary market, the year started strongly, with Cash Market average daily turnover (ADT) of $74.4 billion in the first quarter, but trading activity gradually decreased, reaching a 2013 low of $55.2 billion in the third quarter. The year ended with a fourth quarter ADT of $59.0 billion, bringing full-year 2013 ADT to $62.6 billion.

Derivatives turnover achieved the second best ever with total turnover of 130,028,864 contracts, an increase of about 9 per cent from 2012, largely driven by strong trading in stock options and index futures and options. Open interest at year-end was 6,230,082 contracts, up from 5,317,952 at the previous year-end.

Average Daily Turnover on Cash Market



Average Daily Number of Contracts Traded on Derivatives Market



[1] Including the number of transfers of listing from GEM to the Main Board in 2012 and 2013

Business Development Review

Maintaining Growth Momentum of Equity and Equity Derivatives Business

For primary listings in 2013, we continued our efforts to attract potential issuers from the Mainland and other regions and countries to list in Hong Kong through a wide range of marketing activities. We also worked closely with the SFC to enhance the regulatory environment for IPOs in Hong Kong, resulting in a number of measures including:

- Amendments to Listing Rules to complement the new regulation on sponsors to streamline the regulatory commenting and other aspects of IPO process.
- Issuance of Revised Joint Policy Statement (revised JPS) on listing of overseas companies to enhance regulatory transparency and certainty for overseas companies seeking listing in Hong Kong, and maintain the quality of Hong Kong's financial market.
- Publication of Country Guides for each of the 20 acceptable overseas jurisdictions, following the issuance of revised JPS.

In the secondary market, taking into consideration the evolving changes currently undergoing in the equity markets globally, we have put considerable effort into market structure reforms to preserve market quality, and maximise market efficiency and capability for potential future opportunities. These efforts include:

- **Expanding Market Reach:** AHFT was introduced in April 2013 with the inclusion of HSI and H-shares Index futures. Later in the year, we completed a 6-month post-launch review and subsequently introduced Mini-HSI and Mini H-shares Index futures as well as a Block Trade Facility in the AHFT session from 6 January 2014.
- **Enhancing Market Liquidity and Growth:** We rolled out a Stock Options Revamp in May 2013 in a range of areas from product design to market making, with a view to capturing new opportunities created by regulatory changes, which have increasingly required on-exchange trading of derivatives and CCP clearing. The revamp has helped increase market liquidity and secured stock options' dominant position in our Derivatives Market, contributing 47 per cent of the total market turnover in terms of contract volume.
- **Maintaining Market Integrity:** The consultation conclusions on Trading Halts published in March 2013 showed market support of our proposal to allow a listed issuer's inside information announcement to be released during trading hours subject to a short trading halt. To minimise the impact to market participants, we will take a holistic approach to implement market structure reforms initiatives in due course.

Expanding into Fixed Income and Currency by Launching OTC Clear

After almost 3 years' preparation, OTC Clear was granted recognition as a clearing house pursuant to the SFO on 25 October 2013 and subsequently completed the founding shareholders programme. It was launched in November 2013 and offered clearing services for inter-dealer interest rate swaps as well as non-deliverable forwards referencing RMB, Taiwan Dollars, Korean Won and Indian Rupee.

The development of OTC Clear was driven both by regulatory reform for the Hong Kong OTC derivatives market, and more importantly, the internationalisation of RMB. We strive to build Hong Kong into the premier offshore RMB centre and one of the world's major FIC centres. OTC clearing services for RMB products has provided Hong Kong a breakthrough into the already competitive international FIC arena.

As next steps, we will further develop membership among financial institutions in Hong Kong, monitor international regulatory developments and ensure compliance, and expand the product range of OTC Clear over time.

Integrating Commodities Business into HKEx Group

Following the acquisition in 2012, LME, as part of HKEx Group, has continued to perform strongly in 2013, with average daily volume up 7 per cent from 2012 to 676,283 lots. Nickel volume experienced the largest growth (up 23 per cent), followed by copper and aluminium (up 11 per cent and 8 per cent respectively).

As part of our commodities strategy, we stepped up building LME's presence in Asia in 2013. LME opened an Asian Helpdesk in Hong Kong to provide full technology support for users throughout the Asian trading day. LME also enhanced its Asian Benchmark pricing, introducing a new and shorter pricing period, thereby further concentrating liquidity and pricing. LME also expanded its warehouse network with the listing of Kaohsiung port in Taiwan as a good delivery point.

In the past year, LME continued to build its own clearing house, LME Clear, with significant milestones completed, including completing the core technology platform, establishing governance structure and incorporating a trade repository reporting service. It is on track to be launched in September 2014.

At the beginning of July 2013, LME published a consultation paper with proposals to tackle the issue of warehouse queues. Following an extensive 3-month market consultation, which ended in September 2013, LME introduced a package of warehouse reforms, aiming to shrink existing queues and prevent the formation of new ones.

As at the date of this announcement, 26 class actions have been filed against LME in the US alleging anti-competitive and monopolistic behaviour in the warehousing industry in connection with aluminium prices. 19 of the actions also name LMEH, the holding company of LME, as a co-defendant. On 16 December 2013, an order for the consolidation of all the actions to be heard before the court in the Southern District of New York was made. Further to this, a directions hearing was held on 6 February 2014 during which the court ordered the plaintiffs to file consolidated complaints on 12 March 2014. LME management continues to take the view that the lawsuits are without merit and will contest them vigorously. Further details are set out in the Business Review section of this announcement.

As disclosed in HKEx's announcement on 24 December 2013, LME has been named as a defendant in a judicial review claim filed by United Company RUSAL Plc (Rusal) in the English High Court. The judicial review seeks to challenge the LME's decision to introduce changes to the delivery out rates of LME approved warehouses as announced in its notice dated 7 November 2013. The judicial review hearing will take place at the end of February 2014. LME management continues to take the view that Rusal's complaint is without merit and will contest the judicial review proceedings vigorously. Further details are set out in the Business Review section of this announcement.

Enhancing Platform Infrastructure Capability

To maintain our long-term growth and enhance our ability to tap new opportunities ahead, we have in 2013 focused our programme of investment on platform infrastructure implementation, including:

- **OMD Rollout:** The first phase of OMD was rolled out in September 2013. The next phases of OMD, scheduled for rollout in the first half of 2014, will extend direct distribution of the HKEx market data to Mainland China through the MMDH and then use OMD for HKEx Derivatives Market data.

- **Derivatives Trading and Clearing Systems Migration to Genium INET:** The migration of the Derivatives Market trading system (HKATS) and clearing system (DCASS) to Genium INET was completed in October 2013. The new system delivers world-class performance and paves the way for sustainable growth of our Derivatives Market.
- **Expansion of Hosting Services:** Hosting Services were expanded to support the Derivatives Market in June 2013, following its launch at the end of 2012. Turnover contribution from its participants for both Cash Market (20 per cent) and Derivatives Market (46 per cent) has been strong.

Building RMB Product Suite and Mainland Connectivity

Over the course of 2013, we witnessed a rather active and diverse market for RMB products, once again demonstrating our RMB capabilities. Developments included the introduction of CES 120 Futures (the world's first exchange-listed derivatives product offering exposure to both Mainland and Hong Kong stock markets), as well as the listing of the ChinaAMC CES China A80 Index ETF (the first ETF on a CESC index), the Hang Seng China A Industry Top Index ETF (the world's first RQFII ETF from an offshore fund manager) and RMB sovereign bonds through the HKEx platform. As China continues to internationalise its currency, we expect rapid and sustainable growth in the pace and scale of our RMB business in the years to come.

Our joint venture with the Shanghai Stock Exchange and the Shenzhen Stock Exchange, CESC, celebrated its first year anniversary in 2013 with many accomplishments, including the introduction of the CES China Cross Border Index Series and the rollout of futures and ETFs, tracking components of the index series. More importantly, its great achievements have been widely recognised, winning a 2013 Best of the Best Awards from Asia Asset Management. We see great potential in CESC because of its unique position, and will continue to develop new products to connect the rest of the world with Hong Kong and the Mainland's financial markets.

Strategy Outlook

Our consistent strategy, applied over the years, has helped deliver an efficient, balanced and resilient market place. China's capital account opening and the internationalisation of various markets remain to be one of our biggest strategic drivers. Hong Kong is now at a crossroads, which presents us with not only big challenges but also great opportunities.

Our Strategic Plan 2013-2015 positions us to respond to the evolving environment and react nimbly to opportunities arising from it. Our priorities for 2014 include mutual market access, market structure and integrity reforms as well as continued platform infrastructure development.

As one of the key themes in our Strategic Plan, mutual market access has been at the centre of our focus. We have continued our efforts to work with the Mainland exchanges and authorities to explore approaches and models to connect the 2 markets, with the view to achieving greater cross-border access and integration to serve investors in the Mainland, Hong Kong and the rest of the world.

To enhance our market's efficiency and resilience, we are at the moment looking into a number of market structure reforms, including closing auction and circuit breakers, and we plan to consult the market at an appropriate time.

Over the course of 2011 and 2012, we implemented Risk Management Reform, which marked the most crucial and significant reform to HKEx's clearing house risk management regime. In light of evolving market conditions and global regulatory standards, we will continue to review and refine our risk management measures to further enhance the robustness of our clearing house risk management capabilities and to better comply with international standards.

HKEx continuously monitors changes in the global and Hong Kong regulatory environment, and prudently manages its operations and risk. We continue to work closely with the relevant authorities to ensure that we meet appropriate regulatory standards.

In order to support our strategic goals, we will continue reviewing our platform and infrastructure capability. While it is absolutely crucial for us to maintain the competitiveness of our platform and infrastructure, we will be mindful of the timing, pace and market impacts when we come to the decisions of further enhancements.

As the world economy began to show a modest recovery in 2013, with the right strategic plan in place and successful implementation, I am confident that we will achieve sustainable growth in multi-asset classes and position ourselves in the top notch of global exchanges for the long term.

Appreciation

In closing, I would like to show my great appreciation to the HKEx Group staff whose hard work and dedication have not only maintained the smooth operation of our markets in 2013 but also made great progress in various initiatives under our Strategic Plan 2013-2015. I would also like to take this opportunity to welcome new colleagues Messrs Garry Jones (LME's Chief Executive), Stuart Sloan (LME's Chief Operating Officer and Head of Strategy), Mao Zhirong (Head of Mainland Development) and Ms Margaret Cheng (Group Head of Human Resources), and to thank Messrs Martin Abbott (LME's former Chief Executive) and Diarmuid O'Hegarty (LME's former Deputy Chief Executive), who left us in 2013, for their great contributions to the HKEx Group.

I would like to thank our market participants and other stakeholders for their support and contributions over the course of the last year as we implemented strategies to improve operational efficiency and pursue growth for HKEx as well as the Hong Kong's markets.

Last but not least, I would like to thank my fellow members of the Board, who provided tremendous support and guidance needed for a successful and fruitful 2013. The year of the galloping horse has begun; I am confident that with our continuous drive and determination, we will continue to deliver and succeed in achieving our goal of leading Hong Kong's markets to new horizons.

LI Xiaojia, Charles
Director and Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing and Regulatory Affairs

Listing

Review of Listing Rules

HKEx is committed to providing a quality market for issuers and investors. The Exchange reviews the Listing Rules from time to time to ensure that they address developments in the market and conform to international best practice, and also represent acceptable standards which help strengthen investor confidence.

Proposals and conclusions on Listing Rules amendments made in 2013 and proposals under review in 2014 are set out in the following tables.

Proposals and Conclusions Made in 2013

	Consultation paper *	Consultation conclusions *	Effective date of changes (if any)
• Trading halts – to allow publication of price sensitive information announcements during trading hours subject to a short halt in trading in shares of the issuer	Jul 2012	Mar 2013	Not earlier than mid-2014
• Review of connected transaction Rules – to amend the connected transaction Rules with a view to refining the scope of connected transactions and to fine-tuning the framework for continuing connected transactions	Apr 2013	first quarter of 2014 (tentative)	Subject to consultation conclusions
• Proposed changes to align the definitions of connected person and associate in the Listing Rules – to rename the general definitions of "connected person" and "associate" in Chapter 1 to distinguish them from those used in Chapter 14A of the Main Board Listing Rules for the purpose of the connected transaction requirements, and align the definitions in certain parts of the Rules with those used in Chapter 14A of the Main Board Listing Rules	Apr 2013	first quarter of 2014 (tentative)	Subject to consultation conclusions

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

Proposals under Review in 2014

- Implementation review of Rule amendments and procedures to complement the SFC's reform of the sponsor regime
- Review weighted voting rights regimes
- Review listing process for GEM applications
- Review treasury shares and block listing regime
- Review disclosure requirements of Appendix 16 to the Main Board Listing Rules with reference to the new Companies Ordinance and International Financial Reporting Standards/HKFRSs
- Review Environmental, Social and Governance Reporting Guide
- Review Corporate Governance Code on risk management and internal control
- Review independent financial advisers requirements

Rule Changes to Complement the SFC's New Regulation on Sponsors

In July 2013, the Exchange published Rule changes to complement the SFC's new sponsor regulation that took effect from 1 October 2013. New and revised guidance materials have been published under the Rules & Regulations (Rules and Guidance on Listing Matters) section of the HKEx website to explain the logistics and key aspects of the Rule amendments and provide templates for action.

Revised Joint Policy Statement Regarding Listing of Overseas Companies on the Exchange and Published Country Guides for Each of the 20 Acceptable Jurisdictions

Further to the publication of the revised Joint Policy Statement with the SFC that aims to provide increased transparency and regulatory certainty for overseas companies seeking either primary or secondary listing in Hong Kong, the Exchange published Country Guides for each of the 20 acceptable overseas jurisdictions in December 2013. These Country Guides are aimed at enhancing applicants' understanding of the Exchange's expectations, practices, procedures and considerations when applying the Listing Rules to overseas issuers. The Exchange will in the future update a Country Guide when it is informed of a material change in the laws, rules or regulations referred to in the Country Guide by a new applicant or a listed company incorporated in the relevant acceptable jurisdiction.

Implementation Review of the Corporate Governance Code

In November 2013, the Exchange published the findings of its fifth review of listed issuers' corporate governance practices.

The Corporate Governance Code became effective in 2005, and on 1 April 2012 substantial amendments were implemented, resulting in the addition of 30 new Code Provisions. To determine the effectiveness of the Code's implementation, the Exchange conducted the fifth review which involved analysing the disclosures made by 1,083 issuers in their 2012 annual reports, focusing on the period from 1 April to 31 December 2012 during which the revised Code applied.

The Exchange's latest review shows that issuers have embraced the changes to the Code and have achieved a high rate of compliance. This is a positive sign that issuers recognise the importance of corporate governance and are more ready to adopt a higher standard of governance.

Further Simplification of Listing Documents / Procedures

Following on the listing document simplification initiative that resulted in the previous publication of guidance materials on how to prepare a formal notice and various sections of a prospectus, the Exchange has published new and revised guidance letters on what information should be included in certain sections of the prospectus as well as simplification of the white and yellow application forms.

The Exchange will continue to work on simplifying listing documents and related procedures, and work with market practitioners to implement the simplified approach.

IPO Processing, Compliance and Monitoring

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

Statistics of IPO Work

	2013	2012
• Number of listing applications vetted	**227** [1]	205
• Number of first comment letters issued to new listing applicants	**144** [2]	111
– Average time (in calendar days) between receipt of application and issuance of first comment letter	**14**	15
• Number of applications brought to the Listing Committees (or their delegates) for decisions	**138**	83
– Number of applications reviewed by the Listing Committees (or their delegates) within 120 calendar days	**74**	27
– Number of applications reviewed by the Listing Committees (or their delegates) within more than 180 calendar days	**26**	26
• Number of applications to which approval was granted in principle	**146** [3]	84
• Number of requests for guidance from listing applicants or their advisers seeking clarifications of the Listing Rules relevant to new listing applications to which responses were made	**108**	106
– Average response time (in calendar days)	**7**	6
• Number of listing applications for transfer of listing from GEM to the Main Board accepted	**14**	10

Notes:

1 177 were new applications and 50 applications were brought forward from 2012.
2 The number was smaller than the total number of new applications accepted because some cases (eg, investment vehicles seeking listing under Chapter 20 of the Main Board Listing Rules and transfer of listing from GEM to the Main Board) had minimum, if any, comments from the Listing Department and proceeded to the SFC's consideration of approval or the Listing Committee hearing directly. Including transfers of listing from GEM to the Main Board, the number of first comment letters issued was 159 and the average number of days taken to issue these letters was 14.
3 As at the end of 2013, 20 approved applications had not yet been listed, and 8 approved applications had lapsed during the year.

Number of IPO Transactions

	2013	2012
• New listing applications accepted	**177**	141
• Applications listed	**132**	100
– Companies listed on the Main Board under Chapter 8	**79**	50
– Investment vehicles listed on the Main Board	**18**	35
– Transfers of listing from GEM to the Main Board	**8**	2
– Companies listed on GEM	**23**	12
– Deemed new listings	**4**	1
• New listing applications rejected	**6**	8
• New listing applications withdrawn	**2**	12
• Applications in process at year-end	**38**	50
• Active applications with approval granted but not yet listed at year-end	**20**	15

Under the SFC's new sponsor regulation which took effect from 1 October 2013, the Exchange streamlined the IPO vetting process by reducing the number of comments and the time to issue the comment letters. Between 1 October and 31 December 2013, the Exchange received 7 new listing applications under the new sponsor regulation (excluding applications by investment vehicles under Chapters 20 and 21 of the Main Board Listing Rules and applications for transfer of listing from GEM to the Main Board), of which 2 were returned on the grounds that the information in the listing application proof or related documents was not substantially complete and 1 was returned under the initial 3-day check procedure. Regarding the remaining 4 applications, 1 has been listed on the Exchange, 2 were brought to the Listing Committee for consideration, and 1 is still under review.

