



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

# Quarterly Report 2013

For the three months ended 31 March

Stock Code: 388

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

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# FINANCIAL HIGHLIGHTS

	Three months ended 31 Mar 2013	Three months ended 31 Mar 2012	Change
<b>KEY MARKET STATISTICS</b>			
Average daily turnover value on the Stock Exchange (\$bn)	74.4	63.2	18%
Average daily number of derivatives contracts traded on the Futures Exchange	274,571	255,110	8%
Average daily number of stock options contracts traded on the Stock Exchange	278,115	238,445	17%
Average daily number of metals contracts traded on LME (lots)	666,914	637,310*	5%

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

	Three months ended 31 Mar 2013 \$m	As restated Three months ended 31 Mar 2012 \$m	Change
<b>RESULTS</b>			
Revenue and other income	2,222	1,875	19%
Operating expenses	669	484	38%
EBITDA <sup>1</sup>	1,553	1,391	12%
Depreciation and amortisation	(116)	(29)	300%
Operating profit	1,437	1,362	6%
Costs relating to acquisition of LME Group	-	(19)	(100%)
Finance costs	(49)	-	N/A
Share of loss of a joint venture	(2)	-	N/A
Profit before taxation	1,386	1,343	3%
Taxation	(228)	(195)	17%
Profit attributable to shareholders	1,158	1,148	1%
Basic earnings per share	\$1.01	\$1.06	(5%)
Diluted earnings per share	\$1.01	\$1.06	(5%)

	At 31 Mar 2013	At 31 Dec 2012	Change
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## KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Shareholders' funds (\$m)	17,809	17,764	0%
Total assets <sup>2</sup> (\$m)	77,235	80,837	(4%)
Net assets per share <sup>3</sup> (\$)	15.52	15.48	0%

Notes:

- For the purpose of this Quarterly Report, 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 non-recurring costs arising from the acquisition of the LME Group.
- The Group's total assets include the Margin Funds and cash collateral received from Participants.
- Based on 1,147,490,245 shares as at 31 March 2013, being 1,149,821,587 shares issued and fully paid less 2,331,342 shares held for the Share Award Scheme (31 December 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).

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# CHAIRMAN'S STATEMENT

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More positive momentum in the global economy provided a favourable backdrop for trading activities in our markets in the first quarter of 2013. The average daily turnover value on our securities market along with the average daily futures and options contracts traded on our derivatives market showed double-digit increases against those of 2012. On our commodities market, trading volume in LME contracts during the period increased 5 per cent against that of 2012. We also benefitted from the LME Group's first full contribution to a reporting period in the first quarter of 2013. As a result of these factors, the Group's revenue and other income for the quarter increased 19 per cent against the corresponding period of 2012. Nonetheless, taking into account the finance costs, the operating expenses of the LME business, and increases in depreciation and amortisation of the Tseung Kwan O Data Centre and the intangibles arising from the acquisition of the LME Group, the Group's profit attributable to shareholders rose slightly to about \$1.2 billion against the first quarter of 2012.

We welcomed the expansion of the RQFII pilot scheme in March 2013 to cover all Hong Kong-licensed asset management companies and relax investment restrictions on RQFII funds. It is anticipated that the new measures will attract more participants to the RQFII scheme and help develop a broader range of RMB-denominated investment products in Hong Kong. The expanded scheme will reinforce Hong Kong's status as the premier offshore RMB centre.

We are focusing on a broad range of projects as laid down in the new strategic plan, such as our OTC clearing business and After-Hours Futures Trading, and all are proceeding well. Details of the key initiatives are set out in the Chief Executive's Review and Business Review sections of this Quarterly Report. Moving forward, your Board together with the management will continue to build on the solid foundation of our businesses for the benefit of the investing public, Shareholders, and all other stakeholders.

The sovereign debt and bank problems in Europe continue to be a concern and a threat to the global economy, and investors' confidence remains fragile. Hong Kong is an international financial centre so our markets are likely to become volatile if global uncertainties escalate. Nevertheless, we remain cautiously optimistic about market sentiment and our businesses.

On behalf of the Board, I would like to thank Shareholders for their participation in the 2013 AGM, as well as their continued support and confidence. Mr Ronald Arculli retired from the Board after the conclusion of the 2013 AGM and we would like to thank him once again for his contributions over the past 7 years. We are pleased that Messrs John Harrison, Stephen Hui, Michael Lee, John Strickland, and Oscar Wong, all are strong contributors, continue to serve on the Board. In addition, we welcome Mrs Margaret Leung, who has vast experience in financial services, to the Board, and look forward to working with her.

**CHOW Chung Kong**  
Chairman

Hong Kong, 8 May 2013

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# CHIEF EXECUTIVE'S REVIEW

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At the beginning of this year, we set out the Group's strategic plan for 2013-2015, which includes the business strategy and platform and infrastructure strategy. The business strategy was further conceptualised in 2 dimensions – across asset classes and by vertical value chain. The first quarter of 2013 was a good start for our strategic plan, with market sentiment improved, milestones reached and more importantly, a number of key initiatives kicked off.

## Cash Equity

In the first quarter of 2013, the performance of our cash equity segment improved compared to last year, with average daily turnover value up 18 per cent year-on-year. In terms of IPOs, we had continued our marketing efforts to attract Mainland and international issuers to list in Hong Kong, and had a total of 11 IPOs in the first quarter of 2013. We also ranked number 2 among Asia-Pacific exchanges<sup>1</sup> for the trading volume of ETFs, and the number of ETFs reached 100, among which 4 are RQFII ETFs.

