

Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Financial figures in this announcement are expressed in Hong Kong dollar unless otherwise stated)

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2017

The Board¹ is pleased to present the unaudited consolidated results of the Group² for the three months ended 31 March 2017.

FINANCIAL HIGHLIGHTS

Financial figures are expressed in \$million (\$m) unless otherwise stated	Q1 2017 \$m	Q1 2016 \$m	Change
Revenue and other income	3,048	2,751	11%
Operating expenses	833	854	(2%)
EBITDA ³	2,215	1,897	17%
Profit attributable to shareholders	1,716	1,432	20%
Basic earnings per share	\$1.41	\$1.19	18%

Key messages

- Revenue and other income for Q1⁴ 2017 was 11 per cent higher than Q1 2016, which was attributable to:
 - Increases in core revenue including Stock Exchange listing fees and depository, custody and nominee services fees;
 - Increases in net investment income arising from Corporate Funds and higher interest income from Margin Funds; and
 - One-off income of \$55 million post-liquidation interest from the liquidators of Lehman Brothers Securities Asia Limited.
- Operating expenses were 2 per cent lower than Q1 2016 due to a one-off insurance recovery of \$23 million relating to the warehouse litigation in the United States. Excluding this recovery, operating expenses were broadly flat compared to Q1 2016.
- EBITDA margin of 73 per cent was 4 per cent higher than both Q1 2016 and the year ended 31 December 2016.
- Profit attributable to shareholders increased by 20 per cent to \$1,716 million.

	Q1 2017	Q1 2016	Change
KEY MARKET STATISTICS			
ADT of equity products traded on the Stock Exchange (\$bn)	58.1	50.7	15%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	16.2	22.0	(26%)
ADT traded on the Stock Exchange (\$bn)	74.3	72.7	2%
Average daily number of derivatives contracts traded on the Futures Exchange	421,217	512,229	(18%)
Average daily number of stock options contracts traded on the Stock Exchange	338,771	293,047	16%
Average daily volume of metals contracts traded on the LME (lots)	607,251	636,518	(5%)

1 The board of directors of Hong Kong Exchanges and Clearing Limited (HKEX or the Company)

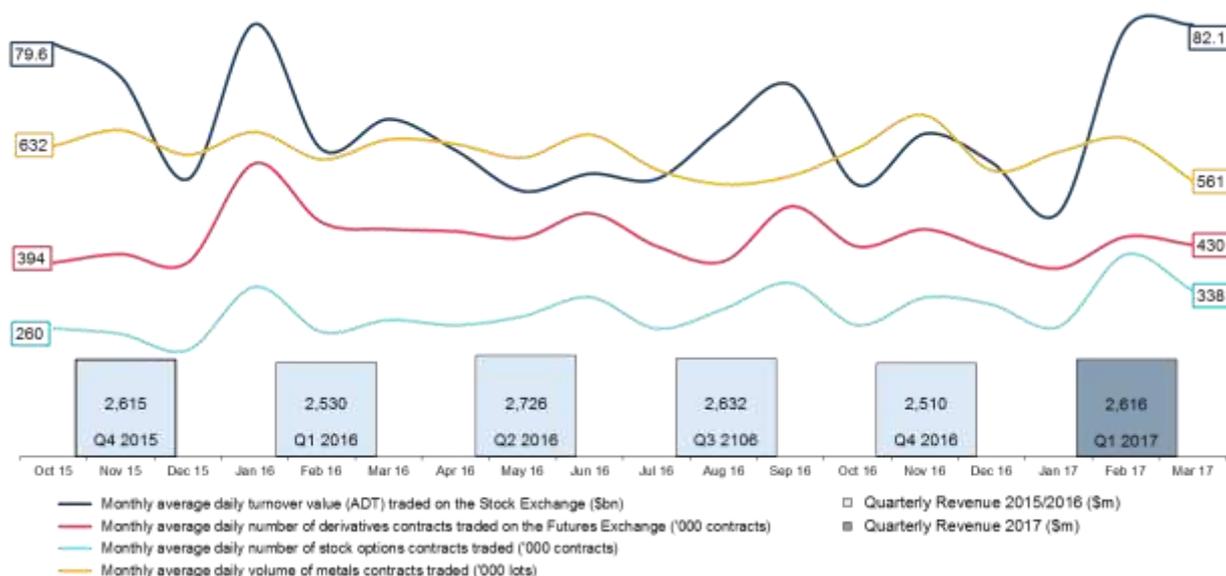
2 HKEX and its subsidiaries

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

4 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter

BUSINESS REVIEW

Overview



Market sentiment in the Cash Market improved since January 2017 with headline ADT rising to \$74.3 billion, 16 per cent above Q4 2016 and 2 per cent above Q1 2016. This was accompanied by increased fund flows through Stock Connects⁵ where both Northbound and Southbound Trading saw higher volumes and generated total revenue and other income of \$75 million in Q1 2017⁶. Improved overall sentiment was accompanied by reduced market volatility and HKFE⁷ contracts traded dropped by 4 per cent from Q4 2016 and were 18 per cent lower than Q1 2016 (which included exceptionally high derivatives volumes in January 2016). Nevertheless, increased volumes in the Cash Market and stock options more than offset lower HKFE and LME volumes and Q1 2017 Revenue⁸ was 3 per cent higher than Q1 2016 and 4 per cent above Q4 2016.