The Exchange's service standard for IPO cases accepted for vetting under the new sponsor regulation is summarised in the following table:

		Cases accepted for vetting since 1 Oct 2013	
	Service standard	**Average number of business days taken**	**% of cases meeting service standard**
Issuance of first round of comments	10 business days from date of receipt of listing application	9	100
Issuance of second round of comments	10 business days from receipt of reply to first comment letter	2	100

Number of Compliance and Monitoring Actions

	2013	2012
• Announcements of issuers vetted	**41,726**	42,124
– Pre-vetted	**151**	147
– Post-vetted [1]	**41,575**	41,977
• Circulars of issuers vetted	**1,581**	1,643
– Pre-vetted	**1,190**	1,155
– Post-vetted	**391**	488
• Share price and trading volume monitoring actions undertaken [2]	**5,287**	3,947
– Clarification announcements published by issuers in response to enquiries on unusual share price and/or trading volume movements [3]	**390**	348
• Enquiries raised about press reports [4]	**55**	77
– Clarification announcements published by issuers in response to enquiries about press reports	**32**	27
• Complaints handled	**454**	604
• Cases (including complaints) referred to Listing Enforcement Team for investigation	**25**	35

Notes:

1 Including clarification announcements published by issuers in response to unusual share price and/or trading volume movements in their securities

2 In 2013, monitoring actions undertaken included 1,015 enquiries (2012: 694) on unusual share price and trading volume movements, and the actions undertaken led to 81 resumption announcements (2012: 53) on trading suspensions.

3 Including 136 qualified announcements (2012:160) and 254 standard negative announcements (2012: 188)

4 Figures cover written enquiries only. The Exchange also raised verbal enquires to issuers in relation to press reports. In 2013, there were 142 (2012: 168) verbal enquiries and 46 (2012: 44) of them resulted in clarification announcements published by issuers.

Post-vetted Announcements

	2013	2012
Subject to detailed post-vetting [1]	**10,452**	10,037
Required follow-up actions by the Exchange	**3%**	3%
Required follow-up actions by issuers (eg, clarification announcements) [2]	**23%**	21%
Involved Listing Rules non-compliance [2]	**16%**	14%

Notes:

1 Representing 25 and 24 per cent of all post-vetted announcements in 2013 and 2012 respectively

2 Figures are presented as a percentage of the number of post-vetted announcements which required follow-up actions taken by the Exchange and mainly involved minor Rule non-compliance and voluntary clarifications.

Key Initiatives by the Exchange in 2013 to Promote Issuers' Self-compliance with the Listing Rules

- Published a series of listing decisions and frequently asked questions providing further guidance on the Listing Rules including Rule amendments consequential to the statutory backing of the inside information provisions
- Issued letters to issuers on Rule implications arising from the adoption of HKFRS 10 and guidance on issuers' Rule compliance based on the Exchange's review of disclosure in issuers' annual reports
- Published guidance letters on continuing obligations under Chapter 18 of the Main Board Listing Rules, compliance adviser requirement for newly listed issuers and guidance for long suspended companies

Under the Financial Statements Review Programme, the Exchange reviews, on a sample basis, the periodic financial reports published by issuers. The 2013 review included 120 financial reports released by issuers between October 2012 and September 2013. During the year of 2013, the Exchange referred 14 cases to the Financial Reporting Council for its enquiry and/or investigation into issuers' possible non-compliance with accounting requirements, or auditing irregularities in the preparation of published financial statements. In order to enhance transparency and encourage high standards of financial disclosure, the Exchange published a report of key findings and observations from its 2013 review in February 2014. It was the fifth report since the programme began and is available under the Rules & Regulations (Rules and Guidance on Listing Matters) section of the HKEx website.

Issuers should stay alert of changes to the Listing Rules, accounting standards and other regulatory disclosure requirements and should consult with their auditors and other external professional advisers as early as possible to gain insight into the changes and their implications on annual audits or review of financial reporting. The Exchange encourages directors and other persons responsible for financial reporting to take note of the matters discussed in the report and to review their existing financial reporting systems to ensure that the information presented in their financial reports is:

(i) specific, relevant and material; (ii) in compliance with the disclosure requirements; and (iii) useful to users in making investment decisions.

In 2013, the Exchange also published a report on its review of disclosure in issuers' annual reports. The review covered annual reports of listed issuers with a particular focus on issuers' Rule compliance and the quality and consistency in disclosure of material events and developments, taking into account issuers' disclosures in corporate communications such as announcements and circulars. The areas of focus included impairment of intangible assets arising from material acquisitions, performance guarantees, connected transactions, significant changes to financial position, and certain categories of listed issuers. The Exchange identified areas which merited better disclosure and published guidance on those areas. A small number of cases of non-compliance with the Rules were noted, and appropriate actions were taken against them. The annual report review programme is an ongoing exercise of the Exchange.

Communication with Issuers

The Exchange continues its programme of issuer education and market outreach to issuers and other stakeholders with a view to promoting issuers' self-compliance with the Listing Rules and facilitating mutual understanding of regulatory issues through continued dialogue. Some of the key events held in 2013 are highlighted below.

Event	Place	Purpose
• 3 seminars on the SFC's new regulation on sponsors	Hong Kong	To help sponsors and market practitioners adapt to the new Rules and the streamlined vetting process
• 12 seminars on Environmental, Social and Governance Reporting Guide and listing compliance update for issuers and 1 seminar on listing compliance update for market practitioners	Hong Kong	To promote issuers' self-compliance with the Listing Rules and facilitate mutual understanding of regulatory issues

Operational Efficiency

The following table summarises the Exchange's service standards for monitoring and guidance actions as well as its subsequent responses to issuers' actions. It is the Exchange's objective to continue improving the transparency, quality, efficiency and predictability of its service.

		% of cases meeting service standard	
Service for initial responses	**Service standard**	**2013**	2012
• Pre-vetting activities			
– Initial response to pre-vetted announcements	Same day	**98%**	90%
– Initial response to pre-vetted circulars (very substantial acquisition)	10 business days	**100%**	97%
– Initial response to pre-vetted circulars (other than very substantial acquisition)	5 business days	**99%**	98%
• Issuer enquiries [1]			
– Initial response to issuer's enquiries	5 business days	**98%**	93%
• Waiver applications [2]			
– Initial response to waiver applications (other than application for delay in despatch of circulars)	5 business days	**98%**	95%
• Post-vetting activities			
– Initial response to post-vetted results announcements	5 business days	**98%**	98%
– Initial response to post-vetted announcements (other than results announcements)	1 business day	**99%**	100%

Notes:

1 In 2013, 415 written enquiries (2012: 435) on Listing Rules interpretations and related matters were handled.
2 In 2013, 344 waiver applications (2012: 256) from strict compliance with requirements under the Listing Rules were processed.

Long Suspension

Status of Long Suspended Companies (as at year-end)

	Main Board		GEM	
	2013	2012	**2013**	2012
Resumption of trading of securities during the year	**19**	23	**6**	4
Cancellation/withdrawal of listing during the year	**3**	3	**2**	1
Companies in the third stage of delisting	**4**	5	**N/A**	N/A
Companies notified of the Exchange's intention to cancel their listing *	**0**	1	**2**	3
Companies suspended for 3 months or more	**39**	43	**8**	10

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

Listing Enforcement

In the enforcement of the Listing Rules, the Exchange adopts the strategy of (i) referring cases of egregious conduct which may involve a breach of the SFO to the SFC; (ii) referring cases of suspected violations of the law and other rules and regulations to the appropriate law enforcement agencies such as the ICAC and the Commercial Crime Bureau of the Hong Kong Police; (iii) taking disciplinary action for serious breaches of the Listing Rules; and (iv) issuing warnings for other less serious conduct, or where appropriate no action.

When the SFC commences the investigation of certain conduct, the Exchange will normally suspend its investigation and provide support to the SFC. After the SFC's completion of an investigation, the Exchange will consider if a reactivation of its investigation is required. Under this arrangement, the Exchange has currently suspended the investigation of 12 cases.

The Exchange will also provide other law enforcement agencies with technical advice on the application of the Listing Rules in given circumstances, and witness statements to support their prosecutions.

In September 2013, the Exchange published a new statement outlining its approach towards enforcement of the Listing Rules and the criteria for assessing the appropriate level of enforcement action. The Exchange also implemented new procedures for disciplinary matters involving breaches of the Listing Rules. These steps represent part of the Exchange's continuing efforts to enhance transparency of the decision-making process involved in its enforcement of the Listing Rules and expedite the resolution of enforcement matters.

Compliance with the Listing Rules is the collective and individual responsibility of directors whether they hold executive or non-executive roles in the management of the issuer. Directors may be subject to disciplinary sanctions should they be held liable for substantive breaches of the Listing Rules by the issuer. Compliance can be achieved through compliance systems and internal controls. As a result, they may also be subject to disciplinary sanctions should they be held liable for failing to create and maintain adequate internal controls by which compliance can be achieved.

During 2013, a number of investigations arising from breaches of the Listing Rules were completed, leading to the imposition of public and private sanctions on the issuers or directors by the Listing Committees. There are also currently 3 cases at different stages of the disciplinary process awaiting consideration and/or decision by the Listing Committees. Eight disciplinary hearings including settlement and review hearings took place in 2013 (20 in 2012). The change is reflective of the nature and substance of cases for discipline in 2013 and was attributable in part to the fact that in 2012 there were more review hearings.

Number of Disciplinary Actions

	2013	2012
Investigations [1, 2]	**69** [3, 4]	91
Public censures [5]	**5**	8
Public statements/criticisms [5]	**3**	0
Private reprimands	**0**	4
Warning/caution letters [6]	**16**	20

Notes:

1 Figures cover investigations concluded during the year, and investigations which remained active as at year-end.
2 The average time for completion of an investigation (at which point in time a decision as to the level of regulatory action (if any) is taken) was 12 months for cases in which the investigation commenced in 2012 and 2013 (10.8 months, as disclosed last year, for cases in which investigations commenced in 2011 and 2012).
3 There were 27 outstanding investigations (82 per cent of which commenced in 2013) as at the end of 2013 as compared to 37 investigations (89 per cent of which commenced in 2012) as at the end of 2012.
4 In 2013, 5 cases originating from complaints were subject to enforcement investigation, and might give rise to disciplinary proceedings after investigation.
5 Figures represent only the primary regulatory action from a disciplinary matter. They exclude any other actions taken at a lower level, eg, private reprimand in the same case.
6 The warning and caution letters were primarily delivered by the Listing Department in circumstances where action before the Listing Committees was not considered appropriate.

Number of Directors Subject to Disciplinary Sanctions as a Result of Concluded Contested or Settlement Cases

	2013	2012
Executive directors	**35**	37
Non-executive directors	**3**	12
Independent non-executive directors	**19**	17
Total	**57** *	66

* As at the end of 2013, a further 17 executive directors, non-executive directors and independent non-executive directors were subject to ongoing disciplinary action in which their cases were at various stages of the process or subject to settlement negotiations.

To further improve the efficiency of investigations, training on investigation techniques by an external service provider was offered to staff of the Listing Enforcement Team in 2013. Improvements also continue to be made to the internal decision-making structures so as to enable earlier identification of serious misconduct and breaches of the Listing Rules. This helps facilitate the delivery of regulatory outcomes as quickly as possible while observing the principles of natural justice and due process.

In addition, the Exchange continues to make recommendations to the Listing Committees for remedial action to correct breaches and to improve corporate governance in the future, including: (i) an obligation to retain external assistance in the creation of adequate and effective compliance structures or revisions to existing structures; and (ii) a requirement for directors to undergo training at recognised professional bodies for specific periods of time to improve their knowledge of, and performance in, compliance matters.

Number of Concluded Contested or Settlement Cases

	2013	2012
Involving "Internal Control Review" direction	**6**	4
Involving "Retention of Compliance Adviser" direction	**7**	7
Involving "Training of Directors" direction	**8**	10

In July 2013, the Listing Committees considered a paper which (i) contained a high level review of the existing range of sanctions and directions the Listing Committees may impose and their application in recent years; and (ii) explored deployment of further possible sanctions and directions on remedial actions. The paper was prepared to facilitate consideration of the tools available to the Listing Committees to perform its regulatory function. Following discussion by the Listing

Committees, the Exchange will conduct further study and will report back in due course with further recommendations.

Structured Products, Fixed Income and Primary Market Information

During 2013, a total of 7,372 DW listing applications (2012: 5,982) and 8,990 CBBC listing applications (2012: 6,090) were processed. In addition, a total of 170 new debt securities (2012: 109), including Exchange Fund Notes and Government Bonds, were listed.

Number of DWs

	2013	2012
Newly listed DWs	**7,264**	5,886
Further issues of DWs	**108**	96
Delisted DWs	**6,296**	6,166
DWs listed as at year-end	**4,715**	3,747
Percentage change in number of listed DWs	**26%**	(7%)

Number of CBBCs

	2013	2012
Newly listed CBBCs	**8,948**	6,056
Further issues of CBBCs	**42**	34
CBBC knockouts	**7,004**	4,432
Delisted CBBCs	**1,538**	1,311
CBBCs listed as at year-end	**1,620**	1,214
Percentage change in number of listed CBBCs	**33%**	35%

The Latest Listed Company Information section of the HKExnews website, which housed a total of 1,762,309 archived issuer documents for public access free of charge as at the end of 2013, remained one of the most popular sections of the website during 2013. The Exchange also administers the filing and publication of Disclosure of Interests (DI) notices through the HKExnews website in accordance with the SFC's requirements and specifications under Part XV of the SFO.

Primary Market Information Statistics (Main Board and GEM)

	2013	2012
Number of issuer news filings processed by the Exchange	**239,004** [1]	224,050
Hit rates for HKExnews website (m)	**409**	341
Number of searches for issuer documents (m)	**49** [2]	44
Number of DI filings processed by the Exchange	**52,658**	49,905
Hit rates for DI filings (m)	**143**	168

Notes:

1 The majority of issuers' submissions were uploaded within 2 seconds (excluding the Internet transmission time which is beyond HKEx's control).
2 Eighty per cent of searches were responded to within 0.11 seconds (excluding the Internet transmission time which is beyond HKEx's control).

Enterprise Risk Management & Surveillance

Enterprise Risk Management Framework

In 2013, HKEx conducted a Group-wide exercise based on the ERM Framework to review the identified risks and assess the potential risks which might arise from both existing and new businesses. The HKEx Group Risk Report for 2013 was completed and the top risks were reported to the Management Committee, the Risk Management Committee and the Board with associated action plans and controls designed to mitigate the risks, where applicable, at appropriate levels.

Counterparty Surveillance

During the year, the Large Open Position surveillance system was enhanced to facilitate more efficient monitoring of position limits and reporting of large open positions for CES 120 Futures. In October 2013, HKEx enhanced the Counterparty Risk Ranking Methodology, a risk-based participant surveillance tool, to rank EPs and CPs and determine its level of financial review for each Participant.

Number of Failures to Comply with Financial Requirements and Position Limit Requirements

	2013*	2012
Financial requirements		
EPs	**3**	5
CPs	**2**	8
Position limits requirements		
Derivatives contracts	**2**	0
Stock options contracts	**0**	3

* In 2013, 2 cases involving suspected violation of the SFO were referred to the SFC, and HKEx issued compliance advice letters in other cases.

HKEx has continued to perform due diligence checks on new applications for registration as EPs, CPs and market makers, including reviewing applicants' financial and internal control capability and their compliance with HKEx requirements on market making affiliates and corporate entities.

Number of New Applications Checked

	2013	2012
EPs and CPs	**24**	43
Market makers	**26**	28

Market Surveillance

In 2013, HKEx enhanced the capacity of its SMARTS surveillance system to synchronise it with the OMD and support new products.

HKEx has conducted a number of investigations on the trading activities of EPs during the year to ensure their compliance with its rules.

Under the MOU between the SFC and HKEx on matters relating to market surveillance, HKEx will refer cases to the SFC for further investigation of possible violations of the codes, rules and regulations made by the SFC relating to HKEx's securities and derivatives markets.

Number of Surveillance and Investigation Cases

	2013	2012
• Irregular order and trading activities of EPs	**38**	30
• Material defaulted settlement with significant buy-in	**22**	14
• Erroneous trades by EPs due to system/human errors	**6**	1
• Short selling input error by EPs	**17**	9

Number of Cases Referred to SFC

	2013	2012
Suspected market misconduct	**20**	24
Suspected illegal short selling	**1**	0

Global Markets

Cash Trading

Market Performance

In 2013, 87 companies were newly listed on the Main Board (including 8 transfers from GEM), and 23 on GEM. Total capital raised, including post-listing funds, in 2013 reached $378.9 billion. As at 31 December 2013, 1,451 companies were listed on the Main Board with a total market capitalisation of $23,908.8 billion and 192 companies on GEM with a total market capitalisation of $134 billion. In addition, there were 4,715 DWs, 1,620 CBBCs, 116 ETFs, 11 REITs and 403 debt securities listed as at 31 December 2013. The average daily turnover value in 2013 was $62.2 billion on the Main Board and $323 million on GEM, an increase of 16 per cent and 138 per cent respectively compared with 2012.

Closing Indices (as at year-end)

	2013	2012	Change
HSI	**23306**	22656	3%
HSCEI	**10816**	11436	(5%)
Hang Seng China-affiliated Corporations Index	**4553**	4531	0%
S&P/HKEx LargeCap Index	**28109**	27082	4%
S&P/HKEx GEM Index	**461**	381	21%

ETF Market Development

Hong Kong's ETF market saw significant growth in number of listings, product variety and trading volume in 2013.

As at 31 December 2013, HKEx had 116 listed ETFs, 24 ETF managers, and 33 ETF market makers. Of the 16 newly listed ETFs (2012: 35), 7 are RQFII ETFs and 1 is Asia's first offshore RMB bond ETF. These new ETFs provide investors with additional investment choice and access to different underlying markets including A-share, Hong Kong and overseas equities and offshore RMB fixed income markets.

Underlying benchmark of ETF newly listed in 2013	Number
A-share markets	7
Regional markets	6
Hong Kong market	2
Offshore RMB bonds	1

In 2013, the total turnover of ETFs increased significantly to $903.1 billion (2012: $522.1 billion). The increase was due to the general elevation in trading of the overall ETF market as well as the further development of RQFII A-share ETFs introduced in July 2012.