## Equity Derivatives

In March 2013, CESC launched 2 sub-indices of the cross-border CES 120 – CES A80 which represents the pure A-share portion of the CES 120, and CES HKMI which represents the portion of Hong Kong-listed Mainland enterprises of the CES 120. The 3 indices have gained recognition and attracted interest of the asset managers, and we plan to engage market participants to develop products, including ETFs and futures, based on these indices.

We introduced AHFT in April 2013 and the first batch of eligible contracts includes HSI and H-shares Index Futures. We will explore the possibility of adding new contracts and new asset classes in the long term.

We have also launched a stock options revamp in various areas including product design, fees and market making. We expect the initiative will help increase market liquidity and benefit retail investors as well as institutional investors. We believe the changes will, among other things, help market participants to formulate investment strategies for achieving the kind of yield enhancement offered by some popular structured products.

## Fixed Income and Currency

Driven by global and Hong Kong regulatory changes and the opportunities brought by RMB internationalisation, we announced plans in 2010 to build the first OTC clearing house in Hong Kong. I am glad to report that the project is progressing well, and we announced on 8 April the on-board of 12 founding shareholders of the new clearing house, OTC Clear. OTC Clear is expected to commence operations in the second half of 2013, subject to the SFC's approval.

## Commodities

In the first quarter of 2013, LME's core business remained strong and its average daily volume increased by 5 per cent year-over-year. We continued to carry out the integration and strategic plans for LME. For example, we have aligned our internal structures and resources and we will continue looking for areas where we can maximise synergy between LME and our other businesses. LME Clear has been progressing, with technology delivery continuing as planned, most senior management recruited and prospective members being engaged.

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<sup>1</sup> Source: Monthly Statistics from the World Federation of Exchanges

## Platform and Infrastructure

Since its launch in December 2012, our Hosting Services has attracted over 60 subscribers. In the first quarter of 2013, the hosted EPs contributed approximately 20 per cent of the daily turnover value in the Cash Market. The other components of the HKEx Orion Programme are also making good progress, with the new market data system – OMD – expected to be launched in the second quarter of 2013. We also expect to complete the OCG project and the migration of HKATS/DCASS onto the new Genium INET platform this year.

There is an old Chinese saying: “The beginning is the hardest”. We have had a good start for our Strategic Plan 2013-2015 and I look forward to continuing my work with the Board, our staff and our market participants to deliver a fruitful 2013.

**LI Xiaojia, Charles**  
Director and Chief Executive

Hong Kong, 8 May 2013

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# BOARD AND COMMITTEES

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## Board

### Independent Non-executive Directors

CHOW Chung Kong \* (Chairman)  
Ronald Joseph ARCULLI \* <sup>1</sup> GBM, GBS, JP  
CHAN Tze Ching, Ignatius BBS, JP  
Timothy George FRESHWATER \*  
John Barrie HARRISON \* <sup>2</sup>  
HUI Chiu Chung, Stephen \* <sup>2</sup> JP  
KWOK Chi Piu, Bill JP  
LEE Kwan Ho, Vincent Marshall  
LEE Tze Hau, Michael \* <sup>2</sup> JP  
LEUNG Ko May Yee, Margaret \* <sup>3</sup> SBS, JP  
John Estmond STRICKLAND <sup>4</sup> GBS, JP  
John Mackay McCulloch WILLIAMSON  
WONG Sai Hung, Oscar <sup>4</sup>

### Executive Director

LI Xiaojia, Charles (Chief Executive)

### Company Secretary

MAU Kam Shing, Joseph

## Committees

### Audit Committee

John Barrie HARRISON <sup>5</sup> (Chairman)  
LEE Kwan Ho, Vincent Marshall (Deputy Chairman)  
CHAN Tze Ching, Ignatius  
KWOK Chi Piu, Bill  
John Mackay McCulloch WILLIAMSON

### Environmental, Social and Governance Committee

CHOW Chung Kong (Chairman)  
Ronald Joseph ARCULLI <sup>1</sup>  
John Barrie HARRISON <sup>5</sup>  
HUI Chiu Chung, Stephen <sup>6</sup>  
LEE Tze Hau, Michael <sup>5</sup>  
LI Xiaojia, Charles

### Executive Committee

CHOW Chung Kong (Chairman)  
Timothy George FRESHWATER <sup>7</sup>  
KWOK Chi Piu, Bill  
LEE Kwan Ho, Vincent Marshall  
LI Xiaojia, Charles  
John Mackay McCulloch WILLIAMSON <sup>8</sup>

## Committees (continued)

### Investment Advisory Committee

John Estmond STRICKLAND <sup>5</sup> (Chairman)  
WONG Sai Hung, Oscar <sup>5</sup> (Deputy Chairman)  
HUI Chiu Chung, Stephen <sup>5</sup>  
LEE Tze Hau, Michael <sup>5</sup>  
LUI Yin Tat, David

### Nomination Committee

CHOW Chung Kong (Chairman)  
CHAN Tze Ching, Ignatius  
Timothy George FRESHWATER  
John Estmond STRICKLAND <sup>1</sup>  
John Mackay McCulloch WILLIAMSON <sup>6</sup>  
WONG Sai Hung, Oscar <sup>5</sup>

### Panel Member Nomination Committee

CHAN Tze Ching, Ignatius (Chairman)  
KWOK Chi Piu, Bill  
LEE Kwan Ho, Vincent Marshall  
LEE Tze Hau, Michael <sup>5</sup>  
WONG Sai Hung, Oscar <sup>5</sup>