Net investment income in Q1 2017 was \$305 million higher than Q4 2016 and \$220 million higher than Q1 2016. This arose primarily from fair value gains on collective investment schemes held as part of Corporate Funds. In addition, one-off interest of \$55 million was received from the liquidators of Lehman Brothers Securities Asia Limited (Lehman). As a result, overall revenue and other income for Q1 2017 was 16 per cent higher than Q4 2016 and 11 per cent higher than Q1 2016.

Operating expenses decreased by 2 per cent against Q1 2016 due to a one-off insurance recovery of \$23 million relating to the warehouse litigation in the United States (which for the LME and HKEX defendants has now been concluded). Excluding this recovery, operating expenses remained at a similar level to Q1 2016 and were 8 per cent lower than the prior quarter. Compared with Q1 2016, increases in staff costs attributable to higher headcount and increase in premises expenses for new offices, were more than offset by Information Technology (IT) cost savings. In light of the continued global economic and market uncertainties, the Group will maintain a prudent approach to expenditure control.

⁵ Stock Connects refer to Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

⁶ The total revenue and other income generated by Stock Connects in Q1 2017 was \$75 million (year ended 31 December 2016: \$177 million), of which \$38 million (year ended 31 December 2016: \$81 million) arose from trading and clearing activities.

⁷ Subsidiaries of the Group include The Stock Exchange of Hong Kong Limited (SEHK or the Stock Exchange), Hong Kong Futures Exchange Limited (HKFE or the Futures Exchange), Hong Kong Securities Clearing Company Limited (HKSCC), HKFE Clearing Corporation Limited (HKCC), The SEHK Options Clearing House Limited (SEOCH), OTC Clearing Hong Kong Limited (OTC Clear), The London Metal Exchange (LME), LME Clear Limited (LME Clear) and other subsidiaries.

⁸ Excludes net investment income and sundry income

Business Update and Analysis of Results by Operating Segment

	Q1 2017		Q1 2016		Change	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m	Revenue and other income %	EBITDA %
Results by segment:						
Cash	738	597	649	517	14%	15%
Equity and Financial Derivatives	495	383	559	439	(11%)	(13%)
Commodities	369	255	405	248	(9%)	3%
Clearing	1,085	898	936	757	16%	19%
Platform and Infrastructure	138	101	128	92	8%	10%
Corporate Items	223	(19)	74	(156)	201%	(88%)
	3,048	2,215	2,751	1,897	11%	17%

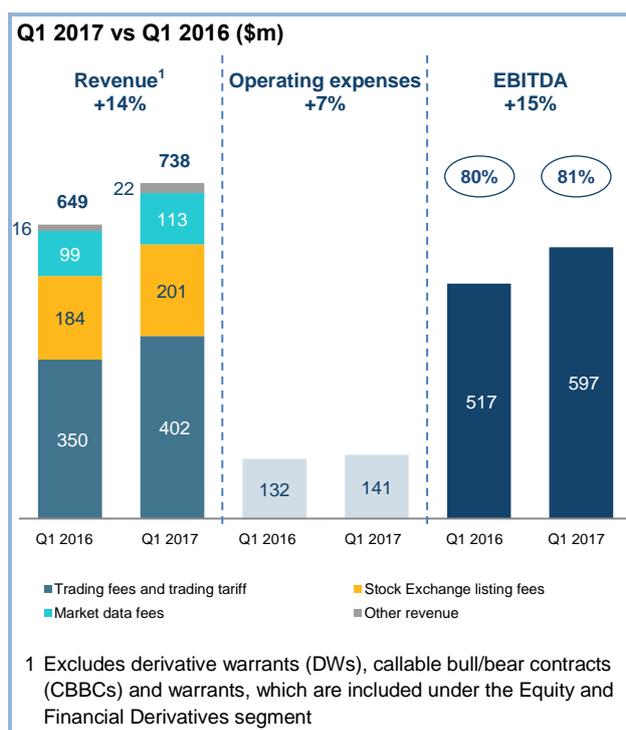
Cash Segment

Analysis of Results

Revenue rose by 14 per cent compared to Q1 2016, primarily driven by a 15 per cent increase in trading fees and tariff, in line with the increase in ADT.

Stock Exchange listing fees rose by \$17 million, reflecting an \$11 million increase in annual listing fees, from a higher number of listed companies and a \$6 million increase in initial listing fees, due to more newly listed companies than in Q1 2016.