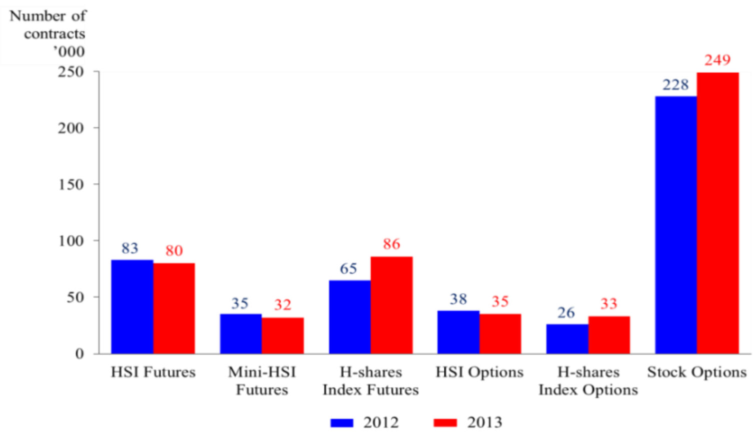
HKEx has been awarded the "Best Asian Exchange for Listing ETFs" for the third consecutive year from "etfexpress", a website that covers the ETF industry.

Derivatives Trading

Market Performance

There were 130,028,864 futures and options contracts traded in 2013, including 51,374,854 futures contracts and 78,654,010 options contracts. Total trading volume and year-end open interest increased by 9 per cent and 17 per cent respectively compared to 2012. It was a record year in terms of total futures volume and options year-end open interest. The 2013 growth in volume of H-shares Index products was also noteworthy that total trading volume of H-shares Index Futures and H-shares Index Options increased 31 per cent and 27 per cent respectively year-on-year, with all-time highs in both products. At year's end, the HSI Volatility Index Futures was 13.54 index points, down 4.28 index points compared to the year-end level in 2012.

Average Daily Turnover of Major Derivatives



Record High Volume and Open Interest for Major Derivatives in 2013

	Volume		Open interest	
	Date	**Number of contracts**	**Date**	**Number of contracts**
HSI Futures	25 Jun	271,426	–	–
H-shares Index Futures	25 Jun	389,031	24 Dec	334,575
Mini H-shares Index Futures	–	–	23 Sept	6,951
HSI Dividend Point Index Futures	–	–	30 Dec	9,409
HSCEI Dividend Point Index Futures	–	–	19 Nov	95,673
CES 120 Futures *	26 Aug	2,086	29 Oct	1,040
Stock Futures	–	–	27 Mar	47,050
USD/CNH Futures	31 May	2,455	31 Dec	18,701
Flexible HSI Options	8 Jan	4,730	–	–
H-shares Index Options	19 Nov	113,156	19 Dec	1,437,711
Flexible H-shares Index Options	–	–	27 Dec	31,255

* Launched on 12 August 2013

Derivatives Market Statistics

	2013		2012	
	Volume	**Year-end open interest**	Volume	Year-end open interest
	Number of contracts	**Number of contracts**	Number of contracts	Number of of contracts
Futures				
HSI Futures	**19,580,330**	**107,304**	20,353,069	139,344
Mini-HSI Futures	**7,853,800**	**5,835**	8,545,847	6,638
H-shares Index Futures	**20,871,257**	**217,646**	15,923,813	181,909
Mini H-shares Index Futures	**2,252,621**	**3,608**	1,560,515	2,276
HSI Dividend Point Index Futures	**11,214**	**4,599**	20,793	1,969
HSCEI Dividend Point Index Futures	**156,496**	**51,075**	184,786	48,879
HSI Volatility Index Futures [1]	**978**	**21**	1,526	8
IBOVESPA Futures [2]	**0**	**0**	7	0
MICEX Index Futures [2]	**0**	**0**	8	0
S&P BSE SENSEX Index Futures [2, 3]	**0**	**0**	190	0
FTSE/JSE Top40 Futures [2]	**0**	**0**	0	0
CES 120 Futures [4]	**50,213**	**203**	N/A	N/A
Stock Futures	**459,190**	**18,409**	322,715	19,516
1-Month HIBOR Futures	**20**	**0**	10	0
3-Month HIBOR Futures	**2**	**1**	150	0
3-Year Exchange Fund Note Futures	**25**	**0**	0	0
USD/CNH Futures [5]	**138,708**	**18,701**	20,277	3,673
Gold Futures	**0**	**0**	2	0
Total	**51,374,854**	**427,402**	46,933,708	404,212
Options				
HSI Options	**8,601,509**	**173,176**	9,230,145	260,785
Mini-HSI Options	**1,157,266**	**4,665**	1,230,997	12,363
H-shares Index Options	**8,027,274**	**858,416**	6,300,889	589,342
Flexible HSI Options	**9,197**	**506**	14,183	9,468
Flexible H-shares Index Options	**30,789**	**25,099**	11,171	9,821
Stock Options	**60,827,975**	**4,740,818**	56,081,545	4,031,961
Total	**78,654,010**	**5,802,680**	72,868,930	4,913,740
Total Futures and Options	**130,028,864**	**6,230,082**	119,802,638	5,317,952

Notes:

1 Launched on 20 February 2012
2 Launched on 30 March 2012
3 Change of name (formerly known as Sensex Index Futures) effective 26 June 2013
4 Launched on 12 August 2013
5 Launched on 17 September 2012

After-hours Futures Trading

AHFT was introduced for HSI Futures and H-shares Index Futures in April 2013. Investors have benefited from AHFT which provides a platform to hedge or adjust their positions in response to market news and events in the European and US time zones. At the end of 2013, 1,187,880 contracts had been traded during the AHFT session (with an average daily volume of 3,240 HSI Futures contracts and 3,396 H-shares Index Futures contracts, or about 4 per cent of the average daily volume traded in the day session). The highest AHFT volume, 18,813 contracts, was on 25 June 2013.

HKEx reviewed the market activities in the AHFT session during the first 6 months' trading and published its findings in November 2013 which show that trading was orderly and operations were smooth during the AHFT session. To further expand AHFT, HKEx offered after-hours trading of Mini-HSI Futures and Mini H-shares Index Futures and extended block trade facility from the day session to the AHFT session on 6 January 2014. HKEx will consider adding more futures contracts such as USD/CNH Futures to the AHFT session and extending AHFT closing hour to around midnight to increase the overlap with the US trading hours.

Stock Options Revamp

HKEx rolled out several stock options revamp initiatives in May 2013 to improve the competitiveness of its stock options market. They included (i) trading fee reduction for 26 option classes, mainly with small notional value per contract; (ii) a new Primary Market Maker programme for 5 option classes to improve price transparency; (iii) the addition of the fourth calendar expiry month to facilitate trading of institutional investors; and (iv) a market data fee waiver for stock options to encourage EPs and IVs to disseminate stock options prices.

HKEx also reduced the minimum trading spread in 4 selected option classes from $0.01 to $0.001 on 9 December 2013 to reduce the spread cost in trading option classes with low-priced underlying stocks. Starting from January 2014, 5 more option classes have been added to the Primary Market Maker programme, making a total of 10 option classes under the programme. As a result of its annual review of the trading fee tier classification, HKEx has reduced the trading fee for 2 option classes, namely CITIC Pacific Ltd and Yanzhou Coal Mining Co Ltd, effective January 2014.

The average daily volume of stock options market increased by 9 per cent to 249,295 contracts in 2013 compared to 228,438 contracts in 2012.

On education and marketing, HKEx launched a Stock Options Corner on the HKEx website (www.hkex.com.hk/stockoptions) in March 2013 and HKEx Stock Options Mobile Apps (available on App store and Google play) in November 2013, which provide over 10 stock options analytical tools and educational videos for beginners as well as experienced investors and brokers. In addition, podcasts with 8 educational videos were launched in the third quarter to promote the stock options market, and an ETF and Stock Options Expo was held in the Hong Kong Convention and Exhibition Centre in November 2013. The event and other stock options seminars held in the year attracted over 6,500 brokers and clients to attend.

Service Enhancements

Following the upgrade of HKATS to a new Genium INET platform in October 2013, a new combination trade facility, the Tailor-Made Combination function was introduced for investors to conduct combination trades more efficiently by executing option strategies with multiple legs at one net price. The volumes on trading option strategies increased by 55 per cent since the launch of the Tailor-Made Combination function.

In 2013, the Dynamic Price Banding mechanism was extended to spot and spot-next calendar contract month of HSI Futures, Mini-HSI Futures and H-shares Index Futures for the day session and/or AHFT session. It enables HKATS to reject all limit buy/sell orders outside the prevailing upper/lower price bands for those selected contracts to minimise the risk of price input errors.

Product Developments

To further broaden the stock option classes at HKEx, 7 new classes, CSOP FTSE China A50 ETF, ChinaAMC CSI 300 Index ETF, China Minsheng Banking Corp Ltd, Great Wall Motor Co Ltd, Lenovo Group Ltd, MGM China Holdings Ltd and The People's Insurance Co (Group) of China Ltd, were introduced for trading in 2013. A total number of 1,068,594 contracts were traded on these 7 new classes in 2013, which contributed to 2 per cent of total stock options market volume. In February 2014, 4 new stock option classes, Kunlun Energy Co Ltd, Want Want China Holdings Ltd, Dongfeng Motor Group Co Ltd and Hengan International Group Co Ltd, were introduced for trading. There are currently 74 stock option classes available for trading at HKEx.

Futures contracts on ChinaAMC CSI 300 Index ETF, CSOP FTSE China A50 ETF and iShares FTSE A50 China Index ETF were introduced in June 2013. They were HKEx's first futures on A-share ETFs, allowing investors to manage their risk exposure in A-share ETFs. A total number of 22,017 contracts were traded on these 3 new stock futures contracts in 2013, which contributed to 5 per cent of the total stock futures volume. As of the end of December, there were 41 stock futures available for trading at HKEx.

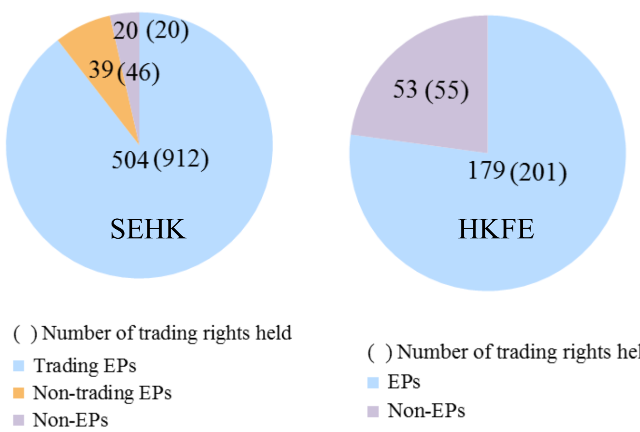
The Commodity Futures Trading Commission of the US certified the HSI Volatility Index Futures contract and the CES 120 Futures contract in the second half of 2013 for offering and selling to persons in the US.

Participant Services

At the end of 2013, there were 543 SEHK Participants and 179 HKFE Participants, including 10 SEHK Participants and 9 HKFE Participants admitted in 2013.

HKEx and the HKSI jointly organised 3 Continuous Professional Training courses on HKATS operations and trading procedures in 2013. There were also 2 training courses related to AMS/3. In addition, a total of over 7,800 people participated in 64 briefing sessions and 44 seminars on derivatives organised under HKEx's joint promotion programme with EPs.

Number of Participants/Trading Right Holders (at the end of 2013)



RMB Business

The development of the Hong Kong ETF market has helped broadened HKEx's RMB product offerings. Following the introduction of the first series of RQFII A-share ETFs in 2012 (a series of 4), 7 new RQFII A-share ETFs tracking a range of A-share benchmarks were listed on the Exchange in 2013, and all of them are traded under the Dual Counter model. Asia's first offshore RMB bond ETF, the iShares RMB Bond Index ETF listed in June 2013, is also traded under the Dual Counter model. The Value Gold ETF, initially available for trading in a HKD counter only, commenced trading in its RMB counter in November 2013. It was the first case of an ETF that started with a

HKD counter and launched a RMB counter after listing. This increased the total number of ETFs with RMB counters to 14 (2012: 5).

The total number of DWs and debt securities denominated in RMB also increased to 7 (2012: 3) and 79 (2012: 47) respectively. The total turnover value in RMB denominated securities increased 50 per cent to RMB23,510 million in 2013 (2012: RMB15,690 million).

HKEx continued to actively engage the market on its RMB Currency Futures (USD/CNH Futures) through various educational programmes and promotional activities with EPs in 2013. The trading volume and open interest in 2013 increased significantly from 2012. The average daily volume increased 96 per cent to 568 contracts (ie, over US$56 million notional) and open interest reached a then record high of 18,701 contracts (ie, US$1,870 million notional) on 31 December 2013.

Educational programmes designed to increase investor awareness of RMB Currency Futures covered Hong Kong and other parts of the Asia region including Mainland, Korea and Singapore. In October 2013, HKEx and LME jointly organised a RMB Currency Futures education and promotional programme in Hong Kong targeting qualifying EPs. The 3-day programme included presentations by HKEx and LME executives on the latest exchange developments and applications of HKEx and LME products. HKEx plans to introduce AHFT and some product enhancements for its USD/CNH Futures in 2014 and has started to assess market demand and readiness for other currency pairs to enrich the RMB Currency Futures product universe.

Market Data

Market Performance

As at the end of 2013, there were 181 real-time IV and End-User licences along with 89 delayed IV licences (2012: 178 and 87). The licensed IVs altogether offered a total of 1,000 types (2012: 954) of real-time market data services at year's end.

	Number of real-time IVs/End-Users	
Products subscribed	**2013**	2012
Securities market data	**154**	148
Derivatives market data	**98**	89
Issuer Information Feed Service	**15**	12
More than 1 data product group	**83**	60

New Market Data Feeds

Positive responses were received on the 3 new datafeeds, Securities Standard, Securities Premium (SP) and Securities FullTick (SF), which were launched upon the initial rollout of the OMD for securities market data (OMD-C) in September 2013. Over 60 direct connection IVs/End-Users and 150 indirect connection IVs had migrated to the OMD-C as of the end of December 2013. Over 30 direct connection IVs/End-Users were subscribing to the premium products, including SP and SF, at year-end. A number of IVs/End-Users have subscribed to multiple datafeed products.

Marketing Programme for New Derivatives Products

In September 2013, HKEx introduced a marketing programme to promote Derivatives Market data in Japan, Korea, Singapore, the Mainland and Taiwan, with a focus on new derivatives products including CES 120 Futures and USD/CNH Futures.

The marketing programme covers both eligible IVs and some of their clients. It includes waivers of the redistribution fee and subscriber fee for streaming Level 1 data and the Basic Market Price Service as well as some exemptions for market data vendor licence applicants. As of the end of December 2013, 32 IVs had enrolled in the programme. They included 19 IVs that had started providing real-time Level 1 Derivatives Market data on their services, including terminals, mobile applications and websites by the end of the year.

Non-display Usage of Market Data

Since the introduction of the Non-display Usage Policy which took effect from January 2013, over 100 local and overseas firms have been reporting in accordance with the policy. Firms that are using HKEx market data for non-display usage include EPs and affiliates, buy-side firms, proprietary trading firms and index compilers.

Types of "non-display" usage of real-time market data

- "Automated trading application" – any application that accesses HKEx's real-time market data for automatic calculation, processing and analysis and is used to determine the quantity, price and timing of order execution
- "Derived data (with tradable products)" – the use of real-time market data to partly or wholly derive (i) the price of a tradable product; or (ii) the value of an underlying instrument of a tradable product
- "Others" – other non-display usages of real-time market data such as the use of data in risk management systems, portfolio management applications, back-office support, and creation of indices, excluding indices for tradable products

HKEx will continue to review market feedback and provide information on proper reporting and compliance with the policy. It is also looking into enhancing the policy by streamlining the declaration process.

Extension of Discount Programme for Mainland Users of Real-time Market Data

The discount programme for Mainland users of HKEx's real-time market data has been extended until the end of 2014. More than 10,700 individual investors and 3,300 institutional investors in the Mainland registered under the programme will continue to enjoy the discounted rates of $80 and $120 per terminal respectively for HKEx's securities market data along with a free derivatives data package without price depth.

The discount programme which enables Mainland television subscribers to provide HKEx's real-time securities market data to its viewers in the Mainland has also been extended to the end of 2014. The subscriber fee remains at a flat rate of $10,000 per month.

Extension of Mainland Market Data Collaboration Programmes

The Mainland Market Data Collaboration Programmes with the Shanghai Stock Exchange (SHSE Programme) and the Shenzhen Stock Exchange (SZSE Programme), which were originally due to expire by the end of 2013, have been extended until the end of 2015. Under these programmes, HKEx and the Shanghai Stock Exchange / Shenzhen Stock Exchange are allowed to redistribute the basic real-time market data of companies dually listed on the other exchange to their own authorised IVs for onward dissemination to IVs' subscribers for internal display purposes. At the end of December 2013, there were 17 IVs and 10 IVs under the SHSE Programme and SZSE Programme respectively.

Mainland Market Data Hub and Founding Members Programme

In view of the substantial growth of demand for Hong Kong market data in the Mainland and the growing number of Mainland IVs offering the data, HKEx will introduce the MMDH in Shanghai in the first quarter of 2014. Initially, it will offer securities market and index datafeed products. This initiative will strengthen HKEx's Mainland connectivity and enable Mainland investors to access HKEx's market data through a reliable, scalable and cost-effective infrastructure. It will give HKEx its first significant technical infrastructure footprint in the Mainland.

HKEx launched the Founding Members Programme for the MMDH in February 2013. Companies enrolled in the programme can participate in joint sales and marketing activities with HKEx for their product promotion and enjoy exclusive benefits including additional free trial units and participation in communication groups. There are currently 5 IVs under the programme.

Enhancement of Historical Data Product

In conjunction with the rollout of the OMD-C, HKEx launched new historical securities and derivatives data products for subscription, including its new Historical Full Book (Securities Market) product that allows subscribers to download complete order book information for every order and trade on the Main Board and GEM beginning 30 September 2013. The enhanced historical data products provide further support for trading in HKEx's markets and market research.