### Remuneration Committee

CHOW Chung Kong (Chairman)  
Ronald Joseph ARCULLI <sup>1</sup>  
Timothy George FRESHWATER <sup>8</sup>  
John Barrie HARRISON <sup>5, 8</sup>  
KWOK Chi Piu, Bill <sup>7</sup>  
LEE Kwan Ho, Vincent Marshall <sup>7</sup>  
LEUNG Ko May Yee, Margaret <sup>6</sup>  
John Mackay McCulloch WILLIAMSON

### Risk Management Committee <sup>Δ</sup>

CHOW Chung Kong (Chairman)  
CHAN Ngai Hang \*\*  
CHAN Tze Ching, Ignatius <sup>7</sup>  
HE Guangbei \*\*  
KWOK Chi Piu, Bill <sup>9</sup>  
LAU Ying Pan, Edmond \*\* <sup>10</sup>  
LEE Tat Chi, Howard \*\* <sup>11</sup>  
LEE Tze Hau, Michael <sup>5, 8</sup>  
LEUNG Ko May Yee, Margaret <sup>6</sup>  
LIU Swee Long, Michael \*\*  
LUI Kei Kwong, Keith \*\*

### Notes:

- \* Government Appointed Director
- \*\* Appointed by the Financial Secretary
- Δ Established under Section 65 of the SFO
- <sup>1</sup> Retired on 24 April 2013
- <sup>2</sup> Re-appointment effective 24 April 2013
- <sup>3</sup> Appointment effective 24 April 2013
- <sup>4</sup> Re-elected effective 24 April 2013
- <sup>5</sup> Re-appointment effective 25 April 2013

- <sup>6</sup> Appointment effective 25 April 2013
- <sup>7</sup> Appointment effective 8 May 2013
- <sup>8</sup> Appointment ceased effective 8 May 2013
- <sup>9</sup> Appointment ceased effective 25 April 2013
- <sup>10</sup> Appointment ceased effective 1 May 2013
- <sup>11</sup> Appointment effective 1 May 2013 by virtue of being the Executive Director (Monetary Management) of the Hong Kong Monetary Authority

## Board of Directors

On 2 April 2013, the Government announced the appointment of Mrs Margaret Leung and the re-appointment of Messrs John Harrison, Stephen Hui and Michael Lee as Directors each for a term of approximately 2 years from the close of the 2013 AGM until the conclusion of the AGM to be held in 2015. Messrs John Strickland and Oscar Wong were re-elected as Directors by Shareholders at the 2013 AGM each for a term of approximately 3 years from 24 April 2013 until the conclusion of the AGM to be held in 2016. Mr Ronald Arculli retired from the Board after the conclusion of the 2013 AGM.

## Committees and Consultative Panels

Taking into account the changes in the Board composition that took effect on 24 April 2013 and the impending expiry of the service term of certain members of the 3 Consultative Panels, the Board approved changes in the composition of various Committees and the 3 Consultative Panels, details of which are set out in the News Releases dated 25 April and 8 May 2013 under the News & Consultations section of the HKEx website. The updated member lists of the various Committees and Consultative Panels are available on the HKEx website.

## Other Changes in Directors' Information

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

	Appointment (effective)	Cessation of office (effective)
<b>Ronald Arculli</b>		
• Health and Medical Development Advisory Committee – vice-chairman	–	1 Mar 2013
<b>Ignatius Chan</b>		
• Greater Pearl River Delta Business Council – member	–	1 Mar 2013
• Hong Kong Tourism Board – member	1 Apr 2013	–
<b>C K Chow</b>		
• The Standing Committee on Directorate Salaries and Conditions of Services – member	–	1 Apr 2013
<b>Stephen Hui</b>		
• Frasers Property (China) Limited <sup>#</sup> , where Mr Hui is an independent non-executive director, changed its name as Gemdale Properties and Investment Corporation Limited <sup>#</sup> .	–	–
<b>Bill Kwok</b>		
• Financial Services Development Council – non-official member of New Business Committee	5 Apr 2013	–
<b>Vincent Lee</b>		
• Chi Cheung Investment Company, Limited <sup>#</sup> – non-executive director	27 Mar 2013	–
• Financial Services Development Council – non-official member of New Business Committee	5 Apr 2013	–
<b>Oscar Wong</b>		
• LW Management Advisors Limited – executive director	1 Apr 2013	–
• China Bio-Med Regeneration Technology Limited <sup>#</sup>		
– executive director	–	30 Apr 2013
– non-executive director	30 Apr 2013	–

<sup>#</sup> Currently listed on the Stock Exchange

The updated biographies of Directors, including the newly appointed Director, are available on the HKEx website.

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

## **Listing and Regulatory Affairs**

### **Listing**

On 31 January 2013, the Stock Exchange published 3 guidance letters on what information should be included in certain sections of the prospectus and how to present such information in a simple, concise and reasonable manner. The Stock Exchange is concluding its review of the white and yellow application forms and relevant sections of the prospectus on how to apply for Hong Kong offer shares to make the content more concise and encourage the use of plain language.

On 15 March 2013, the Stock Exchange published the consultation conclusions on trading halts. The consultation found a majority of respondents supported the Exchange's 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 development and testing efforts required by market participants, the implementation of the trading halt proposals will coincide with the rollout of other upcoming major market infrastructure initiatives and will not be earlier than mid-2014.