Operating expenses rose by 7 per cent due to higher staff costs attributable to additional headcount for strategic projects.



Business Update

ADT of equity products traded on the Stock Exchange in Q1 2017 (\$58.1 billion) was 14 per cent above that of Q4 2016 (\$51.1 billion), and 15 per cent above that of Q1 2016 (\$50.7 billion). This improvement in ADT over Q4 2016 outperformed most global and Asia-Pacific exchanges reflecting improved investor sentiment in Hong Kong and the Mainland.

Stock Connects continued to gather momentum in Q1 2017, with increases in both Northbound and Southbound Trading volumes. In particular, Southbound ADT almost trebled year-on-year. HKEX will continue to work with its Mainland counterparts to explore ways of further enhancing Stock Connects, including expansion to cover Exchange Traded Funds (ETFs) and listed bonds, and improvements in trading arrangements for holidays and stock borrowing and lending.

21 new Exchange Participants (EPs) were admitted in Q1 2017, versus 46 admitted in the full year of 2016, indicating continued optimism in the Hong Kong securities market. At 31 March 2017, the number of EPs reached a historical high of 610.

Following regulatory approval of Leveraged and Inverse Products (L&I Products) and extensions to the scope of eligible underlying indices to include Hong Kong equity indices, a total of 17 L&I Products tracking the Hang Seng Index (HSI) or Hang Seng China Enterprises Index (HSCEI) were successfully listed in March 2017.

HKEX continues its efforts to extend market data coverage in the Mainland, to facilitate Southbound Trading, by building awareness, enhancing services and offering a number of incentive and discount programmes for both retail and institutional Mainland investors. Since the launch of Shanghai-Hong Kong Stock Connect, the number of Mainland Information Vendors who redistribute HKEX's market data has more than doubled to 58 in March 2017.

The growth of Southbound Trading through Stock Connects is also driving demand for Mainland research analysis on Hong Kong listed companies. To facilitate this, HKEX supported a Stock Connect Corporate Access Day in Shenzhen, jointly organised by the Hong Kong Investor Relations Association, the Chamber of Hong Kong Listed Companies and the Listed Companies Council of the Hong Kong Chinese Enterprises Association. This initiative aimed to connect Hong Kong listed companies with research analysts in the Mainland and facilitate more research coverage onshore. Approximately 150 representatives from over 80 Hong Kong listed companies and 180 research analysts from 33 leading Mainland brokers, attended the event.

In Q1 2017, HKEX introduced an Annual Attestation and Inspection Programme in the Cash Market to further enhance HKEX's monitoring and surveillance efforts of EPs' adherence to the SEHK Trading Rules.

Key Market Indicators	Q1	
	2017	2016
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	58.1	50.7
ADT of Northbound Trading ² – Shanghai-Hong Kong Stock Connect (RMB bn)	3.8	3.4
ADT of Northbound Trading ² – Shenzhen-Hong Kong Stock Connect (RMB bn)	2.0	-
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2}	954,192	986,701
Number of newly listed companies on the Main Board ³	21	14
Number of newly listed companies on GEM	19	6
Total equity funds raised		
- IPOs (\$bn)	13.4	30.3
- Post-IPOs (\$bn)	49.6	60.8
Number of companies listed on the Main Board at 31 Mar	1,732	1,656
Number of companies listed on GEM at 31 Mar	277	227
Number of trading days	62	59
<p>1 Excludes DWs, CBBs and warrants under the Equity and Financial Derivatives segment and includes \$6.0 billion (Q1 2016: \$2.4 billion) of ADT of Southbound Trading under Shanghai-Hong Kong Stock Connect and \$1.1 billion (Q1 2016: \$Nil) under Shenzhen-Hong Kong Stock Connect which was launched on 5 December 2016</p> <p>2 Includes buy and sell trades under Stock Connects</p> <p>3 Includes 1 transfer from The Growth Enterprise Market (GEM) (Q1 2016: 1)</p>		

The Stock Exchange published the following guidance materials during 2017, up to the date of this announcement:

- A joint statement with the Securities and Futures Commission (SFC) regarding the price volatility of stocks listed on GEM as an initial step to address some of the current concerns with GEM IPO placings.
- A “Review of Disclosure in Issuers’ Annual Reports to Monitor Rule Compliance – Report 2016” covering the findings and recommendations from a review of issuers’ annual reports for the financial year ended between January and December 2015.
- New country guide on “Israel” for listing of overseas companies.
- Revised guidance letters on pre-IPO investments.

The Stock Exchange launched the first of its director training webcasts entitled “Duties of directors and the role and functions of board committees”, to assist directors in understanding their roles and responsibilities as a director of a Hong Kong listed company.

The joint consultation with the SFC⁹ issued in June 2016 attracted a high level of interest with over 8,500 submissions from stakeholders. The Stock Exchange will continue working with the SFC to consider the submissions received and the consultation conclusions will be published in due course.