LME

Market Performance

During the year ended 31 December 2013, the average daily volume was 676,283 lots, an increase of 7 per cent from 2012. Along with aluminium and copper, the LME's 2 largest contracts by turnover, zinc, nickel, cobalt and molybdenum all showed record annual volumes. Aluminium and copper average daily volume increased 8 per cent and 11 per cent respectively year-on-year. The greatest positive change, of 23 per cent year-on-year, was posted by nickel. Declines in turnover were experienced by lead, steel billet, aluminium alloy and NASAAC.

The total futures MOI at the end of the year was 2,503,908 lots, a 10 per cent increase from the MOI reported at the end of 2012. Excluding other minor contracts, nickel experienced the strongest growth, with MOI 36 per cent above the level reported at the end of last year. The MOI of zinc and copper for the period was up over 14 per cent and 15 per cent respectively from the end of the previous year, while aluminium was up a more modest 7 per cent since the end of 2012 and MOI of lead was down 15 per cent.

During the year ended 31 December 2013, an average of 148,799 lots per day traded across LMEselect (ticker value), up 8 per cent year-on-year.

Warehouse Consultation

During 2013, LME carried out a consultation on a series of initiatives that would have had the aim of reducing queues at warehouses to 100 days. After taking into account the wide range of responses from the LME community from the consultation, LME approved a series of measures aiming to reduce the queues at warehouses to 50 days. Further details are available on the LME website.

Presence in Asia

The LME's presence in Asia continued to expand in 2013. The joining of the Asia Commodities provides LME with a larger pool of resources to reach out to Asian users.

In May 2013, LME opened an Asian Helpdesk in Hong Kong to provide full technology support for users throughout the Asian trading day.

The first LME Week Asia was held in Hong Kong in June 2013. This included a reception, the LME Metals Seminar Asia and the LME Asia Dinner. The event was well received by the industry and LME Week Asia is becoming a major annual event. The 2014 LME Week Asia will be in Hong

Kong in April 2014. Further details are available on the HKEx Group website at www.hkexgroup.com/eng/events/lmeweekasia.

In response to the growth in Asian trading on LMEselect, LME announced an enhancement to its Asian Benchmark pricing in June 2013. The enhancement included a new, shorter, pricing period thereby further concentrating liquidity and pricing.

Responding to the region being a significant consumer of LME metal and the fastest growing industrial region, LME expanded its LME warehouse network with the listing of Kaohsiung port in Taiwan as a good delivery point for primary aluminium, aluminium alloy, copper, lead, nickel, tin and zinc. Three South Korean ports were also approved as good locations for the delivery of lead.

Market Infrastructure

LME has continued to provide support to its Members in response to the EMIR requirements. Significant achievements in 2013 included a proactive Member engagement programme to advise the Members on the new requirements which aim to improve transparency and reduce risk in the derivatives market. Although EMIR does not directly apply to LME, a series of systems modifications was implemented to allow the Members and its current and future clearing house to become EMIR compliant.

Education

Throughout 2013, LME enhanced its educational activities. In September 2013, it embarked on a Latin America roadshow visiting Mexico, Colombia, Chile, Peru and Brazil. LME delivered a series of seminars focusing on issues important to the region's metals and mining industries.

Class Actions in the US

As at the date of this announcement, 26 class actions have been filed against LME in the US alleging anti-competitive and monopolistic behaviour in the warehousing industry in connection with aluminium prices. 19 of the actions also name LMEH, the holding company of LME, as a co-defendant. On 16 December 2013, an order for the consolidation of all the actions to be heard before the court in the Southern District of New York was made. Further to this, a directions hearing was held on 6 February 2014 during which the plaintiffs informed the court that they intended to consolidate the class actions into 3 complaints, each to be composed of a different class of plaintiffs. The court ordered the plaintiffs to file their consolidated complaints on 12 March 2014. The defendants, including LME, plan to move to dismiss the complaints on 25 April 2014. Should a trial be necessary, the court has set a preliminary date of September 2015. LME management continues to take the view that the lawsuits are without merit and will contest them vigorously.

Judicial Review in the UK

As disclosed in HKEx's announcement on 24 December 2013, LME has been named as a defendant in a judicial review claim filed by Rusal in the English High Court. The judicial review seeks to challenge the LME's decision to introduce changes to the delivery out rates of LME approved warehouses as announced in its notice dated 7 November 2013. Rusal has alleged that the market consultation which LME conducted before arriving at the decision was, among others, unfair and procedurally flawed, and constituted a breach of Rusal's human rights. The judicial review hearing will take place at the end of February 2014, and it is anticipated that the court will hand down its decision before the end of March 2014. LME management continues to take the view that Rusal's complaint is without merit and will contest the judicial review proceedings vigorously.

CESC

CESC launched 2 sub-indices of its cross-border CES 120, the CES A80 and CES HKMI, in March 2013. In May 2013, CESC licensed HKEx to introduce CES 120 Futures contract. CES 120 Futures were launched on the Futures Exchange on 12 August 2013. Three ETFs, 2 of which track the CES A80 and 1 that tracks the CES 120, were listed on the Exchange in the second half of 2013. CESC has also been working with ETF managers to develop and list more CES index ETFs in Hong Kong and explore product opportunities in the Mainland and overseas. CESC is also in discussions with structured product issuers on the launch of structured products linked to CES indices. CESC will continue to explore the market demand and business case for futures and options tracking other CES indices. These would be important developments in the CES product ecosystem.

Mainland Development

With the continuous opening up of China at an accelerating pace, HKEx has stepped up liaison and promotional efforts in the Mainland in exploring new business opportunities. In 2013, MOUs on cooperation and exchange of information were signed with Financial Affairs / Services Offices of Tianjin and Chongqing municipalities, and Henan, Hubei, Hunan, Jiangxi and Anhui provinces. In December 2013, an MOU on cooperation and information of exchange was signed with the China Futures Association to forge a closer working relationship with the Mainland futures market and its participants.

On the equities side, HKEx has organised a series of events in Hong Kong and the Mainland in 2013 to celebrate the 20th anniversary of H-share listings in Hong Kong. The celebration events began with a market opening ceremony in August 2013 with representatives of the first batch of 6 companies that listed H-shares in 1993. It was followed by promotional seminars on listing in Hong Kong in Zhengzhou, Guangzhou and Harbin from September to October 2013. As a new initiative, a training workshop for provincial and municipal financial services officials was also held in Qingdao in September 2013. To conclude the H-share listing celebrations as well as to commemorate the 10th anniversary of the establishment of HKEx's Beijing Representative Office, a celebration dinner was organised in Beijing in November and attended by senior representatives from the Mainland authorities, issuers and intermediaries.

Throughout the year, HKEx continued to undertake market promotion activities all over the Mainland in order to attract quality Mainland enterprises to list in Hong Kong. A total of about 30 seminars, roundtable meetings and training workshops were organised / co-organised in the Mainland, and over 140 presentations were conducted on the advantages of listing in Hong Kong.

HKEx also held a media workshop in Beijing in November 2013 for over 40 Mainland journalists to help them gain a better understanding of the Hong Kong securities market. Besides, an integrated workshop promoting HKEx's businesses, products and services targeting at the Mainland futures market and its intermediaries was held during the 9th China (Shenzhen) International Derivatives Forum in December 2013.

Besides, HKEx arranged exchange programmes for officials of the CSRC, including the Futures Supervision and the Enforcement Bureau in the last quarter of 2013. In addition, we co-organised 2 training workshops jointly with The Hong Kong Polytechnic University and the Research Institute of Hong Kong and Macao Affairs Office of the State Council on raising corporate governance standards of listed issuers from the Mainland.

Product & Index Development

The CES 120 Futures contract introduced in August 2013 was the world's first exchange-listed futures contract on a cross-border China stock index. The notional amount traded in 2013 was

$9.8 billion. Four liquidity providers have provided continuous two-way prices from the product launch and 51 EPs had participated in the market at the end of 2013. HKEx has been and will continue to work with industry participants to expand the marketing coverage of the product to reach out to retail and institutional investors in Hong Kong and the region.

The BRICS Exchanges Alliance continues to engage an index provider to design a family of BRICSmart indices covering equity, fixed income and currency asset classes to be launched in 2014.

Issuer & Client Services

In 2013, HKEx continued to actively coordinate issuer marketing functions and expand its work in promoting its ETF and stock options markets as well as its other products. HKEx's representatives participated in over 70 conferences and seminars organised by different organisations in Hong Kong, London, Seoul, Shenzhen, Tokyo and Toronto to promote listings of shares, ETFs and structured products in Hong Kong.

HKEx maintained ongoing communication and coordination with issuers, brokers, vendors, government officials and industry associations throughout 2013 to reinforce its relationships. Regular meetings were held to disseminate information on new business initiatives and to gather market feedback and intelligence.

Global Clearing

Cash & Derivatives Clearing

CCASS Statistics

	2013	2012	Change
Average daily Exchange Trades handled by CCASS			
Number of trades	**940,454**	775,742	21%
Value of trades ($bn)	**62.6**	53.9	16%
Share quantity involved (bn)	**141.1**	137.5	3%
Average daily SIs settled by CCASS			
Number of SIs	**83,055**	73,247	13%
Value of SIs ($bn)	**216.7**	178.5	21%
Share quantity involved (bn)	**54.6**	44.2	24%
Average daily ISIs settled by CCASS			
Number of ISIs	**402**	343	17%
Value of ISIs ($m)	**213.7**	227.2	(6%)
Share quantity involved (m)	**124.1**	98.7	26%
Average daily settlement efficiency of CNS stock positions on due day (T+2)	**99.91%**	99.91%	–
Average daily settlement efficiency of CNS stock positions on the day following the due day (T+3)	**99.99%**	99.99%	–
Average daily buy-ins executed on T+3			
Number of brokers involved	**4**	4	0%
Number of buy-ins	**5**	4	25%
Value of buy-ins ($m)	**2.2**	1.5	47%
Shares deposited in the CCASS depository			
Number of shares (bn)	**3,955.2**	3,663.7	8%
Percentage of the total issued shares of the admitted securities	**71%**	70%	–
Value of shares ($bn)	**13,878.9**	12,330.1	13%
Percentage of the total market capitalisation of the admitted securities	**53%**	52%	–

Service Enhancements

To further improve efficiency and mitigate the risk in the settlement process, CCASS was enhanced in February 2013 to support delivery versus payment settlement of Transfer Instructions with the CMU on Exchange Fund Notes, Government Bonds, Specified Instruments and CMU Instruments in addition to free of payment basis. Separately, to further align the services of creation and redemption of ETFs with third party clearing arrangements, a participating dealer which is not a CCASS Participant, can now appoint a CCASS Participant to access CCASS on its behalf for ETF-related services.

Since February 2013, HKCC and SEOCH Participants have been able to select an approved currency other than the Settlement Currency to settle their margin shortfall once the minimum requirement in Settlement Currency is met and approved by the respective clearing house.

Development of Uncertificated Securities Market

HKEx is actively working with the Government and the SFC on the legislative and operational proposals to prepare for the consultation on subsidiary legislation for an USM in Hong Kong. On 6 January 2014, the Financial Services and the Treasury Bureau provided a briefing to the Panel on Financial Affairs of the Legislative Council on the enabling legislative changes for the USM.

Regulatory Review

HKSCC, HKCC, and SEOCH have completed the preliminary assessments on the observance of the PFMI. HKEx is in the process of discussing and finalising the assessments and improvement plans with the SFC. In September 2013, HKEx took part in the FSAP review on the financial stability of Hong Kong commissioned by the World Bank and the International Monetary Fund (IMF), and it had discussions with the assessor regarding its clearing house operations in Hong Kong and PFMI observance. The FSAP review report is expected to be published by the IMF in the first half of 2014.

In January 2013, the US Government issued the final regulations on its FATCA. FATCA aims to prevent the non-compliance with US tax obligations by US taxpayers holding foreign financial accounts and will become effective in 2014. According to the information published by the US Internal Revenue Service, FATCA requires foreign financial institutions to conduct certain due diligence procedures to identify and report to the Internal Revenue Service information in respect of relevant foreign financial accounts. Foreign financial institutions which do not comply with FATCA will be subject to withholding taxes on certain payments received by them. HKEx is now assessing the potential implications of FATCA on its business operations and will consider the need to implement operational and system changes to comply with FATCA.

In September, HKSCC applied to the ESMA to be recognised as a third country CCP under the EMIR in order to continue to provide clearing services to the CCASS CPs established in the EU in accordance with the EU's transitional provisions. Although HKCC and SEOCH do not have any CPs established in the EU, they intend to submit applications to ESMA for recognition as a third country CCP in due course to allow their CPs which are subsidiaries of EU credit institutions and investment firms to benefit from a lower capital requirement under the EU Capital Requirements Regulation, or CRR.

Participant Services

In December 2013, HKSCC admitted ChinaClear as a Clearing Agency Participant of CCASS. As a result, ChinaClear can perform specific custody functions to enhance its efficiency and strengthen the protection of Mainland investors when acting as the nominee for H-shares resulting from conversions of Shenzhen B-shares to H-shares as approved by the CSRC.

At the end of 2013, there were 24,573 CCASS Participants, including 490 IPs admitted in 2013. HKEx organised 19 training courses related to CCASS or DCASS for CPs and other market participants in 2013.

Number of CCASS Participants (at the end of 2013)

Clearing Agency Participants	2
Custodian Participants	36
Direct CPs	485
General CPs	9
IPs	24,036
Stock Pledgee Participants	5

OTC Clear

OTC Clear became a recognised clearing house pursuant to the SFO on 25 October 2013. In connection with the recognition, HKEx completed the subscription agreement under which 12 financial institutions agreed to subscribe for non-voting ordinary shares of OTC Clear as founding shareholders. The founding shareholders represent a cross-section of financial institutions with local, Mainland Chinese and international interests to provide a good foundation for OTC Clear's future development. A news release on the founding shareholders initiative was issued on 31 October 2013 and posted on the News & Consultations (News Releases) section of the HKEx website.

On 25 November 2013, OTC Clear officially launched its business by offering clearing services for inter-dealer interest rate swaps denominated in 4 currencies: RMB, HKD, USD and Euro. It also offers clearing services for inter-dealer non-deliverable forwards referencing RMB, Taiwan Dollars, Korean Won and Indian Rupee. OTC Clear is a key part of HKEx strategy to develop a fixed income and currency business by leveraging the RMB's accelerating internationalisation and Hong Kong's position as the premier offshore RMB centre.

OTC Clear's Clearing Members currently comprise 4 of its 12 founding shareholders: Bank of China (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited and The Bank of East Asia Limited. It is expected that the other founding shareholders or their affiliates will join as Clearing Members in due course. OTC Clear is also working with other financial institutions in Hong Kong on membership admission arrangements.

On the regulatory reform for the Hong Kong OTC derivatives market, the Securities and Futures (Amendment) Bill 2013 is under discussion by the Bills Committee of the Legislative Council and is expected to come into effect in 2014. OTC Clear plans to introduce client clearing services by the end of 2014 after the new legislation is in place and relevant amendments to OTC Clear rules have been approved by the SFC, and will expand its clearing services to cover other OTC derivatives when appropriate.

To facilitate the participation of financial institutions incorporated in the EU as its Clearing Members, OTC Clear submitted its application to the ESMA in January 2014 for recognition as a third country CCP under the EMIR. OTC Clear is closely monitoring the latest regulatory developments in the US market and considering the best course of action to ensure compliance in the US.

To prepare for the service launch of OTC clearing services, OTC Clear organised various training and testing with its potential Clearing Members in 2013. Highlights are set out below:

Event	Purpose
• Market rehearsal	To verify the readiness of OTC Clear, Clearing Members and the service providers before the soft launch of the OTC clearing platform to the market
• System testing	To familiarise the potential Clearing Members with the clearing workflow – in terms of system, operations and risk management processes
• Default management drills	To confirm the ability of Clearing Members to carry out the default management procedures
• Treasury Markets Association seminar	To introduce and promote OTC Clear's services to the market

LME Clear

During 2013, LME continued with its commitment to building its own clearing house, LME Clear, with significant steps being completed during the year. Notably; the agreement between LME and LCH.Clearnet to migrate the clearing of LME contracts to LME Clear on 22 September 2014; and the enhancement of its governance procedures with appointments made to the LME Clear board, which is responsible for overseeing the creation and operation of LME Clear. Further details on LME Clear are available on the LME website at www.lme.com/trading/post-trade-services/lme-clear.

The core clearing and risk technology platform is substantially delivered. This will enable LME Clear to complete functional and member testing in 2014. LME Clear launched LMEwire, a trade repository reporting service, for its members and their clients in February 2014. Further details are available on the LME website at www.lme.com/trading/post-trade-services/lmewire. The completion of the CCP authorisation application for submission to the Bank of England is now at an advanced stage. The LME Clear clearing service is expected to be launched in September 2014.

Clearing Risk Management

On 19 March 2013, HKSCC declared Salisbury Securities Limited (SSL) a defaulter after the SFC issued a restriction notice on SSL. HKSCC closed out SSL's unsettled positions in CCASS according to the prescribed default procedures and did not suffer any loss in the process.

HKCC has added 2 measures to mitigate the counterparty risk associated with AHFT: (i) hourly capital-based position limit monitoring during the AHFT session based on the latest market prices and positions; and (ii) a mandatory intra-day variation adjustment and margin call to the HSI and H-shares Index markets.

For OTC Clear, applications for clearing membership are subject to internal risk assessment which contains a risk review of the various aspects including financial strengthen, internal risk framework, and operations readiness.

Information Technology

All major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets continued to perform reliably during 2013.

In an ongoing initiative from 2012, HKEx's IT security enhancement measures have been largely implemented and will be duly completed by the first quarter of 2014.

The relocations of the data centres for the Derivatives Market and the Cash Clearing to the Data Centre were duly conducted in May and December 2013 respectively to complete the entire project.

In November 2013, HKEx rolled out the OCASS to support clearing services for OTC derivatives including inter-dealer interest rate swaps and non-deliverable forwards.

HKEx Orion Programme

The SDNet/2 network upgrade was concluded with the completion of the SDNet/2 rollout for the Derivatives Market in March 2013 and for the Cash Clearing in August 2013.