On 22 March 2013, the Stock Exchange published its first report on the findings and recommendations from a review of all listed issuers' annual reports (excluding collective investment schemes listed under Chapter 20 of the Main Board Listing Rules) with financial year ended between December 2011 and November 2012. The review focused on issuers' compliance with the Listing Rules and their disclosure of material events and developments. In the review, the Exchange identified areas where disclosure by issuers can be improved. It also identified areas of minor non-compliances which appeared to be common, and a few cases involving potentially material breaches of the Listing Rules. Appropriate actions have been taken against these breaches, depending on their nature and materiality of the non-compliance. The Stock Exchange will continue the review programme, focusing on different thematic areas in future.

The Stock Exchange published consultation papers on 26 April 2013 to seek views on (i) proposed changes to connected transaction Rules; and (ii) proposed changes to align the definitions of connected person and associate in the Listing Rules. The deadline for responses to the consultation papers is 26 June 2013.

The above documents and other publications of the Exchange during the quarter are available under the Rules & Regulations – Rules and Guidance on Listing Matters and the News & Consultations sections of the HKEx website.

The Exchange is working with the SFC on the new sponsor regulation by discussing with the financial community on how to smoothly transit into the new regime. The Exchange, after consulting the SFC, will issue guidance on certain aspects of the regulation and develop the Listing Rules and procedural changes to complement the new regulation.

### **Enterprise Risk Management and Surveillance**

In the first quarter of 2013, HKEx: (i) performed due diligence checks of 15 new applications for registration as EPs, CPs and market makers; (ii) conducted a quarterly review of all EPs and CPs using the Counterparty Risk Ranking Methodology, a risk-based participant surveillance tool; (iii) took actions on 2 cases of non-compliance with financial requirements and position limit requirements; and (iv) referred 2 cases involving possible violations to the SFC for investigation.

To support scrutiny of the AHFT activities, HKEx has enhanced its monitoring and position reporting processes and the Derivatives Surveillance System.

## Global Markets

### Cash Trading

During the first quarter of 2013, 10 companies were newly listed on the Main Board, and 1 on GEM. Total capital raised, including post-listing funds, reached \$63.8 billion. As at 31 March 2013, 1,378 and 179 companies were listed on the Main Board and GEM respectively with a total market capitalisation of \$21,953 billion. In addition, there were 4,484 DWs, 1,276 CBBCs, 100 ETFs, 9 REITs, and 299 debt securities listed as of 31 March 2013. The average daily turnover value in the first three months of 2013 was \$74 billion on the Main Board and \$210 million on GEM, an increase of 18 per cent and 5 per cent respectively compared with the corresponding period of 2012.

#### Number of RMB products traded on SEHK as at the end of March 2013

Equity security <sup>1</sup>	1
Debt securities	51
ETFs <sup>2</sup>	5
DWs	9
REIT	1

#### Notes:

1 Traded under the Dual Counter model

2 Including 4 ETFs traded under the Dual Counter model

### Derivatives Trading

In the first three months of 2013, a total of 32,608,466 contracts were traded in the Derivatives Market, comprising 12,028,265 futures contracts and 20,580,201 options contracts. The average daily volumes were 203,869 futures contracts and 348,817 options contracts. The total open interest was 6,219,713 contracts, comprising 363,971 futures contracts and 5,855,742 options contracts. Among the performances of various products, the open interest of H-shares Index Futures and Stock Futures reached their all-time high at 265,227 contracts on 29 January 2013 and 47,050 contracts on 27 March 2013 respectively. The total turnover of Stock Futures in the first quarter of 2013 of 176,284 contracts was an increase of 53 per cent as compared with that in the last quarter of 2012.

Up to the end of March 2013, there were 65 stock option classes, including the 2 new option classes on A-shares RQFII ETFs introduced in January 2013. In response to growing market interest in stock options, HKEx announced a revamp of its stock options market in various areas including product design, fees and market making, with effect from 2 May 2013, details of which are set out in the News Release dated 20 March 2013 under the News & Consultations section of the HKEx website. Moreover, information about HKEx's stock options market is now available on the newly launched Stock Options Corner on the HKEx website ([www.hkex.com.hk/stockoptions](http://www.hkex.com.hk/stockoptions)), which provides over 10 analytical tools and educational videos for beginners as well as experienced investors and brokers.

Since 4 March 2013, the Dynamic Price Banding mechanism has been extended to spot HSI Futures and spot H-shares Index Futures, hence HKATS will reject all limit buy/sell orders outside the prevailing upper/lower price bands for those selected contracts to minimise risk of price input errors.

HKEx introduced AHFT on 8 April 2013 after appointing 2 liquidity providers for AHFT between its launch and 31 December 2013, details of which are set out in the News Releases dated 14 February, 19 March and 2 April 2013 under the News & Consultations section of the HKEx website. HKEx will explore the possibility of adding mini index futures contracts and Gold Futures for AHFT, and in the long term, including new asset classes such as foreign exchange and commodities for AHFT.

## **LME**

In the first quarter of 2013, average daily volume was 666,914 lots, an increase of 5 per cent from the corresponding period last year. March 2013 was the second busiest month on record, with an average of 697,753 lots traded per day. Among the various products, aluminium, LME's largest contract, experienced a volume growth of 8 per cent year-on-year in the first quarter of 2013. Zinc experienced comparable growth of 6 per cent year-on-year, while nickel and tin turnover also increased by 21 per cent and 28 per cent respectively. Lead and copper turnover decreased 1 per cent and 2 per cent respectively.