Equity and Financial Derivatives Segment

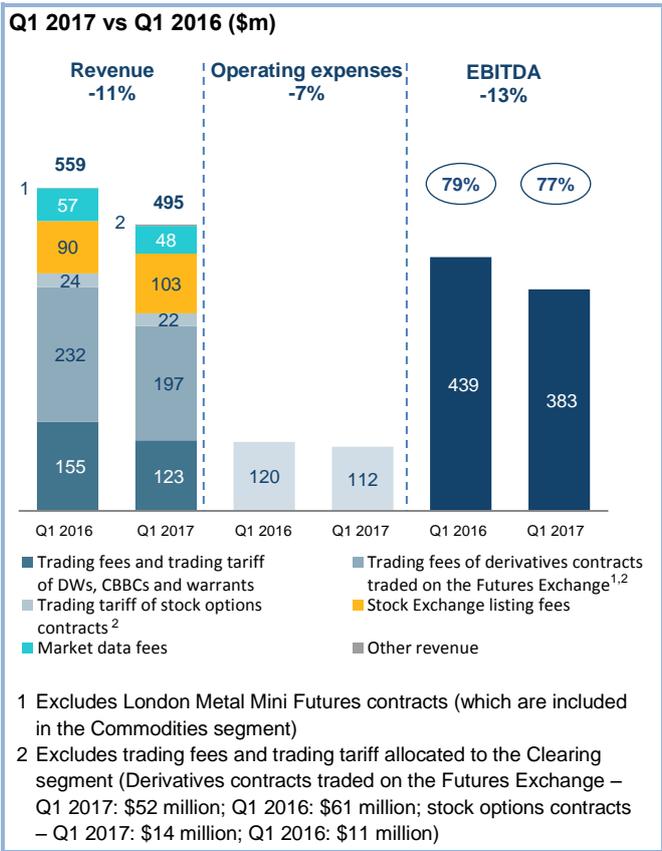
Analysis of Results

Trading fees and trading tariff of DWs, CBBCs and warrants declined by 21 per cent reflecting the 26 per cent decrease in ADT.

Trading fees of derivatives contracts traded on the Futures Exchange declined by 15 per cent due to an 18 per cent decrease in number of contracts traded.

Stock Exchange listing fees rose by 14 per cent reflecting an increase in the number of newly listed DWs and CBBCs.

Operating expenses decreased by 7 per cent as a result of lower allocated costs following decreases in the volume of DWs, CBBCs and warrants, alongside an increase in volume of cash equities traded.



9 Proposed Enhancements to the Stock Exchange’s Decision-Making and Governance Structure for Listing Regulation

Business Update

Average daily number of futures and options contracts traded on the Futures Exchange in Q1 2017 dropped by 18 per cent against Q1 2016. The lower volatility experienced during Q1 is reflected in lower volumes traded during the quarter but is partially mitigated by an expanding suite of derivatives products. The average daily number of stock options contracts traded in Q1 2017 increased by 16 per cent year-on-year reflecting the improved sentiment in the Cash Market.

To complement HKEX's existing RMB Currency Futures suite, RMB Currency Options were launched on 20 March 2017. These provide an additional tool for investors to hedge against RMB volatility amidst the continuing RMB liberalisation process.

Open interest in futures and options set a new record of 14,395,361 contracts¹⁰ on 29 March 2017. In addition, the following record single day volumes and open interest positions were achieved during Q1 2017:

Key Market Indicators	Q1	
	2017	2016
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	16.2	22.0
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange	172,379	210,654
Average daily number of derivatives contracts traded on the Futures Exchange ¹	421,210	512,153
Average daily number of stock options contracts traded on the Stock Exchange	338,771	293,047
Number of newly listed DWs	1,502	1,276
Number of newly listed CBBCs	2,508	2,421
Average daily number of contracts traded during After-Hours Futures Trading ¹	25,168	40,859
Number of trading days	62	59
	At 31 Mar 2017	At 31 Mar 2016
Open interest of futures and options contracts ¹	10,331,774	8,539,132
<small>1 Excludes London Metal Mini Futures contracts which are included under the Commodities segment</small>		

	Single Day Trading Volume		Open interest	
	Date (2017)	Number of contracts	Date (2017)	Number of contracts
Hang Seng Index Futures	N/A	N/A	28 Mar	200,469
HSCEI Dividend Point Index Futures	14 Feb	27,501	N/A	N/A
USD/CNH Futures	5 Jan	20,338	4 Jan	46,711

Three new stock options on Hang Seng Index constituents (including the first option on a Real Estate Investment Trust) were introduced on 10 April 2017, expanding the stock options universe to 87 classes. Trading fees for nine stock options were reduced from 3 January 2017 after the annual review of the trading-fee tier classification.