In September 2013, HKEx launched the OMD system for the Cash Market. HKEx aims to introduce the market data system for the Derivatives Market in the second quarter of 2014. On the Mainland, HKEx is in the process of implementing a Cash Market data feed via the MMDH. The feed is scheduled for launch in the first quarter of 2014.

In October 2013, HKEx upgraded HKATS/DCASS to a new Genium INET technology platform which significantly improved order processing latency, transaction capacity and clearing capacity for further development of the Derivatives Market.

For the OCG, the open test with enrolled EPs and related Broker Supplied System vendors commenced in December 2013, and end-to-end testing began in January 2014. HKEx plans to implement the system in the Cash Market in the second quarter of 2014.

Hosting Services

Hosting Services launched support for the Derivatives Market trading in June 2013. Subscriber growth has been steady from all ecosystem segments including EPs, IVs, buy-side firms, technology vendors and telecommunication service providers. As at the end of December 2013, there were over 80 companies, mostly SEHK and HKFE Participants, using Hosting Services. The EPs in the group contributed about 20 per cent of daily securities turnover value and about 46 per cent of the daily derivatives trading volume at year’s end.

Treasury

The Group’s funds available for investment comprise Corporate Funds, Margin Funds and cash collateral and Clearing House Funds, totalling $55.8 billion on average in 2013 (2012: $46.0 billion).

As compared with 31 December 2012, the overall size of funds available for investment as at 31 December 2013 increased by 15 per cent or $7.2 billion to $54.3 billion (31 December 2012: $47.1 billion). Details of the asset allocation of the investments as at 31 December 2013 against those as at 31 December 2012 are set out below.

	Investment Fund Size $bn		**Bonds**		**Cash or Bank Deposits**		**Global Equities**	
	2013	2012	**2013**	2012[1]	**2013**	2012	**2013**	2012
Corporate Funds[2]	**10.0**	7.8	**17%**	24%	**79%**	69%	**4%**	7%
Margin Funds and cash collateral	**39.8**	36.8	**5%**	6%	**95%**	94%	**0%**	0%
Clearing House Funds	**4.5**	2.5	**0%**	0%	**100%**	100%	**0%**	0%
Total	**54.3**	47.1	**6%**	9%	**93%**	90%	**1%**	1%

Notes:

1 Including certain principal-guaranteed structured notes

2 Includes $156 million (31 December 2012: $Nil) which has been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the Margin Funds and cash collateral and Clearing House Funds. Excluding equities held under the Corporate Funds ($0.4 billion as at 31 December 2013 and $0.5 billion as at 31 December 2012), which have no maturity date, the maturity profiles of the remaining investments as at 31 December 2013 ($53.9 billion) and 31 December 2012 ($46.6 billion) were as follows:

	Investment Fund Size $bn		**Overnight to 3 months**		**>3 months to 1 year**		**>1 year to 3 years**		**>3 years**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Corporate Funds [1]	**9.6**	7.3	**70%**	59%	**17%**	21%	**6%**	10%	**7%**	10%
Margin Funds and cash collateral	**39.8**	36.8	**82%**	82%	**15%**	12%	**2%**	3%	**1%**	3%
Clearing House Funds	**4.5**	2.5	**96%**	93%	**4%**	7%	**0%**	0%	**0%**	0%
Total	**53.9**	46.6	**81%**	79%	**15%**	14%	**2%**	4%	**2%**	3%

Notes:

1 Includes $156 million (31 December 2012: $Nil) which has been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear
2 The maturity profiles in the above table are based on contractual maturity.

Credit exposure is well diversified. The Group's bond portfolio held is of investment grade and, as at 31 December 2013, had a weighted average credit rating of Aa3 (31 December 2012: Aa3) and a weighted average maturity of 2.3 years (31 December 2012: 2.7 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.

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 2013 and 2012 was as follows:

	Average VaR $m		**Highest VaR** $m		**Lowest VaR** $m	
	2013	2012	**2013**	2012	**2013**	2012
Corporate Funds	**9.5**	19.4	**13.0**	27.2	**6.8**	7.9
Cash collateral [1]	**N/A**	0.1	**N/A**	0.2	**N/A**	<0.1
Margin Funds [1]	**N/A**	1.4	**N/A**	3.3	**N/A**	0.6
Margin Funds and cash collateral [2]	**0.6**	1.0	**1.0**	1.5	**0.5**	0.6
Clearing House Funds	**<0.1**	0.1	**0.1**	0.2	**<0.1**	<0.1

Notes:

1 Up to October 2012
2 Following the HKEx Clearing House Risk Management Reform in November 2012, HKSCC introduced margining as a measure to safeguard against exposures to future market movements. Thereafter, "Margin Funds" and "Cash collateral" are combined as "Margin Funds and cash collateral".

Details of the Group's net investment income are set out in the Revenue and Other Income section under the Financial Review.

FINANCIAL REVIEW

Overall Performance

	Note	**2013 $m**	2012 $m	Change
RESULTS				
Revenue from segments:				
Cash	(A)	**2,455**	2,203	11%
Equity and Financial Derivatives	(B)	**1,662**	1,599	4%
Commodities	(C)	**1,210**	74	1,535%
Clearing	(D)	**2,452**	2,201	11%
Platform and Infrastructure	(E)	**347**	354	(2%)
Corporate Items		**5**	1	400%
Revenue		**8,131**	6,432	26%
Net investment income	(F)	**581**	766	(24%)
Sundry income		**11**	13	(15%)
Revenue and other income		**8,723**	7,211	21%
Operating expenses	(G)	**(2,777)**	(1,957)	42%
EBITDA		**5,946**	5,254	13%
Depreciation and amortisation	(H)	**(507)**	(158)	221%
Operating profit		**5,439**	5,096	7%
Costs relating to acquisition of LME Group	(I)	**–**	(138)	(100%)
Finance costs	(J)	**(183)**	(55)	233%
Fair value loss on derivative component of convertible bonds	(K)	**–**	(55)	(100%)
Share of loss of a joint venture		**(10)**	(3)	233%
Profit before taxation		**5,246**	4,845	8%
Taxation	(L)	**(700)**	(761)	(8%)
Profit for the year		**4,546**	4,084	11%
Loss attributable to non-controlling interests		**6**	–	N/A
Profit attributable to shareholders		**4,552**	4,084	11%

Profit attributable to shareholders increased by 11 per cent or $468 million from $4,084 million in 2012 to $4,552 million in 2013. The majority of this increase was attributable to the LME business, acquired in December 2012, which contributed a full year's profit of $326 million in 2013 (2012: $19 million). Increased trading fees from higher trading volumes on the Stock Exchange and the Futures Exchange were offset by weaker net investment income, higher depreciation and amortisation, and finance costs incurred for funding the acquisition of the LME Group.

Positive investor sentiment and market momentum in the first quarter of 2013 were subsequently undermined by uncertainties created by the possible tapering of quantitative easing by the US Federal Reserve. Nevertheless, the ADT on the Stock Exchange in 2013 rose by 16 per cent and the average daily number of futures and options contracts traded on the Derivatives Market rose by 9 per cent. Including the full year's effect of LME's revenue of $1,210 million (2012: $74 million), revenue increased by 26 per cent, or $1,699 million, to $8,131 million.

Net investment income declined by 24 per cent or $185 million due to lower fair value gains on investments, which were partially offset by a $106 million fair value gain on the investment in LCH.Clearnet shares held by LME.

Operating expenses increased by 42 per cent or $820 million to $2,777 million mainly due to the inclusion of $783 million of operating expenses of the LME business for a full year (2012: $41 million).

Depreciation and amortisation increased from $158 million in 2012 to $507 million in 2013. The $349 million increase was due to the fixed assets and IT systems of the LME business, amortisation of customer relationship intangibles arising from the acquisition of the LME Group and the new Data Centre, where phase one was completed in September 2012 and the final phase in December 2013.

In 2013, the Group incurred $183 million of finance costs mainly for funding the acquisition of the LME Group (2012: $55 million).

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, which were aligned with International Financial Reporting Standards in all material respects at 31 December 2013.

Revenue and Other Income

(A) Revenue from Cash Segment

	2013 $m	2012 $m	Change
Trading fees and trading tariff #	**1,409**	1,180	19%
Stock Exchange listing fees #	**586**	581	1%
Market data fees	**402**	386	4%
Others	**58**	56	4%
Total	**2,455**	2,203	11%

Excluding DWs, CBBCs and warrants which are included in the Equity and Financial Derivatives segment

The Cash segment covers all equity products listed and traded on the Cash Market platforms, sales of Cash Market data and other related activities.

Trading Fees and Trading Tariff – Cash Segment

Trading fees and trading tariff from equity products traded on the Stock Exchange increased by $229 million or 19 per cent from $1,180 million in 2012 to $1,409 million in 2013. The increase was less than the 22 per cent increase in ADT of equity products on the Stock Exchange as the number of trading days was 3 days lower than 2012 and there were more exempt ETF trades from market makers.

Key Market Indicators

	2013 $bn	2012 $bn	Change
ADT of equity products on the Stock Exchange #	**50.1**	41.0	22%

Excluding DWs, CBBCs and warrants which are included in the Equity and Financial Derivatives segment

Stock Exchange Listing Fees – Cash Segment

	2013 $m	2012 $m	Change
Annual listing fees	**478**	470	2%
Initial and subsequent issue listing fees	**103**	107	(4%)
Others	**5**	4	25%
Total	**586**	581	1%

Annual listing fees increased with the rise in the total number of listed companies. The increase was less than the 6 per cent increase in the total number of companies listed at 31 December 2013 compared with 31 December 2012 as nearly 60 per cent of the companies were newly listed in the fourth quarter of 2013.

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

Key Drivers for Annual Listing Fees – Cash Segment

	At 31 Dec 2013	At 31 Dec 2012	Change
Number of companies listed on Main Board	**1,451**	1,368	6%
Number of companies listed on GEM	**192**	179	7%
Total	**1,643**	1,547	6%

Key Drivers for Initial and Subsequent Issue Listing Fees – Cash Segment

	2013	2012	Change
Number of newly listed companies on Main Board *	**87**	52	67%
Number of newly listed companies on GEM	**23**	12	92%
Total number of newly listed companies	**110**	64	72%

* Including 8 transfers from GEM (2012: 2 transfers from GEM)

	2013 $bn	2012 $bn	Change
Total equity funds raised on Main Board			
– IPOs	**165.8**	88.9	87%
– Post-IPO	**204.0**	211.4	(4%)
Total equity funds raised on GEM			
– IPOs	**3.2**	1.1	191%
– Post-IPO	**5.9**	4.0	48%
Total	**378.9**	305.4	24%

Market Data Fees – Cash Segment

Market data fees rose by 4 per cent from $386 million to $402 million as a result of the introduction of certain new services (eg, new datafeeds from the OMD and non-display services) in 2013.

(B) Revenue from Equity and Financial Derivatives Segment

	2013 $m	2012 $m	Change
Trading fees and trading tariff	**1,061**	1,078	(2%)
Stock Exchange listing fees	**430**	335	28%
Market data fees	**160**	172	(7%)
Others	**11**	14	(21%)
Total	**1,662**	1,599	4%

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

Trading Fees and Trading Tariff - Equity and Financial Derivatives Segment

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

Although the number of derivatives contracts traded on the Futures Exchange and stock options traded on the Stock Exchange increased by 9 per cent, trading fees and trading tariff decreased. This was due to a drop in the ADT of DWs and CBBCs and a higher proportion of Futures Exchange contracts in 2013 being lower fee products such as H-shares Index futures and options.

Key Market Indicators

	2013	2012	Change
ADT of DWs, CBBCs and warrants on the Stock Exchange ($bn)	**12.5**	12.9	(3%)
Average daily number of derivatives contracts traded on the Futures Exchange	**283,610**	259,556	9%
Average daily number of stock options contracts traded on the Stock Exchange	**249,295**	228,438	9%

Stock Exchange Listing Fees – Equity and Financial Derivatives Segment

Stock Exchange listing fees are mainly derived from the initial and subsequent issue listing fees of DWs and CBBCs. The increase in fees by 28 per cent from $335 million in 2012 to $430 million in 2013 was due to higher numbers of newly listed DWs and CBBCs.

Key Drivers for Initial and Subsequent Issue Listing Fees - Equity and Financial Derivatives Segment

	2013	2012	Change
Number of newly listed DWs	**7,264**	5,886	23%
Number of newly listed CBBCs	**8,948**	6,056	48%
Total	**16,212**	11,942	36%

(C) Revenue from Commodities Segment

	2013 $m	2012 $m	Change
Trading fees and trading tariff	**861**	51	1,588%
Market data fees	**175**	12	1,358%
Commodities stock levies and warehouse listing fees	**127**	10	1,170%
Subscription and application fees	**30**	–	N/A
Others	**17**	1	1,600%
Total	**1,210**	74	1,535%

The Commodities segment refers to the operations of the LME Group (excluding its clearing operations and corporate items). As the Group only completed the acquisition of the LME Group on 6 December 2012, the revenue generated in 2013 was more than 16 times of that of 2012.

Trading Fees and Trading Tariff – Commodities Segment

In addition to the full-year effect of inclusion of the LME trading fees, the average daily volume of metal contracts traded on LME recorded a 7 per cent increase in 2013 over 2012.

Key Market Indicators – Commodities Segment

	2013	2012	Change
Average daily volume of metals contracts traded on LME (lots)	**676,283**	633,809 *	7%

* HKEx completed its acquisition of the LME Group on 6 December 2012.

(D) Revenue from Clearing Segment

	2013 $m	2012 $m	Change
Trading fees and trading tariff – allocated from Equity and Financial Derivatives segment	**178**	139	28%
Clearing and settlement fees	**1,631**	1,406	16%
Depository, custody and nominee services fees	**629**	644	(2%)
Others	**14**	12	17%
Total	**2,452**	2,201	11%

The Clearing segment refers to the operations of the 4 clearing houses in Hong Kong, HKSCC, SEOCH, HKCC and OTC Clear, and the development and operations of the new clearing house in London, LME Clear, for clearing base metals futures and options contracts traded on LME.

Clearing and Settlement Fees

Clearing and settlement fees are derived predominantly from Stock Exchange transactions. Compared with 2012, the increase in clearing and settlement fees was in line with the increase in ADT on the Stock Exchange.

Depository, Custody and Nominee Services Fees

Depository, custody and nominee services fees, which mainly comprise scrip fees, corporate action fees, stock custody fees, dividend collection fees, and stock withdrawal fees, decreased primarily due to a drop in scrip fees.

(E) Revenue from Platform and Infrastructure Segment

	2013 $m	2012 $m	Change
Network, terminal user, dataline and software sub-license fees	**262**	334	(22%)
Hosting Services fees	**75**	8	838%
Others	**10**	12	(17%)
Total	**347**	354	(2%)

The Platform and Infrastructure segment refers to all services in connection with providing users with access to the platform and infrastructure of the Group.

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

Network, terminal user, dataline and software sub-license fees declined mainly due to lower sales of additional throttles and a decrease in Stock Exchange trading network line rental income following the migration of the Group's network services in Hong Kong to SDNet/2 in the second half of 2012. As a result of the migration, EPs can contract directly with accredited vendors for Stock Exchange trading network line rental services instead of HKEx. There was a corresponding drop in Stock Exchange trading network line rental costs consumed by Participants under IT and computer maintenance expenses in section (G).

Hosting Services Fees

As Hosting Services were only launched in December 2012, the revenue increased significantly in 2013 due to a full year's income being earned.

(F) Net Investment Income

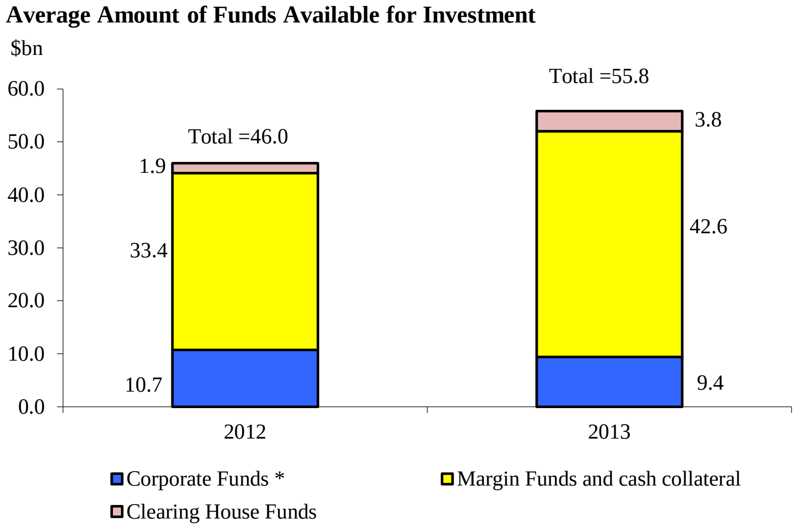
	2013 $m	2012 $m	Change
Gross investment income	**585**	769	(24%)
Interest rebates to Participants	**(4)**	(3)	33%
Net investment income	**581**	766	(24%)

Net investment income was allocated to the following segments:

	2013 $m	2012 $m	Change
Clearing segment	**393**	453	(13%)
Corporate Items	**188**	313	(40%)
Net investment income	**581**	766	(24%)

Net investment income declined by 24 per cent due to lower fair value gains on investments, reflecting market movements. This was partly offset by a $106 million fair value gain on LME's investment in LCH.Clearnet shares.