Regarding futures trading, the volume increased 5 per cent year-on-year, while combined options and Traded Average Price Options, or TAPOs, trading increased 7 per cent over the same period. The total futures market open interest, or MOI, at the end of March 2013 was 2,390,384 lots, over 2 per cent above the MOI reported at the end of 2012.

In the first quarter of 2013, an average of 144,577 lots per day traded across LMEselect (ticker value), 9 per cent above the same quarter last year. Like the whole LME, LMEselect experienced the second highest monthly volume in March 2013 (based on average daily volume). On average, 151,550 lots per day traded across LMEselect in March 2013, up 22 per cent year-on-year.

## **Mainland Development**

Following the first conversion of B shares to H shares in 2012 and the relaxation of requirements in the Mainland for small and medium-sized enterprises to list offshore, HKEx has embarked on an initiative to proactively approach provincial and municipal governments and financial services providers. HKEx has also continued to participate in various marketing events held in major cities such as Beijing, Hangzhou, Shenzhen and Tianjin to promote the benefits of listing in Hong Kong.

HKEx will organise a series of marketing activities in the Mainland of China and host the LME Week Asia in June 2013 in Hong Kong, targeting the Mainland and international metals communities interested in exploring potential business opportunities in Asia.

## **Issuer and Client Services**

In the first quarter of 2013, we hosted events with government units, industry associations and intermediaries in Canada and Hong Kong. HKEx's executives participated in several other events, including the 3<sup>rd</sup> Asia Private Equity Forum, the China Renaissance Securities Conference, China Internet & Media CEO Forum, Citi's 28<sup>th</sup> Asia Pacific Securities Conference, and Mines and Money in Hong Kong, Mining Indaba in South Africa, and PDAC's China Mining Investment Symposium in Canada. In addition, we promoted HKEx's ETF market during the 2<sup>nd</sup> ETF China Roundtable Workshops and the 5<sup>th</sup> Annual Japan ETF Conference.

## **Market Data**

On 6 February 2013, HKEx launched the Founding Members Programme for the Mainland Market Data Hub (MMDH) of its OMD to allow IVs and other interested parties to participate in the early set-up of the market data hub. The MMDH is scheduled for launch in Shanghai by the fourth quarter of 2013, in connection with the implementation of the first phase of the OMD in the second quarter of 2013.

As of the end of March 2013, 7 IVs from the Mainland of China had joined the Founding Members Programme. They will be invited to participate in joint marketing efforts with HKEx and also be entitled to have other benefits, including free trial schemes for marketing purposes.

## CESC

On 18 March 2013, CESC officially launched 2 sub-indices of the cross-border CES 120. The CES A80 represents the pure A-share portion of the CES 120 and comprises the 80 largest and most liquid stocks trading on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. The CES HKMI represents the portion of Hong Kong-listed Mainland enterprises in the CES 120.

CESC's cross-border series – CES 120, A80, and HKMI – has gained recognition and generated interest from asset managers in Hong Kong, the Mainland of China, and overseas. The first round selection of RQFII ETF issuers to develop physical ETFs based on the CESC cross-border series for listing on the Exchange has been completed, and the list of selected issuers will be announced in the second quarter of 2013. CESC will continue to license fund managers to develop and list CES index ETFs in Hong Kong, the Mainland of China and overseas. CESC is also working with the Futures Exchange to introduce futures on the CES 120 in mid-2013.

## Product and Index Development

Since the launch of RMB Currency Futures via a USD/CNH contract up to the end of March 2013, trading volume reached a single day record of 1,348 contracts on 9 January 2013 and the open interest hit a record high of 5,118 contracts on 7 March 2013. The total number of USD/CNH futures contracts traded in the first quarter of 2013 was 25,054 contracts (ie, US\$2,505 million notional) and the open interest at the end of March 2013 was 4,791 contracts (ie, US\$479 million notional). Seven market makers are currently providing competitive bid-ask quotations in the USD/CNH contract. A post-launch product development research and marketing plan is in place to test CNH product expansion, and there is product education as well as promotion to increase market participation.

After providing key support to the design and launch of the CES 120 and A80, we are exploring futures and options contracts based on the CES indices to further expand HKEx's equity index derivatives.

The BRICS Exchanges Alliance, with the support from an index company, is currently developing the business model and defining the commercial terms for a composite index covering multiple asset classes. The Alliance aims to complete the agreement with the selected index provider in the second quarter of 2013 and to launch the index and related products and services by the end of 2013. Upcoming major tasks include negotiation of the master services agreement, testing and construction of the composite index methodology, and refinement of the methodology with market participants.

## Global Clearing

### Cash and Derivatives Clearing

To prepare for the consultation on subsidiary legislation for a scripless securities market in Hong Kong, which is targeted to be conducted early next year, HKEx is actively working with the Government and the SFC on the legislative and operational changes required to take the scripless initiative forward.

HKEx has commenced a self-assessment of its clearing houses for securities (HKSCC), futures and stock index options (HKCC), and stock options (SEOCH) in respect of their observance of the “Principles for financial market infrastructures” issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions. Based on the assessment results (to be available in the first half of 2013), HKEx will, if necessary, develop improvement plans to further enhance the relevant systems, policies, financial resources and operations to ensure compliance with these principles.

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.

### **OTC Clear**

We are in the final preparation stage for the launch of the first phase of OTC Clear, which will clear OTC inter-dealer trades on interest rate swaps and non-deliverable forwards. HKEx welcomed 12 financial institutions which will join OTC Clear as the founding shareholders, details of which are set out in the News Release dated 8 April 2013 under the News & Consultations section of the HKEx website.