A new five-year China Ministry of Finance Treasury Bond (MOF T-Bond) Futures contract was introduced on 10 April 2017. HKEX's MOF T-Bond Futures are the offshore markets' first futures on domestic Chinese government bonds. The new futures meet international investors' growing demand for tools to manage RMB interest rate risk in anticipation of the further development and opening of the Mainland's bond market.

On 15 March 2017, Li Keqiang, the Premier of the State Council of the People's Republic of China, announced the establishment of bond market links between Hong Kong and Mainland China (Bond Connect). HKEX welcomes the remarks by Premier Li, and believes that Bond Connect represents a major breakthrough in the development of the Mainland capital markets and further strengthens the role of Hong Kong as a gateway between the Mainland and international markets.

¹⁰ Excludes London Metal Mini Futures contracts

The SFC published the consultation conclusions on the proposed enhancements to the position limit regime on 21 March 2017, after considering market feedback on the proposals. Subject to the legislative process, the amended rules will come into effect in mid-2017.

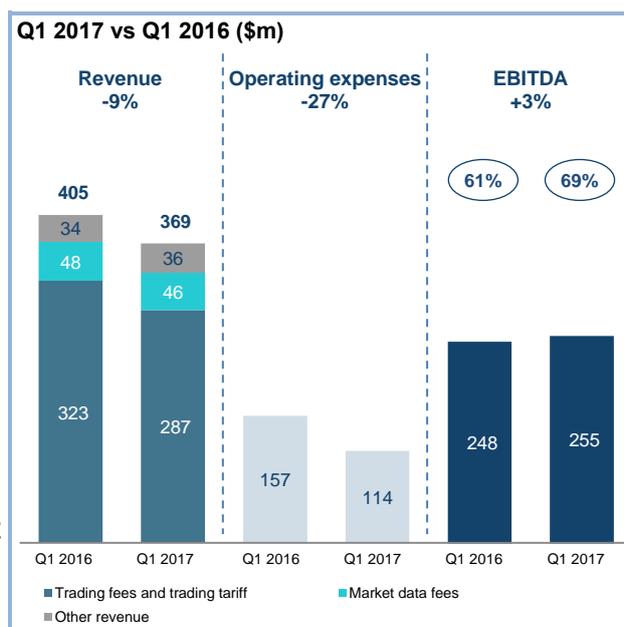
Following the successful introduction of the Volatility Control Mechanism (VCM) in HKEX's Cash Market on 22 August 2016, VCM for the derivatives market was introduced on 16 January 2017.

Commodities Segment

Analysis of Results

Trading fees fell by 11 per cent compared to Q1 2016 due to a 5 per cent drop in average daily volume of metals contracts traded but also reflecting fee reductions for short-dated carry trades, a position transfer fee cap (effective from September 2016) and increased incentive rebates.

Operating expenses dropped by 27 per cent, principally attributable to an insurance recovery of \$23 million relating to the warehouse litigation in the United States. Further savings were achieved from IT costs together with savings in local currency operating costs arising from a weaker sterling (GBP). The overall decrease was partly offset by increased costs incurred for strategic initiatives (including the establishment of a commodities trading platform in the Mainland).



Business Update

During Q1 2017, the LME successfully launched an electronic trading platform upgrade, LMEselect. This improves functionality, and ensures the LME's compliance with key elements of the Markets in Financial Instruments Directives II (MiFID II) regulations.

The LME continued preparation for the launch of LMEprecious, in which the LME is working with a consortium of partners to introduce exchange-traded and centrally-cleared loco London gold and silver futures. The LME has announced a fee schedule for the new contracts, and released a list of the nine clearing members who have already expressed their intention to trade and clear the contracts. More information can be found at

<http://www.lme.com/metals/precious-metals/accessing-the-lmeprecious-contracts/>.

Key Market Indicators	Q1	
	2017	2016
Average daily volume of metals contracts traded on the LME (lots)		
Aluminium	229,826	240,383
Copper	138,936	155,392
Zinc	108,810	105,185
Nickel	82,395	80,984
Lead	39,640	46,585
Others	7,644	7,989
Total	607,251	636,518
Number of trading days	64	62
	At	At
	31 Mar	31 Mar
	2017	2016
Total futures Market Open Interest (lots)	2,173,448	2,277,596

The LME's ferrous metals contracts continued to gain traction during Q1 2017, with 531,460 tonnes traded for LME Steel Scrap and 134,800 tonnes traded for LME Steel. This exceeded the trading volumes for the full year of 2016.

During Q1 2017, HKEX continued to develop a physically-delivered gold futures product (subject to regulatory approvals). The dual currency gold futures contract, planned for launch in July 2017, will facilitate price discovery for both gold and Fixed Income and Currency (FIC) markets.

HKEX continues work on establishing a Mainland commodity trading platform (Gangrong Trading Services (Shenzhen) Limited, subsequently renamed as Qianhai Mercantile Exchange Company Limited (“QME”)) in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. HKEX aims to leverage the successful LME model to develop a credible, transparent and reliable commodities trading venue backed by physical delivery and a warehouse system to support the Mainland’s real economy. On 22 March 2017, the Group entered into an agreement to sell a 9.99 per cent stake in QME to Shenzhen Qianhai Financial Holdings Company Limited at a consideration of RMB25 million.