The average amount of funds available for investment was as follows:



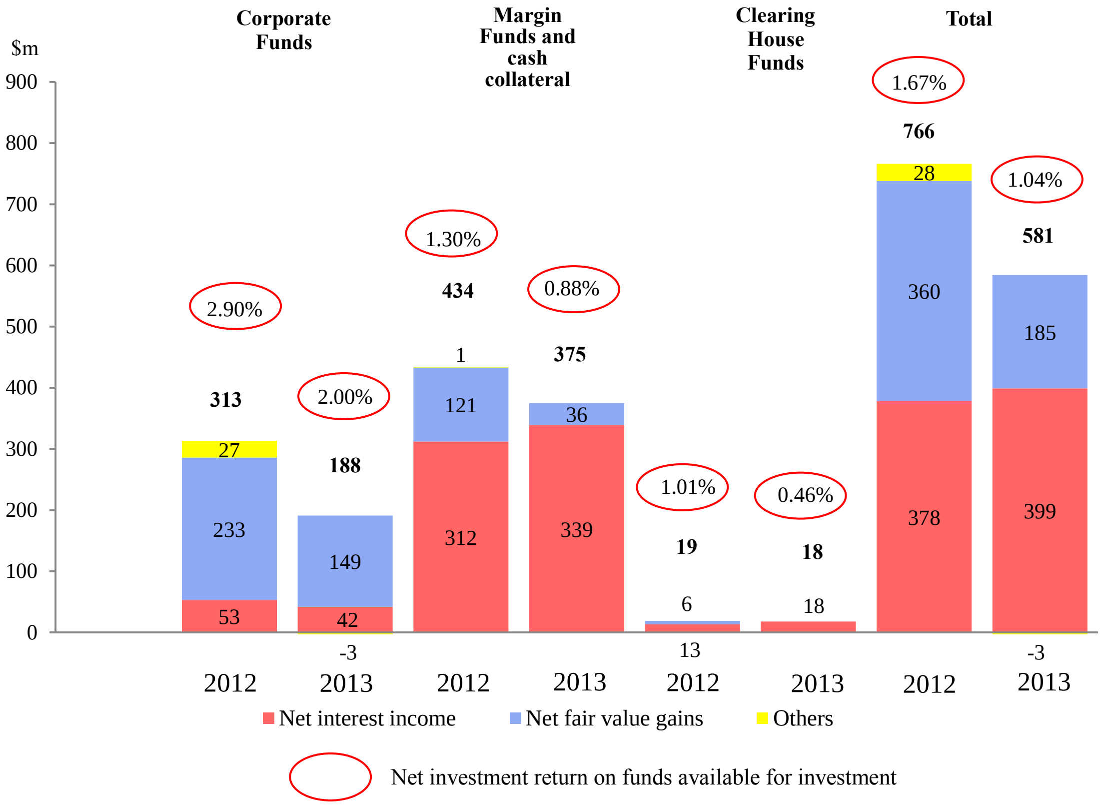
The increase in the average amount of funds available for investment was due to higher margin deposits from CPs arising from increases in margin rates and open interest as well as an increase in Clearing House Funds following the introduction of a dynamic guarantee fund for HKSCC.

The average balance of Corporate Funds has reduced as the acquisition of the LME Group in December 2012 was partly funded by Corporate Funds.

* Corporate Funds include $156 million which has been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear since 31 October 2013.

The movements in net investment income by Funds were as follows:

Net Investment Income by Funds



The lower net investment income and return on Corporate Funds in 2013 was attributable to lower fair value gains on equities and fixed income investments, the absence of gains on structured products following the winding down of those investments, and a drop in interest income from lower bank deposit rates and reduced fund size. This was partly offset by a fair value gain of $106 million on LME's investment in LCH.Clearnet shares.

The lower net investment income on the Margin Funds and cash collateral in 2013 was mainly due to a decrease in net fair value gains on investments (including certain principal-guaranteed structured notes, all of which matured during 2012). Despite lower interest rates during the year, interest income was higher than 2012 due to an increase in funds available for investment.

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.

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

Expenses, Other Costs and Taxation

(G) Operating Expenses

	2013 $m	2012 $m	Change
Staff costs and related expenses	**1,495**	1,178	27%
IT and computer maintenance expenses	**549**	299	84%
Premises expenses	**302**	254	19%
Product marketing and promotion expenses	**29**	19	53%
Legal and professional fees	**146**	54	170%
Other operating expenses	**256**	153	67%
Total	**2,777**	1,957	42%

Staff costs and related expenses increased by $317 million to $1,495 million, of which $288 million (2012: $4 million) was attributable to the LME business. The balance of the increase was due to payroll adjustments to keep up with the market trend.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by the Participants of $75 million (2012: $122 million), was $474 million (2012: $177 million), of which $295 million (2012: $23 million) was related to the LME business. The decrease in costs of services and goods directly consumed by the Participants was mainly due to lower Stock Exchange trading network line rental costs following the migration of the Group's network services in Hong Kong to SDNet/2 in the second half of 2012. Since the migration, EPs have been able to contract directly with accredited vendors for the Stock Exchange trading network line rental services instead of HKEx. There was a corresponding drop in Stock Exchange trading network line rental income under Revenue from Platform and Infrastructure segment in section (E).

Premises expenses rose by $48 million to $302 million, of which $28 million (2012: $2 million) was attributable to the LME business. The remainder of the increase reflects higher rent on the renewal of certain leases, the lease of additional office premises to accommodate increased headcount and higher utility costs of the Data Centre.

Legal and professional fees increased by $92 million to $146 million, of which $93 million (2012: $6 million) was incurred by the LME business for implementing strategic projects and seeking legal advice ($15 million) in respect of US class action lawsuits alleging anti-competitive and monopolistic behaviour in the warehousing market in connection with aluminium prices and a judicial review filed in the UK relating to the introduction of changes in LME's warehousing policy.

Other operating expenses rose by $103 million to $256 million. The increase was mainly due to the inclusion of $71 million of expenses incurred by the LME business in 2013 (2012: $5 million), operating and maintenance costs of the Data Centre, where phase one of the construction was completed in September 2012 and the final phase was completed in December 2013, and higher bank facility fees. The higher bank facility fees related to an increase in the amount of committed facilities, from $4,000 million to $7,000 million in the fourth quarter of 2012 and to $8,000 million since April 2013, to further enhance the Group's liquidity.

(H) Depreciation and Amortisation

	2013 $m	2012 $m	Change
Depreciation and amortisation	**507**	158	221%

Depreciation and amortisation increased by $349 million to $507 million mainly due to depreciation and amortisation of LME's fixed assets and IT systems of $162 million (2012: $11 million), amortisation of customer relationship intangibles arising from the acquisition of the LME Group of $129 million (2012: $11 million), and depreciation of the Data Centre, where phase one of the construction was completed in September 2012 and the final phase was completed in December 2013.

(I) Costs relating to Acquisition of LME Group

	2013 $m	2012 $m	Change
Costs relating to acquisition of LME Group	–	138	(100%)

In 2012, the Group incurred legal and professional fees of $129 million and other costs of $9 million for the acquisition of the LME Group. No such costs were incurred by the Group in 2013.

(J) Finance Costs

	2013 $m	2012 $m	Change
Finance costs	**183**	55	233%

The finance costs relate to the convertible bonds and bank borrowings used to fund part of the consideration for the acquisition of the LME Group, which were obtained by the Group in the fourth quarter of 2012. In December 2013, US$100 million of fixed rate notes were issued to independent third parties with a maturity of 5 years. The proceeds were used to repay part of the bank borrowings.

(K) Fair Value Loss on Derivative Component of Convertible Bonds

	2013 $m	2012 $m	Change
Fair value loss on derivative component of convertible bonds	–	55	(100%)

The amount represents the fair value loss of the share conversion element of the convertible bonds (CB) from the date of the issue (23 October 2012) up to 17 December 2012, the date when HKEx substituted in its place HKEx International Limited as the issuer and the principal obligor under the CB (the Substitution). After the Substitution, the share conversion option element of the CB was classified as equity and will not be revalued thereafter.

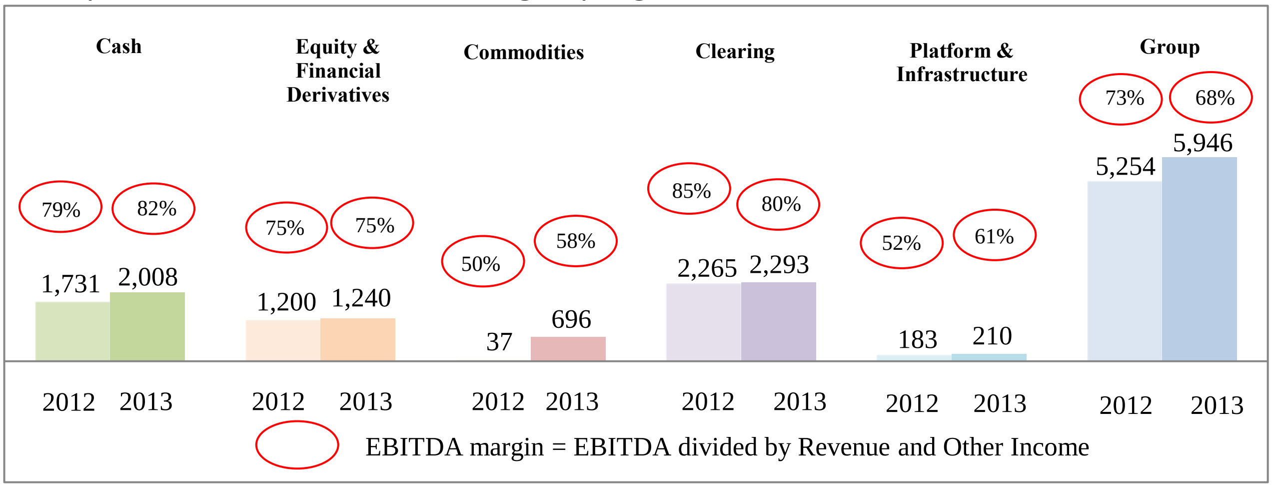
(L) Taxation

	2013 $m	2012 $m	Change
Taxation	**700**	761	(8%)

Taxation dropped due to a one-off deferred tax credit arising from a reduction of corporate tax rate in the UK, which was partially offset by a higher profit before taxation.

Analysis of Results by Segment

Analysis of EBITDA and EBITDA Margin by Segment*



* Further details of the results by segment are set out in note 2 to the consolidated financial statements of this announcement.

EBITDA of the Cash segment increased by $277 million, or 16 per cent, to $2,008 million. This was mainly due to higher trading fees and trading tariff attributable to higher ADT of equity products on the Stock Exchange. This was, however, partly offset by fewer number of trading days in 2013 and more exempt ETF trades by market makers. Revenue of the Cash segment increased by 11 per cent while operating expenses decreased by 5 per cent due to lower IT operating costs. As a result, the EBITDA margin increased from 79 per cent to 82 per cent.

EBITDA of the Equity and Financial Derivatives segment increased by $40 million to $1,240 million. The increase in listing fees from more newly listed DWs and CBBCs was partly offset by the decrease in trading fees and trading tariff and the rise in operating expenses that included implementation costs for certain strategic projects. Although the average daily number of derivatives contracts traded increased by 9 per cent, trading fees and trading tariff dropped slightly due to a higher proportion of contracts traded on the Futures Exchange being lower fee products such as H-share index futures and options and a decrease in ADT of DWs and CBBCs traded on the Stock Exchange. The EBITDA margin remained stable at 75 per cent as revenue and operating expenses increased by similar percentages.

The EBITDA of the Commodities segment of $696 million was generated entirely from the LME business acquired on 6 December 2012. Compared with 2012, due to the full-year effect of including LME's fee income, trading fees from metals futures and options contracts traded increased significantly. The EBITDA margin increased from 50 per cent to 58 per cent as the percentage increase in revenue arising from higher trading volume exceeded the percentage increase in operating expenses.

EBITDA of the Clearing segment increased by $28 million over 2012 to reach $2,293 million. However, the overall EBITDA margin decreased from 85 per cent to 80 per cent. While clearing and settlement fees increased in-line with market volumes this has been offset by declines in investment income and increases in operating expenses related to the development of 2 new clearing houses: OTC Clear and LME Clear.

EBITDA of the Platform and Infrastructure segment increased by $27 million to $210 million mainly due to the contribution from the Hosting Services business. Following the migration of the Group's network services to SDNet/2 in the second half of 2012, there was a drop in Stock Exchange trading network line rental income, which was offset by a corresponding reduction in line rental costs. The EBITDA margin improved from 52 per cent to 61 per cent as the percentage drop in operating expenses exceeded that for revenue following the migration to SDNet/2.

Fixed Assets, Intangible Assets and Capital Commitments

The total net book value of the Group's fixed assets and intangible assets increased to $20,433 million at 31 December 2013 from $19,858 million at 31 December 2012 due to additions of $730 million and exchange gains of $352 million, which were partly offset by depreciation and amortisation of $507 million. The additions were mainly related to the Data Centre at Tseung Kwan O, development of a commodities clearing system and a new market data system and the upgrade and enhancement of various IT systems.

The Group's capital expenditure commitments at 31 December 2013, including those authorised by the Board but not yet contracted for, amounted to $878 million (31 December 2012: $832 million) and were mainly related to the development and upgrade of IT systems including a new market data system, clearing systems for OTC derivatives and commodities and a Central Gateway for the Cash Market. 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

During the year, OTC Clear, a wholly-owned subsidiary, issued 3,599 ordinary shares to HKEx at a consideration of $350 million and 1,200 non-voting ordinary shares to certain third party shareholders at a consideration of $252 million. After the issue, the Group's interest in OTC Clear was reduced to 75 per cent and 25 per cent interest is held by external shareholders. The external shareholders do not have any voting rights, but they are given put options to redeem their shares any time after 5 years at cost less any dividends received if they can demonstrate that they have used reasonable endeavours for at least 3 months but could not find a suitable purchaser for their shares at a price equal to or more than their fair market value.

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

Liquidity, Financial Resources and Gearing

Working capital rose by $2,368 million to $7,608 million at 31 December 2013 (31 December 2012: $5,240 million). The increase was mainly due to profit attributable to shareholders of $4,552 million, which was partly offset by the 2012 final dividend and 2013 interim dividend, net of scrip dividend of $2,339 million.

At 31 December 2013, the Group had floating rate borrowings of $2,326 million from a bank (31 December 2012: $3,100 million) that mature within 9 years (31 December 2012: 10 years), $770 million of fixed rate notes issued (31 December 2012: $Nil) with an annual coupon of 2.7 per cent that mature in 2018, and $3,607 million from convertible bonds issued (31 December 2012: $3,515 million) with an annual coupon of 0.5 per cent that mature in 2017, which were denominated in USD and used to fund part of the consideration for the acquisition of LME Group. In addition, the Group also had a financial liability in relation to put options granted to the non-controlling interests of $218 million (31 December 2012: $Nil).

At 31 December 2013, the Group had a gearing ratio (ie, net debt divided by adjusted capital) of 2 per cent (31 December 2012: 15 per cent). For this purpose, net debt is defined as total borrowings less cash and cash equivalents of Corporate Funds, and adjusted capital as all components of equity attributable to HKEx's shareholders other than designated reserves.

Banking facilities have been put in place for contingency purposes. In 2013, the Group secured additional committed facilities, bringing the total committed banking facilities for its daily operations at 31 December 2013 to $8,000 million (31 December 2012: $7,000 million). The repurchase facilities were reduced to $7,000 million (31 December 2012: $9,000 million) as they were in excess of the Group's total bond investments eligible for repurchase transactions and could not therefore be fully utilised. As a result, the Group's total available banking facilities for its daily operations at 31 December 2013 amounted to $15,012 million (31 December 2012: $16,010 million).

The Group also put in place foreign exchange facilities for the RMB Equity Trading Support Facility that was established to support the trading of shares in RMB. At 31 December 2013, the total amount of the facilities was RMB17,000 million (31 December 2012: RMB 17,000 million).

At 31 December 2013, 94 per cent (31 December 2012: 92 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances and time deposits within 3 months of maturity when acquired) were denominated in HKD or USD, whereas 2 per cent (31 December 2012: 1 per cent) were denominated in GBP and held by the LME Group.

Charges on Assets

None of the Group's assets was pledged at 31 December 2013 or 31 December 2012.

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

Foreign currency margin deposits received by the Group are mainly hedged by investments in the same currencies, but unhedged investments in USD may not exceed 20 per cent of the Margin Funds and cash collateral.

LME is exposed to foreign exchange risk arising from revenues and investments denominated in foreign currencies (mainly USD and Euro). Its risk management policy in the normal course of events is to convert non-GBP currencies into GBP as soon as deemed appropriate. However, some may be held to hedge other GBP/USD exposures within the Group. Forward foreign exchange contracts also may be used to hedge LME's currency exposure resulting from its foreign currency revenues.

In respect of the investment in the LME Group in the UK (including goodwill and other intangible assets arising from its acquisition) totalling HK$18,455 million as at 31 December 2013 (31 December 2012: HK$17,499 million), movements in the GBP exchange rate do not impact profit attributable to shareholders but are recorded as movements on the exchange reserve, which is a component of equity.

The remaining aggregate net open foreign currency positions at 31 December 2013 amounted to HK$1,821 million, of which HK$413 million were non-USD exposures (31 December 2012: HK$2,702 million, of which HK$1,112 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$1,120 million (31 December 2012: HK$1,114 million). All forward foreign exchange contracts would mature within 3 months (31 December 2012: 3 months).

Contingent Liabilities

At 31 December 2013, the Group's material contingent liabilities were as follows:

(a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding $71 million (31 December 2012: $71 million). Up to 31 December 2013, 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 504 trading Participants covered by the indemnity at 31 December 2013 (31 December 2012: 511) defaulted, the maximum contingent liability of the Group under the indemnity would amount to $101 million (31 December 2012: $102 million).

(c) At the date of this announcement, 26 class actions have been filed against LME in the US alleging anti-competitive and monopolistic behaviour in the warehousing industry in connection with aluminium prices. 19 of the actions also name LMEH, the holding company of LME, as a co-defendant. On 16 December 2013, an order for the consolidation of all the actions to be heard before the court in the Southern District of New York was made. Further to this, a directions hearing was held on 6 February 2014 during which the court ordered the plaintiffs to file consolidated complaints on 12 March 2014.

    In addition, LME has been named as a defendant in a judicial review claim filed by Rusal in the English High Court. The judicial review seeks to challenge the LME's decision to introduce changes regarding the delivery out rates of LME approved warehouses as announced in its notice dated 7 November 2013. The judicial review hearing will take place at the end of February 2014, and it is anticipated that the court will hand down its decision before the end of March 2014.