To prepare for the soft launch of the OTC clearing and settlement system, or OCASS, in the second half of 2013, a market rehearsal with potential Clearing Members and service providers was completed in late February 2013. The rehearsal covered a complete cycle of clearing an interest rate swap and a non-deliverable forward, including the confirmation and submission of trades from the relevant Approved Trade Registration Systems, the trade novation process, initial margin and variation margin calculation, collateral deposit and withdrawal, and money settlement through the Real Time Gross Settlement System, or RTGS. The testing also included switchover of the system connection from the primary processing site to the back-up processing site under the contingency plan.

OTC Clear completed the default management drill with all potential Clearing Members in April 2013 to ensure that the impact of default event can be mitigated effectively with smooth default management process.

### **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 – which is made at the opening of the regular trading session to capture the margin and any mark-to-market loss of all positions, including those created by trades during the preceding AHFT session.

OTC Clear has completed the internal risk assessment of the membership applications from the potential Clearing Members. The assessment contains a risk review of the various aspects including financial strength, internal risk framework, and operation readiness, and the assessment results will be submitted to management for its endorsement.

## Information Technology

During the first quarter of 2013, all major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets continued to perform reliably. HKEx will continue to implement IT security enhancement measures in phases as planned to raise its IT security to a higher level of maturity.

Following the migration of the IT offices and the Cash Market data centre to the TKO Data Centre in October 2012, the relocation of the Derivatives Market data centre and the Cash Clearing data centre will take place in phases in the second quarter and the fourth quarter of 2013 respectively.

As part of LME integration process, an international connection between HKEx and LME was established in February 2013 to facilitate office automation services, including Internet Protocol telephony, video conference, email, file sharing, and an enterprise information portal.

### HKEx Orion Programme

SDNet/2 has been rolled out in the Derivatives Market, and which will be extended to the Cash Clearing in the third quarter of 2013.

HKEx commenced readiness testing of the OMD with its clients during the first quarter of 2013 and plans to launch the OMD for the Cash Market in mid-2013 after completing market rehearsals. Meanwhile, HKEx is developing the OMD for the Derivatives Market and aims to have the official launch in the first quarter of 2014. HKEx is also preparing primary and secondary sites for the MMDH, which it aims to implement in the third quarter of 2013.

Specifications and test simulators for the OCG have been released to EPs and HKEx aims to launch the OCG in the fourth quarter of 2013.

Enrolment and certification for the migration of HKATS/DCASS onto the new Genium INET technology platform will take place in the second quarter of 2013 with a view to launching the system in the fourth quarter following comprehensive market rehearsals.

### Hosting Services

Since Hosting Services' launch for the Cash Market trading in December 2012, over 60 companies including EPs, IVs, technology vendors, and telecommunication service providers have become subscribers. In the first quarter of 2013, the hosted EPs contributed approximately 20 per cent of the daily turnover value in the Cash Market.

Hosting Services will be expanded to support the Derivatives Market trading and low-latency direct connection to the OMD for the Cash Market by June 2013.

To continue promoting the service, "Ecosystem Forum 2013" was held on 21 March 2013 with about 300 attendees from 100 companies.

HKEx Hosting Services won the Hong Kong ICT Awards 2013: Best Green ICT Grand Award. HKEx was lauded for its very thorough application of green principles in the operation and objectives of its hosting facilities, and HKEx's Hosting Services were remarked as an innovative undertaking with a strong sense of public mission.

## Treasury

The Group's funds available for investment comprise Corporate Funds, Margin Funds and cash collateral and Clearing House Funds, totalling \$54.7 billion on average for the three months ended 31 March 2013 (31 March 2012: \$46.1 billion).

As compared with 31 December 2012, the overall size of funds available for investment as at 31 March 2013 increased by 10 per cent or \$4.7 billion to \$51.8 billion (31 December 2012: \$47.1 billion). Details of the asset allocation of the investments as at 31 March 2013 against those as at 31 December 2012 are set out below.

	Investment Fund Size \$bn		Bonds *		Cash or Bank Deposits		Global Equities	
	Mar 2013	Dec 2012	Mar 2013	Dec 2012	Mar 2013	Dec 2012	Mar 2013	Dec 2012
Corporate Funds	9.4	7.8	19%	24%	74%	69%	7%	7%
Margin Funds and cash collateral	37.8	36.8	5%	6%	95%	94%	0%	0%
Clearing House Funds	4.6	2.5	0%	0%	100%	100%	0%	0%
Total	51.8	47.1	7%	9%	92%	90%	1%	1%

\* Included certain principal-guaranteed structured notes

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the Margin Funds and cash collateral and Clearing House Funds. Excluding equities held under the Corporate Funds (\$0.6 billion as at 31 March 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 March 2013 (\$51.2 billion) and 31 December 2012 (\$46.6 billion) were as follows:

	Investment Fund Size \$bn		Overnight		>Overnight to 1 month		>1 month to 1 year		>1 year to 3 years		>3 years	
	Mar 2013	Dec 2012	Mar 2013	Dec 2012	Mar 2013	Dec 2012	Mar 2013	Dec 2012	Mar 2013	Dec 2012	Mar 2013	Dec 2012
Corporate Funds	8.8	7.3	39%	44%	24%	3%	20%	33%	9%	10%	8%	10%
Margin Funds and cash collateral	37.8	36.8	29%	22%	18%	10%	48%	62%	3%	3%	2%	3%
Clearing House Funds	4.6	2.5	69%	67%	21%	7%	10%	26%	0%	0%	0%	0%
Total	51.2	46.6	35%	28%	19%	9%	40%	56%	3%	4%	3%	3%