HKEX and LME continued to sponsor events and host Mainland seminars and briefings to enhance market awareness and attract more Mainland investors to trade both HKEX and LME products. HKEX and the LME were sponsors of the Derivatives Trading competition, organised by the China Futures Daily from 21 November 2016 to 30 March 2017.

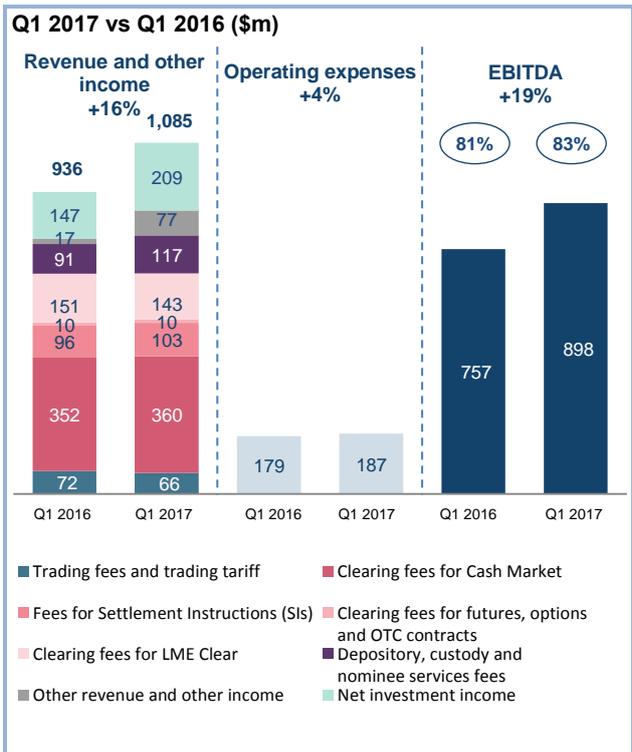
The annual “LME Asia Week 2017” will be held on 10 May 2017 in Hong Kong. The event attracts over 1,500 leading industry experts from around the world to discuss latest developments, trends and opportunities in the global commodities industry. More details are available on the HKEX Group website: http://www.hkexgroup.com/Media-Centre/Corporate-Events/LME-Asia-Week?sc_lang=en.

Clearing Segment

Analysis of Results

The 16 per cent increase in revenue and other income was primarily driven by a \$55 million one-off post-liquidation interest payment from the liquidators of Lehman, higher depository, custody and nominee services fees (partly a result of higher portfolio value held under Stock Connects and partly due to higher withdrawal fees), and higher net investment income attributable to higher investment return on Margin Funds.

Operating expenses increased by 4 per cent over the prior year period, mainly as a result of increased premises costs and bank charges.



Business Update

Southbound and Northbound portfolio value held under Stock Connects continued to increase and reached \$496 billion at 31 March 2017 (31 March 2016: \$145 billion) and RMB254 billion (31 March 2016: RMB129 billion) respectively. As a result, the Stock Connect related depository, custody and nominee services fee income increased by \$7 million or 140 per cent from \$5 million in Q1 2016 to \$12 million in Q1 2017.

Key Market Indicators	Q1	
	2017	2016
ADT traded on the Stock Exchange (\$bn)	74.3	72.7
Average daily number of Stock Exchange trades	1,126,571	1,197,355
Average daily value of SIs (\$bn)	183.7	170.7
Average daily number of SIs	86,237	85,384

From 20 March 2017, HKCC started to offer margin offset between HSI and HSCEI futures and options. This is a further step in HKCC's efforts to reduce Clearing Participants' margin costs in derivatives products following the introduction of margin offset between USD/CNH currency futures and CNH/USD currency futures in 2016.

Following approval by the SFC, OTC Clear started offering client clearing service from 20 March 2017, ahead of the effective date of the first phase of mandatory clearing in Hong Kong on 1 July 2017. This provides OTC derivative market participants an alternative means to fulfil their mandated regulatory obligations along with the credit and capital efficiency benefits of central clearing. OTC Clear has also received regulatory approval to accept certain types of non-cash collateral from Clearing Participants to satisfy their margin requirements.

OTC Clear started clearing USD/CNH cross currency swaps in August 2016 and more than US\$2.4 billion in notional value were cleared in Q1 2017. Many regional and global banks have expressed strong interest and support for this service due to the capital efficiency of clearing of USD/CNH cross currency swaps.