    As the proceedings in the US are still at an early stage, LME does not currently have sufficient information to estimate the financial effect (if any) relating to the class action lawsuits, the timing of the ultimate resolution of the proceedings, or what the eventual outcomes might be. Likewise, at this stage of the judicial review proceedings, LME is not in a position to estimate the financial effect (if any) of the judicial review claim. However, LME management remains of the view that all the US complaints and the English judicial review proceedings are without merit, and will contest them vigorously. Accordingly, no provision has been made in the Group's Consolidated Financial Statements for the year ended 31 December 2013.

(d) 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 1 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.

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 $m	2012 $m
Trading fees and trading tariff		**3,509**	2,448
Stock Exchange listing fees		**1,016**	916
Clearing and settlement fees		**1,631**	1,406
Depository, custody and nominee services fees		**629**	644
Market data fees		**737**	570
Other revenue	3	**609**	448
REVENUE AND TURNOVER		**8,131**	6,432
Gains on disposal of financial assets measured at amortised cost		**–**	1
Other investment income		**585**	768
Interest rebates to Participants		**(4)**	(3)
Net investment income	4	**581**	766
Sundry income		**11**	13
REVENUE AND OTHER INCOME	2	**8,723**	7,211
OPERATING EXPENSES			
Staff costs and related expenses		**(1,495)**	(1,178)
IT and computer maintenance expenses		**(549)**	(299)
Premises expenses		**(302)**	(254)
Product marketing and promotion expenses		**(29)**	(19)
Legal and professional fees		**(146)**	(54)
Other operating expenses	5	**(256)**	(153)
		(2,777)	(1,957)
EBITDA *		**5,946**	5,254
Depreciation and amortisation		**(507)**	(158)
OPERATING PROFIT		**5,439**	5,096
Costs relating to acquisition of LME Group		**–**	(138)
Finance costs	6	**(183)**	(55)
Fair value loss on derivative component of convertible bonds		**–**	(55)
Share of loss of a joint venture		**(10)**	(3)
PROFIT BEFORE TAXATION		**5,246**	4,845
TAXATION	7	**(700)**	(761)
PROFIT FOR THE YEAR		**4,546**	4,084
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEx		**4,552**	4,084
- Non-controlling interests		**(6)**	–
		4,546	4,084
Basic earnings per share	8(a)	**$3.95**	$3.75
Diluted earnings per share	8(b)	**$3.94**	$3.74
DIVIDENDS	9	**4,092**	3,671

* In 2013, an additional subtotal for EBITDA has been added in the consolidated income statement as a new non-HKFRS measure for monitoring business performance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 $m	2012 $m
PROFIT FOR THE YEAR	**4,546**	4,084
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	**379**	189
OTHER COMPREHENSIVE INCOME	**379**	189
TOTAL COMPREHENSIVE INCOME	**4,925**	4,273
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEx	**4,931**	4,273
- Non-controlling interests	**(6)**	–
TOTAL COMPREHENSIVE INCOME	**4,925**	4,273

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2013

		At 31 Dec 2013			At 31 Dec 2012		
	Note	**Current $m**	**Non-current $m**	**Total $m**	Current $m	Non-current $m	Total $m
ASSETS							
Cash and cash equivalents	10	**41,452**	**–**	**41,452**	34,077	–	34,077
Financial assets measured at fair value through profit or loss	10	**3,761**	**141**	**3,902**	4,369	123	4,492
Financial assets measured at amortised cost	10	**8,986**	**60**	**9,046**	8,442	131	8,573
Accounts receivable, prepayments and deposits	10,11	**10,940**	**6**	**10,946**	13,689	7	13,696
Taxation recoverable		**7**	**–**	**7**	–	–	–
Interest in a joint venture		**–**	**87**	**87**	–	97	97
Goodwill and other intangible assets		**–**	**18,680**	**18,680**	–	18,183	18,183
Fixed assets		**–**	**1,753**	**1,753**	–	1,675	1,675
Lease premium for land		**–**	**23**	**23**	–	24	24
Deferred tax assets		**–**	**47**	**47**	–	20	20
Total assets		**65,146**	**20,797**	**85,943**	60,577	20,260	80,837
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits and cash collateral from CPs	10	**39,793**	**–**	**39,793**	36,786	–	36,786
Accounts payable, accruals and other liabilities	12	**12,815**	**19**	**12,834**	15,818	20	15,838
Deferred revenue		**593**	**–**	**593**	530	–	530
Taxation payable		**379**	**–**	**379**	178	–	178
Other financial liabilities		**27**	**–**	**27**	57	–	57
Participants' contributions to Clearing House Funds	10	**3,884**	**–**	**3,884**	1,924	–	1,924
Borrowings	13	**–**	**6,921**	**6,921**	–	6,615	6,615
Provisions		**47**	**47**	**94**	44	45	89
Deferred tax liabilities		**–**	**900**	**900**	–	1,056	1,056
Total liabilities		**57,538**	**7,887**	**65,425**	55,337	7,736	63,073

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 DECEMBER 2013

	Note	At 31 Dec 2013 Current $m	 Non-current $m	 Total $m	At 31 Dec 2012 Current $m	 Non-current $m	 Total $m
Equity							
Share capital				**1,161**			1,150
Share premium				**10,167**			8,731
Shares held for Share Award Scheme				**(174)**			(305)
Employee share-based compensation reserve				**105**			122
Exchange reserve				**568**			189
Convertible bond reserve				**409**			409
Designated reserves				**586**			587
Reserve relating to written put options to non-controlling interests				**(217)**			–
Retained earnings	14			**7,800**			6,881
Equity attributable to shareholders of HKEx				**20,405**			17,764
Non-controlling interests				**113**			–
Total equity				**20,518**			17,764
Total liabilities and equity				**85,943**			80,837
Net current assets				**7,608**			5,240
Total assets less current liabilities				**28,405**			25,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

Adoption of new/revised HKFRSs

In 2013, the Group has adopted the following new/revised HKFRSs which were effective for accounting periods beginning on or after 1 January 2013:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Annual Improvements to HKFRSs 2009 – 2011 Cycle

The amendments to HKFRS 7 require disclosure of financial assets and financial liabilities that are (i) offset in the statement of financial position; or (ii) subject to master netting arrangements or similar arrangements irrespective of whether they are offset. The adoption of amendments to HKFRS 7 only affects disclosures relating to offsetting financial assets and financial liabilities in the Group's consolidated financial statements.

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. Of these, the following 2 amendments are pertinent to the Group's operations:

Amendments to HKAS 16	Property, Plant and Equipment
Amendments to HKAS 32	Financial Instruments: Presentation

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as fixed assets when they are used for more than one period and as inventory otherwise. The adoption of the amendments to HKAS 16 does not have a material financial impact to the Group as the spare parts and equipment held by the Group are immaterial.

The amendments to HKAS 32 clarify that income tax relating to distributions to holders of equity instrument should be recognised in profit or loss and income tax relating to transaction costs of an equity transaction should be recognised in equity. The adoption of the amendments to HKAS 32 does not have any financial impact to the Group as it currently does not have distributions subject to tax or costs of equity transactions that are tax-deductible.

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

Early adoption of new/revised HKFRSs

In the fourth quarter of 2013, the Group early adopted the amendments to HKAS 36: Recoverable Amount Disclosures for Non-Financial Assets, where early adoption is permitted. The amendments remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) when it contains goodwill or intangible assets with indefinite useful lives when there has been no impairment. The amendments also expand the disclosure requirements for an individual asset (including goodwill) and a CGU for which an impairment loss has been recognised or reversed during the reporting period. The early adoption of amendments to HKAS 36 removes the requirement to disclose the recoverable amounts of CGUs as there was no impairment of these intangible assets.

Change in presentation of the consolidated statement of comprehensive income

Prior to the proposed acquisition of LME Group in December 2012, the Group did not have any other comprehensive income and presented all items of income and expense in a single statement - consolidated statement of comprehensive income. Following this acquisition, more items of other comprehensive income are expected to arise from the Group's enlarged operations and from 2013 onwards, the Group has therefore decided to separately present a consolidated income statement and a consolidated statement of comprehensive income.

Also, from 2013 onwards, an additional subtotal for EBITDA has been included in the consolidated income statement, which is a non-HKFRS measure used by management for monitoring business performance.

2. Operating Segments

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

Following the acquisition of the LME Group in December 2012, the Group underwent an internal reorganisation to better align its business activities to its strategic objectives. As a result, effective from January 2013, the reportable segments have been reorganised into 5 reportable segments ("Corporate Items" is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different IT systems and marketing strategies. The operations in each of the Group's new reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms, sales of market data relating to these products and other related activities. Currently, the Group operates 2 Cash Market platforms, the Main Board and the GEM. The major sources of revenue of the segment are trading fees, trading tariff, listing fees of equity products and market data fees.

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

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

The **Clearing** segment refers to the operations of the 4 clearing houses, namely HKSCC, SEOCH, HKCC and OTC Clear, which are responsible for clearing, settlement and custodian activities of the Stock Exchange and the Futures Exchange, clearing over-the-counter derivatives contracts, and the development and operations of the new clearing house for clearing base metals futures and options contracts traded on LME (LME Clear). Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on Margin Funds, cash collateral and Clearing House Funds.

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

Central income (mainly net investment income of Corporate Funds) and central costs (mainly costs of central support functions that provide services to all of the operating segments, finance costs and other costs not directly related to any of the operating segments) are included as "Corporate Items". Costs of developing new business initiatives before launch (such as OTC Clear and LME Clear) are included under the respective reportable segments.

In 2012, the Group had 5 reportable segments:

The **Cash Market** segment mainly referred to the operations of the Stock Exchange, which cover all products traded on the Cash Market platforms, such as equities, CBBCs and DWs. The major sources of revenue of the segment were trading fees, trading tariff and listing fees. Results of the Listing Function were included in the Cash Market.

The **Derivatives Market** segment referred to the derivatives products traded on the Futures Exchange and stock options traded on the Stock Exchange. Its revenue and other income mainly comprised trading fees, trading tariff and net investment income on the Margin Funds on derivatives contracts invested.

The **Commodities** segment referred to the operations of the LME Group, which operates an exchange in the UK for the trading of base metals futures and options contracts. The major sources of revenue of the segment were trading fees, commodity market data fees and fees generated from ancillary operations.

The **Clearing** segment referred to the operations of the 3 clearing houses, namely HKSCC, SEOCH and 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 were derived primarily from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Clearing House Funds and Margin Funds and cash collateral from HKSCC CPs.

The **Market Data** segment referred to activities relating to developing, promoting, compiling and sales of real-time, historical as well as statistical market data and issuer information. Its revenue principally comprised market data fees of the Cash and Derivatives Markets.

Central income (mainly net investment income of Corporate Funds) and central costs (mainly costs of central support functions that provided services to all operating segments and other costs not directly related to any of the operating segments) were included as "Corporate Items". Costs of developing new business initiatives incurred before launch were absorbed as support function costs under "Corporate Items".

Comparative figures have been restated to conform to the current year's presentation.

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

	2013						
	Cash $m	Equity and Financial Derivatives $m	Commodities $m	Clearing $m	Platform and Infrastructure $m	Corporate Items $m	Group $m
Revenue from external customers	2,455	1,662	1,210	2,452	347	5	8,131
Net investment income	–	–	–	393	–	188	581
Sundry income	–	–	–	11	–	–	11
Revenue and other income	2,455	1,662	1,210	2,856	347	193	8,723
Operating expenses	(447)	(422)	(514)	(563)	(137)	(694)	(2,777)
Reportable segment EBITDA	2,008	1,240	696	2,293	210	(501)	5,946
Depreciation and amortisation	(55)	(48)	(287)	(62)	(38)	(17)	(507)
Finance costs	–	–	–	–	–	(183)	(183)
Share of loss of a joint venture	–	(10)	–	–	–	–	(10)
Reportable segment profit before taxation	1,953	1,182	409	2,231	172	(701)	5,246
Interest income	–	–	–	361	–	42	403
Interest rebates to Participants	–	–	–	(4)	–	–	(4)
Other material non-cash items:							
Forfeiture of unclaimed cash dividends held by HKSN	–	–	–	11	–	–	11
Employee share-based compensation expenses	(25)	(22)	(4)	(19)	(2)	(47)	(119)
Reversal of provision for/(provision for) impairment losses	1	–	(2)	–	–	–	(1)

	As restated 2012						
	Cash $m	Equity and Financial Derivatives $m	Commodities $m	Clearing $m	Platform and Infrastructure $m	Corporate Items $m	Group $m
Revenue from external customers	2,203	1,599	74	2,201	354	1	6,432
Net investment income	–	–	–	453	–	313	766
Sundry income	–	–	–	13	–	–	13
Revenue and other income	2,203	1,599	74	2,667	354	314	7,211
Operating expenses	(472)	(399)	(37)	(402)	(171)	(476)	(1,957)
Reportable segment EBITDA	1,731	1,200	37	2,265	183	(162)	5,254
Depreciation and amortisation	(38)	(30)	(22)	(47)	(11)	(10)	(158)
Costs relating to acquisition of LME Group	–	–	–	–	–	(138)	(138)
Finance costs	–	–	–	–	–	(55)	(55)
Fair value loss on derivative component of convertible bonds	–	–	–	–	–	(55)	(55)
Share of loss of a joint venture	–	(3)	–	–	–	–	(3)
Reportable segment profit before taxation	1,693	1,167	15	2,218	172	(420)	4,845
Interest income	–	–	–	328	–	53	381
Interest rebates to Participants	–	–	–	(3)	–	–	(3)
Other material non-cash items:							
Forfeiture of unclaimed cash dividends held by HKSN	–	–	–	13	–	–	13
Employee share-based compensation expenses	(29)	(23)	–	(18)	(1)	(34)	(105)
Reversal of provision for impairment losses	1	–	–	–	–	–	1

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

(b) Geographical information

(i) Revenue

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

	2013 $m	2012 $m
Hong Kong (place of domicile)	**6,921**	6,358
United Kingdom	**1,210**	74
	8,131	6,432

(ii) Non-current assets

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

	At 31 Dec 2013 $m	At 31 Dec 2012 $m
Hong Kong (place of domicile)	**2,168**	1,966
United Kingdom	**18,375**	18,018
China	**6**	2
	20,549	19,986

(c) Information about major customers

In 2013 and 2012, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

3. Other Revenue

	2013 $m	2012 $m
Network, terminal user, dataline and software sub-license fees	**262**	334
Commodities stock levies and warehouse listing fees	**127**	10
Hosting services	**75**	8
Participants' subscription and application fees	**65**	36
Brokerage on direct IPO allotments	**9**	2
Trading booth user fees	**11**	11
Sales of Trading Rights	**8**	19
Miscellaneous revenue	**52**	28
	609	448

4. Net Investment Income

	2013 $m	2012 $m
Interest income from financial assets measured at amortised cost		
- bank deposits	**402**	369
- listed securities	**–**	5
- unlisted securities	**1**	7
Gross interest income	**403**	381
Interest rebates to Participants	**(4)**	(3)
Net interest income	**399**	378
Net fair value gains including interest income on financial assets mandatorily measured at fair value through profit or loss		
- listed securities	**45**	191
- unlisted securities	**149**	179
- exchange differences	**39**	89
	233	459
Net fair value losses on financial liabilities at fair value through profit or loss, held for trading		
- exchange differences	**(48)**	(99)
Gains on disposal of unlisted financial assets measured at amortised cost	**–**	1
Others	**(3)**	27
Net investment income	**581**	766

5. Other Operating Expenses

	2013 $m	2012 $m
Insurance	**9**	5
Financial data subscription fees	**16**	9
Custodian and fund management fees	**6**	12
Bank charges	**32**	20
Repairs and maintenance expenses	**27**	12
License fees	**21**	19
Communication expenses	**15**	8
Travel expenses	**40**	10
Security expenses	**10**	7
Premises cleaning expenses	**8**	3
Contribution to Financial Reporting Council	**5**	4
Other miscellaneous expenses	**67**	44
	256	153

6. Finance Costs

	2013 $m	2012 $m
Financing related costs for acquisition of LME Group (note (a))	–	30
Interest expenses:		
- Bank borrowings not wholly repayable within 5 years	**70**	3
- Convertible bonds wholly repayable within 5 years	**110**	21
- Notes wholly repayable within 5 years	**1**	–
- Written put option to non-controlling interests	**1**	–
Net foreign exchange losses on financing activities	**1**	1
	183	55

(a) The costs were incurred for the purpose of establishing a banking facility for the acquisition of LME Group. Subsequently, the facility was not used and was cancelled. Accordingly, the costs were charged to profit or loss in 2012.

7. Taxation

Taxation charge in the consolidated income statement represented:

	2013 $m	2012 $m
Current tax – Hong Kong Profits Tax		
- Provision for the year	**759**	740
- Overprovision in respect of prior years	**(2)**	–
	757	740
Current tax – Overseas Tax		
- Provision for the year	**115**	10
- Underprovision in respect of prior years	**14**	–
	129	10
Total current tax	**886**	750
Deferred tax		
- Origination and reversal of temporary differences	**(78)**	11
- Impact of changes in UK corporation tax rates (note (c))	**(108)**	–
Total deferred tax	**(186)**	11
Taxation charge	**700**	761

(a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2012: 16.5 per cent) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates.

(b) The weighted average applicable tax rate was 16.0 per cent (2012: 16.5 per cent).

(c) The corporation tax rates applicable to the subsidiaries in the UK were 24 per cent effective from 1 April 2012 and 23 per cent effective from 1 April 2013. Through the enactment of the 2013 Finance Act in July 2013, the UK corporation tax rate will be further reduced to 21 per cent effective from 1 April 2014 and to 20 per cent effective from 1 April 2015. As a result of the reduction in UK corporation tax rates, the Group's net deferred tax liabilities decreased by approximately $108 million, with a corresponding deferred tax credit recognised in the consolidated income statement in 2013.

8. Earnings Per Share

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

(a) Basic earnings per share

	2013	2012
Profit attributable to shareholders ($m)	**4,552**	4,084
Weighted average number of shares in issue less shares held for Share Award Scheme (in ’000)	**1,152,061**	1,088,346
Basic earnings per share ($)	**3.95**	3.75

(b) Diluted earnings per share

	2013	2012
Profit attributable to shareholders ($m)	**4,552**	4,084
Weighted average number of shares in issue less shares held for Share Award Scheme (in ’000)	**1,152,061**	1,088,346
Effect of employee share options (in ’000)	**719**	804
Effect of Awarded Shares (in ’000)	**2,059**	1,961
Weighted average number of shares for the purpose of calculating diluted earnings per share (in ’000)	**1,154,839**	1,091,111
Diluted earnings per share ($)	**3.94**	3.74

(i) The effect of the outstanding convertible bonds was not included in the computation of diluted earnings per share for 2013 and 2012 as it was anti-dilutive.