Credit exposure is well diversified. The Group's bond portfolio (which includes certain principal-guaranteed structured notes) held is of investment grade and, as at 31 March 2013, had a weighted average credit rating of Aa3 (31 December 2012: Aa3) and a weighted average maturity of 2.9 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 the first quarter of 2013 and the fourth quarter of 2012 was as follows:

	Average VaR \$m		Highest VaR \$m		Lowest VaR \$m	
	Jan-Mar 2013	Oct-Dec 2012	Jan-Mar 2013	Oct-Dec 2012	Jan-Mar 2013	Oct-Dec 2012
Corporate Funds	<b>10.9</b>	9.5	<b>13.0</b>	13.1	<b>7.9</b>	7.9
Cash collateral <sup>1</sup>	<b>N/A</b>	<0.1	<b>N/A</b>	<0.1	<b>N/A</b>	<0.1
Margin Funds <sup>1</sup>	<b>N/A</b>	0.7	<b>N/A</b>	0.8	<b>N/A</b>	0.7
Margin Funds and cash collateral <sup>2</sup>	<b>0.7</b>	1.0	<b>0.9</b>	1.5	<b>0.6</b>	0.6
Clearing House Funds	<b>&lt;0.1</b>	<0.1	<b>0.1</b>	0.1	<b>&lt;0.1</b>	<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 and note 6 to the Condensed Consolidated Financial Statements of this Quarterly Report.

# FINANCIAL REVIEW

## Overall Performance

	Note	Three months ended 31 Mar 2013 \$m	As restated Three months ended 31 Mar 2012 \$m	Change
<b>RESULTS</b>				
Revenue and other income:				
Revenue affected by market turnover	(A)	1,422	1,129	26%
Stock Exchange listing fees	(B)	255	244	5%
Market data fees	(C)	188	147	28%
Other revenue	(D)	140	127	10%
Net investment income	(E)	216	227	(5%)
Sundry income		1	1	–
		<b>2,222</b>	<b>1,875</b>	<b>19%</b>
Operating expenses	(F)	669	484	38%
		<b>1,553</b>	<b>1,391</b>	<b>12%</b>
EBITDA				
Depreciation and amortisation	(G)	(116)	(29)	300%
		<b>1,437</b>	<b>1,362</b>	<b>6%</b>
Operating profit				
Costs relating to acquisition of LME Group	(H)	–	(19)	(100%)
Finance costs	(I)	(49)	–	N/A
Share of loss of a joint venture		(2)	–	N/A
		<b>1,386</b>	<b>1,343</b>	<b>3%</b>
Profit before taxation				
Taxation	(J)	(228)	(195)	17%
		<b>1,158</b>	<b>1,148</b>	<b>1%</b>

Profit attributable to shareholders increased slightly to \$1,158 million in the first quarter of 2013 against \$1,148 million for the same period in 2012. The increase was mainly due to \$185 million of net profit contributed by the LME business (LMEH, LME and LME Clear) that was offset partly by higher finance costs, depreciation and amortisation.

Investor confidence and market momentum continued to improve in the first quarter of 2013 due to the quantitative easing policy of the US and more bullish sentiment on China stocks with the new leadership changes. The average daily turnover rose by 18 per cent for products (excluding stock options) traded on the Stock Exchange and 12 per cent for futures and options traded on the Stock Exchange and the Futures Exchange in the first quarter of 2013 against the same period in 2012. Together with the trading fees of the LME business of \$210 million (2012: \$Nil), market turnover related revenues increased by 26 per cent, or \$293 million, to \$1,422 million.

Operating expenses increased over the same quarter last year by 38 per cent, or \$185 million, to \$669 million mainly attributable to the inclusion of \$161 million of operating expenses of the LME business (2012: \$Nil).

Depreciation and amortisation rose from \$29 million in 2012 to \$116 million in 2013. Of the \$87 million increase, \$34 million was related to the fixed assets and IT systems of the LME business and \$32 million was attributable to amortisation of customer relationship intangibles arising on the acquisition of the LME Group.

During the three months ended 31 March 2013, the Group incurred \$49 million of finance costs on funding for the acquisition of the LME Group (2012: \$Nil).

## Revenue and Other Income

### (A) Revenue Affected by Market Turnover

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m	Change
Trading fees and trading tariff	922	659	40%
Clearing and settlement fees	431	389	11%
Depository, custody and nominee services fees	69	81	(15%)
Total	1,422	1,129	26%

The increase in trading fees and trading tariff of \$263 million was mainly attributable to the inclusion of the trading fees of the LME business of \$210 million for the three months ended 31 March 2013 (2012: \$Nil). The revenue from securities traded on the Stock Exchange (excluding stock options) increased by 11 per cent or \$52 million during the period to \$505 million (2012: \$453 million). The increase was less than the 18 per cent increase in average daily turnover value on the Stock Exchange as there were fewer trading days and more exempt ETF trades from market makers than in the corresponding period. The revenue from derivatives contracts traded on the Futures Exchange and stock options only increased marginally despite a 12 per cent higher average daily number of contracts traded mainly due to increased trading in lower fee products such as stock options and H-shares Index futures and options during the first quarter of 2013.