Platform and Infrastructure Segment

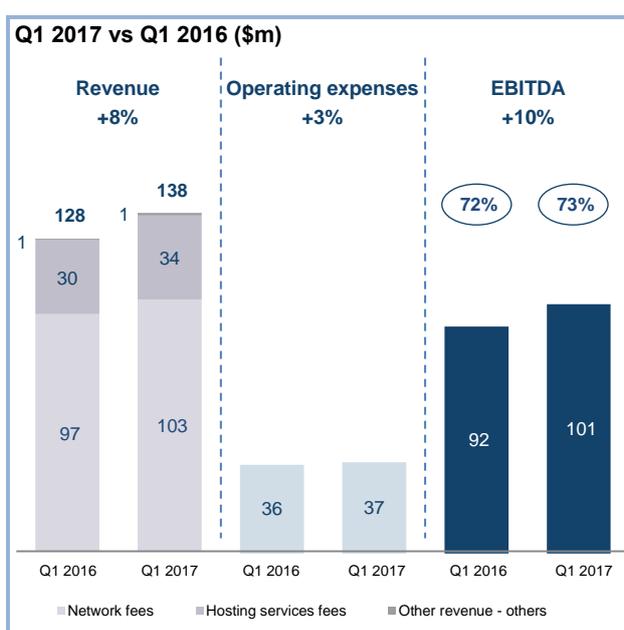
Analysis of Results

Network fees rose by 6 per cent as more Exchange Participants migrated from the obsolete Open Gateway to the HKEX Orion Central Gateway, and an increase in sales of "throttles" which allow increased trading order submission rates for Participants.

Hosting services fees increased by 13 per cent due to organic growth from subscription from new customers and increased usage of existing customers.

Business Update

During Q1 2017, all major trading, clearing, settlement, and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform reliably. On 27 March 2017 and 18 April 2017, the LME experienced software incidents, the second of which temporarily delayed the clearing processes for a number of trades. These matters have been fully resolved.



Implementation of the Orion Trading Platform – Securities Market platform, which replaces the current Third Generation Automatic Order Matching and Execution System (AMS/3.8), remains on track. System integration testing was completed in Q1 2017 and further functional and technical testing will be conducted in Q2 and Q3 2017 to verify the readiness of the software. A market communication programme commenced in Q1 2017 with the publication of an Information Paper and briefing sessions for EPs.

HKEX is committed to the continuous improvement of technology supporting Stock Connects and a new market access gateway will be introduced during 2017 to facilitate Northbound Trading for China Connect Exchange Participants (CCEPs). The new gateway benefits CCEPs by reducing their infrastructure costs and also aligning trading processes with standard protocols.

Corporate Items

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

Net investment income of the Corporate Funds increased by \$158 million compared to Q1 2016 principally due to fair value gains on collective investment schemes held as part of Corporate Funds.

Operating expenses increased by 5 per cent over Q1 2016 due to increased rental costs for new office premises.

	Q1	
	2017	2016
	\$m	\$m
Revenue and other income		
Net investment income	222	64
Others	1	10
Total	223	74
Operating expenses	242	230

FINANCIAL REVIEW

Financial Assets and Financial Liabilities of Margin Funds and Clearing House Funds

Margin Fund deposits of \$135.6 billion at 31 March 2017 were \$8.8 billion higher than at 31 December 2016 due to an increase in open interest in futures and options contracts cleared through HKCC and a decrease in the proportion of non-cash collateral posted by members of LME Clear. Clearing House Fund contributions increased from \$8.7 billion at 31 December 2016 to \$10.2 billion at 31 March 2017 due to higher contributions required from Participants in response to changes in risk exposures. Funds received were invested in cash and cash equivalents, financial assets measured at amortised costs and financial assets measured at fair value through profit or loss.

Borrowings

No new borrowings nor repayments were made in Q1 2017.

Capital Expenditure and Commitments

During Q1 2017, the Group incurred capital expenditure of \$139 million (Q1 2016: \$111 million) related to the establishment of a commodities trading platform in Mainland China, the renovation of new offices, and the development and upgrade of various trading and clearing systems including enhancement of Stock Connect technology infrastructure. The Group's capital expenditure commitments at 31 March 2017, including those authorised by the Board but not yet contracted for, amounted to \$879 million (31 December 2016: \$981 million).

Contingent Liabilities

At 31 March 2017, there were no significant changes in the Group's contingent liabilities compared to 31 December 2016.

Pledges on Assets

Securities were held by LME Clear as non-cash collateral for margins posted by its Clearing Participants and collateral in respect of its interest in overnight triparty reverse repurchase agreements, which together amounted to \$85,269 million at 31 March 2017 (31 December 2016: \$86,830 million). This non-cash collateral, which was not recorded on the consolidated statement of financial position of the Group, together with certain financial assets amounting to \$3,426 million at 31 March 2017 (31 December 2016: \$3,334 million) have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The first floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

Changes since 31 December 2016

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2016.