(c) In December 2012, 65,705,000 HKEx shares were issued upon placement at a discount. The effect of the bonus element of the share placement has been included within the calculation of basic and diluted earnings per share for the year ended 31 December 2012. The effect of the share placement was an increase in the weighted average number of ordinary shares for 2012 by 4,589,000.

9. Dividends

	2013 $m	2012 $m
Interim dividend paid:		
$1.82 (2012: $1.85) per share	**2,101**	2,000
Less: Dividend for shares held by Share Award Scheme (note (a))	**(4)**	(4)
	2,097	1,996
Final dividend proposed (note (b)):		
$1.72 (2012: $1.46) per share based on issued share capital at 31 Dec	**1,998**	1,679
Less: Dividend for shares held by Share Award Scheme at 31 Dec (note (a))	**(3)**	(4)
	1,995	1,675
	4,092	3,671

(a) The results and net assets of The HKEx Employees' Share Award Scheme are included in HKEx's financial statements. Therefore, dividends for shares held by The HKEx Employees' Share Award Scheme were deducted from the total dividends.

(b) The final dividend proposed after 31 December was not recognised as a liability at 31 December.

(c) The 2013 final dividend will be payable in cash with a scrip dividend alternative subject to the permission of the SFC of the listing of and permission to deal in the new shares to be issued.

10. Financial Assets

As part of its day to day operations, the Group receives margin deposits and cash collateral from CPs and Participants' contributions to Clearing House Funds. The Group classifies the corresponding assets into the following funds:

Margin Funds and cash collateral - the Margin Funds and cash collateral are established by cash received or receivable from the CPs of the 4 clearing houses (ie, HKSCC, HKCC, SEOCH and OTC Clear) to cover their open positions. These funds are held for segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities.

Clearing House Funds - The Clearing House Funds are established under the Clearing House Rules. Assets contributed by the CPs and the Group are held by the respective clearing houses (ie, HKSCC, HKCC, SEOCH and OTC Clear) (together with the accumulated income less related expenses) expressly for the purpose of ensuring that the respective clearing houses are able to fulfil their counterparty obligations in the event that one or more of the CPs fail to meet their obligations to the clearing houses. The HKSCC Guarantee Fund also provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting CPs arising from depositing defective securities into CCASS. These funds are held for segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities.

Financial assets belonging to the Group, which are funded by share capital and funds generated from operations (other than amounts received by the Margin Funds and the Clearing House Funds), are classified as Corporate Funds.

The Margin Funds and cash collateral, Clearing House Funds and Corporate Funds are invested into cash and cash equivalents, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost, details of which are as follows:

	At **31 Dec 2013** **$m**	At 31 Dec 2012 $m
Clearing House Funds		
Cash and cash equivalents	**4,271**	2,325
Financial assets measured at amortised cost	**200**	217
	4,471	2,542
Margin Funds and cash collateral		
Cash and cash equivalents	**30,650**	27,717
Financial assets measured at fair value through profit or loss	**1,802**	2,186
Financial assets measured at amortised cost	**7,335**	6,880
Accounts receivable and deposits	**6**	3
	39,793	36,786
Corporate Funds		
Cash and cash equivalents (note (a))	**6,531**	4,035
Financial assets measured at fair value through profit or loss	**2,100**	2,306
Financial assets measured at amortised cost	**1,511**	1,476
	10,142	7,817
	54,406	47,145

(a) Includes $156 million (31 December 2012: $Nil) which has been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear

11. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's CNS money obligations under T+2 settlement, which accounted for 90 per cent (31 December 2012: 93 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within 2 days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

12. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's CNS money obligations payable under T+2 settlement cycle, which accounted for 77 per cent (31 December 2012: 80 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within 3 months.

13. Borrowings

	At **31 Dec 2013** **$m**	At 31 Dec 2012 $m
Bank borrowings (note (a))	**2,326**	3,100
Convertible bonds (note (b))	**3,607**	3,515
Notes (note (c))	**770**	–
Written put options to non-controlling interests (note (d))	**218**	–
Total borrowings	**6,921**	6,615

(a) Bank borrowings

In 2013, US$100 million of the bank borrowings was repaid.

(b) Convertible bonds

In 2013, none of the convertible bonds were redeemed or converted.

(c) Notes

On 11 December 2013, HKEx issued US$100 million (HK$775 million) senior notes to independent third parties at 99.167 per cent of the principal amount with a maturity of 5 years due on 11 December 2018. The notes bear coupon interest at rate of 2.7 per cent per annum payable semi-annually in arrears.

The proceeds were used to repay part of the bank borrowings (note (a)).

(d) Written put options to non-controlling interests

On 31 October 2013, OTC Clear issued 3,599 ordinary shares to HKEx and 1,200 non-voting ordinary shares to certain third party shareholders. After the issue, the Group held 75 per cent interest of the subsidiary, while the remaining 25 per cent interest of the subsidiary was held by the non-controlling interests. As part of the arrangement, put options were written by HKEx to the non-controlling interests of OTC Clear to sell part or all of their non-voting ordinary shares in OTC Clear to HKEx at the initial subscription price of HK$210,000 per share less accumulated dividends received by the non-controlling interests. The put options are exercisable by the non-controlling interests at any time after 31 October 2018 (5 years after the shares were issued) if the non-controlling interests can demonstrate to HKEx that they have used reasonable endeavours for at least 3 months to find a suitable purchaser for their shares at a price equal to or more than their fair market values. The carrying amount of written put options represents the present value of the amount payable by HKEx to acquire the non-controlling interests at the date at which the written put options first become exercisable.

14. Retained Earnings (Including Proposed Dividend)

	2013 $m	2012 $m
At 1 Jan	**6,881**	7,053
Profit attributable to shareholders	**4,552**	4,084
Transfer from/(to) Clearing House Funds reserves	**1**	(10)
Dividends:		
2012/2011 final dividend	**(1,675)**	(2,252)
2013/2012 interim dividend	**(2,097)**	(1,996)
Unclaimed HKEx dividends forfeited	**15**	7
Vesting of shares of Share Award Scheme	**(10)**	(5)
Sale of interest in a subsidiary to non-controlling interests (note 13 (d))	**133**	–
At 31 Dec	**7,800**	6,881
Representing:		
Retained earnings	**5,805**	5,206
Proposed dividend	**1,995**	1,675
At 31 Dec	**7,800**	6,881

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS (PwC) HONG KONG

The financial figures in this announcement have been agreed by the Group's external auditor, PwC Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2013. The work performed by PwC Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC Hong Kong on this announcement.

REVIEW OF 2013 CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (AC) reviewed the 2013 consolidated financial statements in conjunction with HKEx's external and internal auditors. Based on this review and discussions with management, the AC was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2013.

DISTRIBUTABLE RESERVES

HKEx's distributable reserves as at 31 December 2013, calculated under Section 79B of the Companies Ordinance and with reference to the "Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance" issued by the HKICPA, amounted to $8.3 billion (31 December 2012: $7.3 billion).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of $1.72 per share (2012: $1.46 per share) to Shareholders whose names appear on the ROM on 25 April 2014, and the retention of the remaining profit for the year. The proposed final dividend together with the interim dividend payment amounts to a total of about $4.1 billion (2012: $3.7 billion), which represents a payout ratio of 90 per cent (2012: 90 per cent) of the profit attributable to shareholders for the year ended 31 December 2013 and includes dividends of about $7 million (2012: $8 million) for shares held in trust under the Share Award Scheme. The Board also proposed to offer a scrip dividend alternative to allow Shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.

SCRIP DIVIDEND ALTERNATIVE

Subject to Shareholders' approval of the proposed final dividend and a general mandate to issue shares at the 2014 AGM, the final dividend will be payable in cash with a scrip dividend alternative to Shareholders whose names appear on the ROM on Friday, 25 April 2014. The scrip dividend alternative is also conditional upon the SFC's granting the listing of, and permission to deal in, new shares of HKEx to be issued pursuant thereto.

A circular containing details of the scrip dividend alternative, where available, together with an election form is expected to be despatched to Shareholders on or about Friday, 2 May 2014. Definitive share certificates in respect of the scrip dividend and dividend warrants are expected to be despatched to Shareholders on or about Tuesday, 27 May 2014.

CLOSURE OF ROM

For the purposes of determining Shareholders' eligibility to attend, speak and vote at the 2014 AGM, and entitlement to the final dividend, the ROM will be closed as set out below:

(i)	For determining Shareholders' eligibility to attend and, speak and vote at 2014 AGM:	
	Latest time to lodge transfer documents for registration	4:30 pm on Friday, 11 April 2014
	Closure of ROM	Monday, 14 April 2014 to Wednesday, 16 April 2014 (both dates inclusive)
	Record date	Wednesday, 16 April 2014
(ii)	For determining Shareholders' entitlement to final dividend:	
	Latest time to lodge transfer documents for registration	4:30 pm on Wednesday, 23 April 2014
	Closure of ROM	Thursday, 24 April 2014 to Friday, 25 April 2014 (both dates inclusive)
	Record date	Friday, 25 April 2014

During the above closure periods, no transfer of shares will be registered. To be eligible to attend, speak and vote at the 2014 AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKEx's registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The 2014 AGM will be held on Wednesday, 16 April 2014. The Notice of the 2014 AGM, which constitutes part of the circular to Shareholders, will be sent together with the 2013 Annual Report. The Notice of the 2014 AGM and the proxy form will be available under the About HKEx (Investor Relations) section of the HKEx website.

All Shareholders are encouraged to attend the 2014 AGM and exercise their right to vote. It is expected that all Directors will attend the meeting. Shareholders are invited to ask questions related to the business of the meeting, and will have an opportunity to meet with Directors and the management after the conclusion of the meeting.

Apart from usual business at the 2014 AGM, the Board has proposed general mandates for the repurchase of HKEx shares and the issue of HKEx shares, and to raise the remuneration of Non-executive Directors (including HKEx's Chairman) and members (excluding HKEx's Executive Director) of certain Board Committees. The Board has also proposed to adopt a new set of Articles of Association in substitution for, and the exclusion of, HKEx's Memorandum and Articles of Association in light of the new Companies Ordinance (Chapter 622 of the laws of Hong Kong) which will come into operation effective 3 March 2014. Further details of business to be conducted at the 2014 AGM will be set out in the circular to Shareholders to be sent together with the 2013 Annual Report and posted under the About HKEx (Investor Relations) section of the HKEx website. The poll results of each of the proposed resolutions will be published on the HKEx website shortly after the 2014 AGM is held.

APPOINTMENT AND ELECTION OF DIRECTORS

The service terms of 2 Government Appointed Directors, namely Messrs C K Chow and Tim Freshwater, and 2 Elected Directors, namely Dr Bill Kwok and Mr Vincent Lee, will expire at the conclusion of the 2014 AGM. Pursuant to Articles 90(5) and 93(5) of HKEx's Articles, they are all eligible for re-appointment. HKEx will make an announcement on the appointment of Directors, including Government Appointed Directors, as soon as practicable.

On 21 February 2014, the Nomination Committee considered the current Board composition and nominated Dr Bill Kwok and Mr Vincent Lee to the Board for it to recommend them to stand for election by Shareholders at the 2014 AGM. The nominations were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity, as set out in the Board Diversity Policy which is available under the About HKEx (Corporate Governance) section of the HKEx website. The Committee had also taken into account their respective contributions to the Board and their firm commitment to their roles.

On 26 February 2014, the Committee's nominations were accepted by the Board. As a good governance practice, Dr Kwok and Mr Lee each abstained from voting at the Board meeting on their nominations for election by Shareholders. Dr Kwok and Mr Lee do not have any service contracts with any member of the Group that are not determinable by the Group within 1 year without compensation (other than statutory compensation). Their particulars will be set out in the circular to Shareholders to be sent together with the 2013 Annual Report and posted under the About HKEx (Investor Relations) section of the HKEx website.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2013, HKEx complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exceptions of Code Provisions A.4.1 (re-election of non-executive directors) and A.4.2 (retirement by rotation of directors).

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by Section 77 of the SFO. The term of office of HKEx's Chief Executive in his capacity as a Director is, pursuant to Article 90(4) of HKEx's Articles, coterminous with his employment with HKEx, and he is not subject to retirement by rotation.

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

CORPORATE SOCIAL RESPONSIBILITY

To achieve its vision of being a responsible corporate citizen, HKEx has continued to work on enhancing the sustainable development of its marketplace, workplace and community as well as the environment, and promoting the development of socially responsible practices in its marketplace and community in accordance with its CSR policy and strategy. Details of the CSR policy, strategy, governance structure and management system are available under the About HKEx (Corporate Social Responsibility) section of the HKEx website. The CSR practices adopted and the initiatives achieved in 2013 will be reported in the 2013 Corporate Social Responsibility Report, which will be available on the HKEx website in mid-March 2014.

Details of HKEx's remuneration policy and structure are available under the About HKEx (Corporate Governance) section of the HKEx website.

As at 31 December 2013, the Group had 1,202 permanent employees and 76 temporary employees.

A performance development process is in place to ensure that employees' performance objectives are defined, their performance progress is tracked and their training and development opportunities are identified. Employee training details will be set out in the 2013 Corporate Social Responsibility Report.

PURCHASE, SALE OR REDEMPTION OF HKEx'S LISTED SECURITIES

During 2013, 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 Scheme, purchased on the Exchange a total of 19,300 HKEx shares at a total consideration of about $2.7 million.

PUBLICATION OF 2013 FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the HKExnews website at www.hkexnews.hk and the HKEx website at www.hkex.com.hk/eng/exchange/invest/results/2014Results.htm. The 2013 Annual Report will be available on the HKExnews and HKEx websites, and despatched to Shareholders on or about Monday, 17 March 2014.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, Mr John Barrie HARRISON, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mrs LEUNG KO May Yee, Margaret, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEx's Chief Executive.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
CHOW Chung Kong
Chairman

Hong Kong, 26 February 2014

Glossary

2014 AGM	AGM to be held on 16 April 2014
AGM	HKEx's annual general meeting
AHFT	After-Hours Futures Trading
AMS/3	The Automatic Order Matching and Execution System/Third Generation
Awarded Shares	Shares awarded under the Share Award Scheme
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
CBBC(s)	Callable Bull/Bear Contract(s)
CCASS	The Central Clearing and Settlement System
CCP	Central counterparty
CES 120	CES China 120 Index
CES A80	CES China A80 Index
CES HKMI	CES China HK Mainland Index
CESC	China Exchanges Services Company Limited
ChinaClear	China Securities Depository and Clearing Corporation Limited
CMU	Central Moneymarkets Unit
CNH	RMB traded in Hong Kong
CNS	Continuous Net Settlement
Corporate Governance Code and Corporate Governance Report	Refers to Appendix 14 to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
CSR	Corporate Social Responsibility
CSRC	China Securities Regulatory Commission
Data Centre	HKEx's data centre in Tseung Kwan O, Hong Kong
DCASS	The Derivatives Clearing and Settlement System
Derivatives Market	HKEx's derivatives related business including stock options
Director(s)	HKEx's director(s)
Dual Counter	Two counters (one RMB counter and one HKD counter) for trading and settlement purposes
DW(s)	Derivative Warrant(s)
Elected Directors	Directors elected by the Shareholders at general meetings
EMIR	European Market Infrastructure Regulation
EP(s) or Participant(s)	Exchange Participant(s)
ERM	Enterprise Risk Management
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ETF(s)	Exchange Traded Fund(s)
EU	European Union
Euro	The official currency of the Eurozone
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
FATCA	Foreign Account Tax Compliance Act
FIC	Fixed income and currency
FSAP	Financial Sector Assessment Program
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GBP	Pound sterling
GEM	The Growth Enterprise Market

Government	HKSAR Government
Government Appointed Directors	Directors appointed by the Financial Secretary of the HKSAR 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
HKEx's Articles	HKEx's Articles of Association
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAR	Hong Kong Special Administrative Region of the PRC
HKSCC	Hong Kong Securities Clearing Company Limited
HKSI	Hong Kong Securities and Investment Institute
HKSN	HKSCC Nominees Limited
H-shares Index or HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
ICAC	Independent Commission Against Corruption
IPs	Investor Participants
IPO(s)	Initial Public Offering(s)
ISIs	Investor SIs
IT	Information Technology
IV(s)	Information Vendor(s)
LCH.Clearnet	LCH.Clearnet Group Limited
Listing Committees	Listing Committee and GEM Listing Committee
Listing Rule(s) or Rule(s)	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
LME Clear	LME Clear Limited
LME Group	LMEH, LME and LME Clear
LMEH	LME Holdings Limited
LMEselect	The electronic platform for the trading of all LME contracts
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MMDH	Mainland Market Data Hub
MOI	Market open interest
MOU(s)	Memorandum(s) of Understanding
NASAAC	LME North American Special Aluminium Alloy Contract
OCASS	OTC clearing and settlement system
OCG	HKEx Orion Central Gateway
OMD	HKEx Orion Market Data Platform
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
PFMI	"Principles for financial market infrastructures" published by the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions
PRC	People's Republic of China
REITs	Real Estate Investment Trusts
RMB	Renminbi
ROM	HKEx's Register of Members
RQFII	RMB Qualified Foreign Institutional Investor
SDNet	The Securities and Derivatives Network
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission

SFO	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
SI(s)	Settlement Instruction(s)
Shareholders	HKEx's shareholders
Share Award Scheme or the Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006, 13 May 2010 and 17 December 2013
SMARTS	Securities Markets Automated Research, Training & Surveillance
UK	United Kingdom
US	United States of America
US$/USD	United States dollar
USM	Uncertificated securities market, formerly known as scripless securities market
$/HK$/HKD	Hong Kong dollar
$bn/bn	Hong Kong dollar in billion/billion
$m/m	Hong Kong dollar in million/million