It is the Group's practice to declare a dividend only at the half-year and year-end and no dividend will be proposed for Q1 2017 (Q1 2016: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for Q1 2017.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Three months ended 31 Mar 2017 \$m	Three months ended 31 Mar 2016 \$m
Trading fees and trading tariff	1,097	1,156
Stock Exchange listing fees	304	274
Clearing and settlement fees	616	609
Depository, custody and nominee services fees	117	91
Market data fees	207	204
Other revenue	275	196
REVENUE	2,616	2,530
Investment income and sundry income	432	221
REVENUE AND OTHER INCOME	3,048	2,751
OPERATING EXPENSES		
Staff costs and related expenses	(534)	(526)
Information technology and computer maintenance expenses	(106)	(130)
Premises expenses	(88)	(74)
Product marketing and promotion expenses	(5)	(6)
Legal and professional fees	5	(21)
Other operating expenses	(105)	(97)
	(833)	(854)
EBITDA	2,215	1,897
Depreciation and amortisation	(175)	(188)
OPERATING PROFIT	2,040	1,709
Finance costs	(29)	(23)
Share of loss of a joint venture	(2)	(2)
PROFIT BEFORE TAXATION	2,009	1,684
TAXATION	(299)	(259)
PROFIT FOR THE PERIOD	1,710	1,425
PROFIT/(LOSS) ATTRIBUTABLE TO:		
- Shareholders of HKEX	1,716	1,432
- Non-controlling interests	(6)	(7)
PROFIT FOR THE PERIOD	1,710	1,425
Basic earnings per share	\$1.41	\$1.19
Diluted earnings per share	\$1.40	\$1.18

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 Mar 2017 \$m	Three months ended 31 Mar 2016 \$m
PROFIT FOR THE PERIOD	1,710	1,425
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	42	9
OTHER COMPREHENSIVE INCOME	42	9
TOTAL COMPREHENSIVE INCOME	1,752	1,434
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEX	1,758	1,441
- Non-controlling interests	(6)	(7)
TOTAL COMPREHENSIVE INCOME	1,752	1,434

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 31 Mar 2017			At 31 Dec 2016		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS						
Cash and cash equivalents	122,150	–	122,150	115,723	–	115,723
Financial assets measured at fair value through profit or loss	57,381	306	57,687	70,066	–	70,066
Financial assets measured at amortised cost	34,247	74	34,321	29,093	74	29,167
Accounts receivable, prepayments and deposits	11,876	21	11,897	12,928	21	12,949
Interest in a joint venture	–	57	57	–	59	59
Goodwill and other intangible assets	–	17,848	17,848	–	17,812	17,812
Fixed assets	–	1,470	1,470	–	1,499	1,499
Lease premium for land	–	21	21	–	21	21
Deferred tax assets	–	23	23	–	22	22
Total assets	225,654	19,820	245,474	227,810	19,508	247,318
LIABILITIES AND EQUITY						
Liabilities						
Financial liabilities at fair value through profit or loss	48,463	–	48,463	61,627	–	61,627
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants	135,568	–	135,568	126,846	–	126,846
Accounts payable, accruals and other liabilities	11,598	33	11,631	12,246	30	12,276
Deferred revenue	725	–	725	842	–	842
Taxation payable	390	–	390	356	–	356
Other financial liabilities	53	–	53	37	–	37
Participants' contributions to Clearing House Funds	10,160	–	10,160	8,656	–	8,656
Borrowings	–	3,433	3,433	–	3,422	3,422
Provisions	85	81	166	78	81	159
Deferred tax liabilities	–	708	708	–	713	713
Total liabilities	207,042	4,255	211,297	210,688	4,246	214,934
Equity						
Share capital			22,085			22,085
Shares held for Share Award Scheme			(594)			(599)
Employee share-based compensation reserve			263			226
Exchange reserve			(218)			(260)
Designated reserves			826			773
Reserve relating to written put options to non-controlling interests			(293)			(293)
Retained earnings			11,996			10,334
Equity attributable to shareholders of HKEX			34,065			32,266
Non-controlling interests			112			118
Total equity			34,177			32,384
Total liabilities and equity			245,474			247,318
Net current assets			18,612			17,122

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2016. Amendments to Hong Kong Financial Reporting Standards effective for the financial year ending 31 December 2017 do not have any financial impact on the Group.

The financial information relating to the year ended 31 December 2016 that is included in this Quarterly Results Announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company will deliver the consolidated financial statements for the year ended 31 December 2016 to the Registrar of Companies in due course as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

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

Hong Kong, 10 May 2017

As at the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr Apurv BAGRI, Mr CHAN Tze Ching, Ignatius, Mr CHEAH Cheng Hye, Mr Timothy George FRESHWATER, Ms FUNG Yuen Mei, Anita, Mr Rafael GIL-TIENDA, Dr HU Zuli, Fred, Mrs LEUNG KO May Yee, Margaret, Mr LEUNG Pak Hon, Hugo, Mr John Mackay McCulloch WILLIAMSON and Mr YIU Kin Wah, Stephen, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEX's Chief Executive.