Clearing and settlement fees are derived predominantly from Stock Exchange transactions. Clearing and settlement fees are also affected by the volume of settlement instructions. Despite being mostly ad valorem, the fees are subject to a minimum and a maximum per transaction, and they may not always move exactly with changes in the turnover value on the Stock Exchange. In the first quarter of 2013, the percentage increase in clearing and settlement fees was lower than that of the average daily turnover value on the Stock Exchange compared with the corresponding period in 2012 as a lower proportion of the value of exchange-traded transactions settled was subject to the minimum fee and the number of trading days was 3 per cent lower than the corresponding period in 2012.

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.

### Key Market Indicators

	Three months ended 31 Mar 2013	Three months ended 31 Mar 2012	Change
Average daily turnover value on the Stock Exchange (\$bn)	74.4	63.2	18%
Average daily number of derivatives contracts traded on the Futures Exchange	274,571	255,110	8%
Average daily number of stock options contracts traded on the Stock Exchange	278,115	238,445	17%
Average daily number of metals contracts traded on LME (lots)	666,914	637,310*	5%

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

**(B) Stock Exchange Listing Fees**

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m	Change
Annual listing fees	117	116	1%
Initial and subsequent issue listing fees	137	127	8%
Others	1	1	–
<b>Total</b>	<b>255</b>	<b>244</b>	<b>5%</b>

The increase in annual listing fees was attributable to the higher number of listed companies. The rise in initial and subsequent issue listing fees was mainly due to the higher numbers of newly listed DWs and CBBCs which were partly offset by fewer IPOs in the first quarter of 2013 compared to the same period in 2012.

**Key Drivers for Annual Listing Fees**

	At 31 Mar 2013	At 31 Mar 2012	Change
Number of companies listed on Main Board	1,378	1,337	3%
Number of companies listed on GEM	179	173	3%
<b>Total</b>	<b>1,557</b>	<b>1,510</b>	<b>3%</b>

**Key Drivers for Initial and Subsequent Issue Listing Fees**

	Three months ended 31 Mar 2013	Three months ended 31 Mar 2012	Change
Number of newly listed DWs	1,880	1,580	19%
Number of newly listed CBBCs	1,922	1,419	35%
Number of newly listed companies on Main Board	10	15	(33%)
Number of newly listed companies on GEM	1	3	(67%)
Total equity funds raised on Main Board			
– IPOs (\$bn)	8.1	9.6	(16%)
– Post-IPO (\$bn)	54.3	51.8	5%
Total equity funds raised on GEM			
– IPOs (\$bn)	0.1	0.2	(50%)
– Post-IPO (\$bn)	1.3	0.4	225%

**(C) Market Data Fees**

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m	Change
Market data fees	188	147	28%

Market data fees increased mainly due to the inclusion of \$46 million (2012: \$Nil) of market data fees of the LME business that was partly offset by a decline in the volume of certain Cash Market data fees charged on a per quote basis.

**(D) Other Revenue**

	Three months ended 31 Mar 2013 \$m	As restated Three months ended 31 Mar 2012 \$m	Change
Network, terminal user, dataline and software sub-license fees	62	103	(40%)
Commodities stock levies and warehouse listing fees	27	–	N/A
Participants' subscription and application fees	16	9	78%
Hosting services	16	–	N/A
Trading booth user fees	3	3	–
Sales of Trading Rights	3	5	(40%)
Miscellaneous revenue	13	7	86%
Total	<b>140</b>	127	10%

Other revenue increased in the first quarter of 2013 compared to the same period in 2012 mainly attributable to \$39 million (2012: \$Nil) of revenue generated by the LME business and \$16 million (2012: \$Nil) of Hosting Services revenue that was partly offset by a decrease in 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 to SDNet/2 in Hong Kong in the second half of 2012. As a result of the migration, Participants can directly contract 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 costs consumed by Participants in the same period under IT and computer maintenance expenses in section (F).

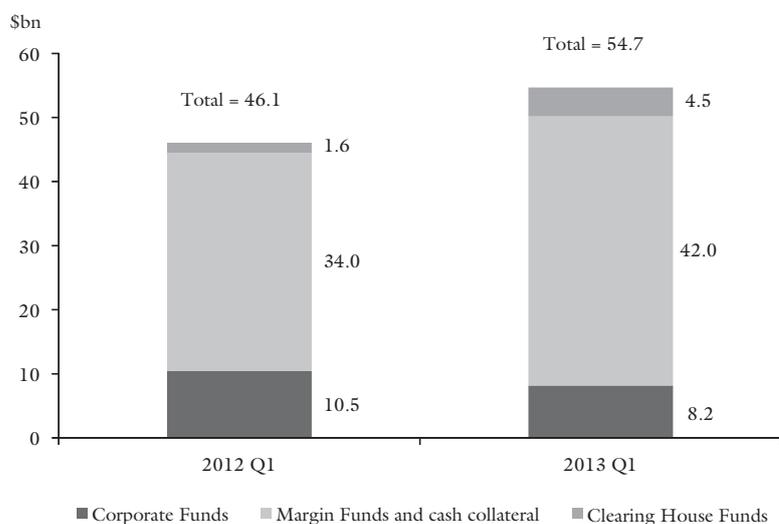
**(E) Net Investment Income**

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m	Change
Gross investment income	217	228	(5%)
Interest rebates to Participants	(1)	(1)	–
Net investment income	<b>216</b>	227	(5%)

Net investment income declined overall by 5 per cent due to a drop in interest income from lower bank deposit rates and lower fair value gains on all investment categories. This was substantially offset by an increase of \$107 million in the fair value gain on the investment in LCH.Clearnet Group Limited, held by LME.

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

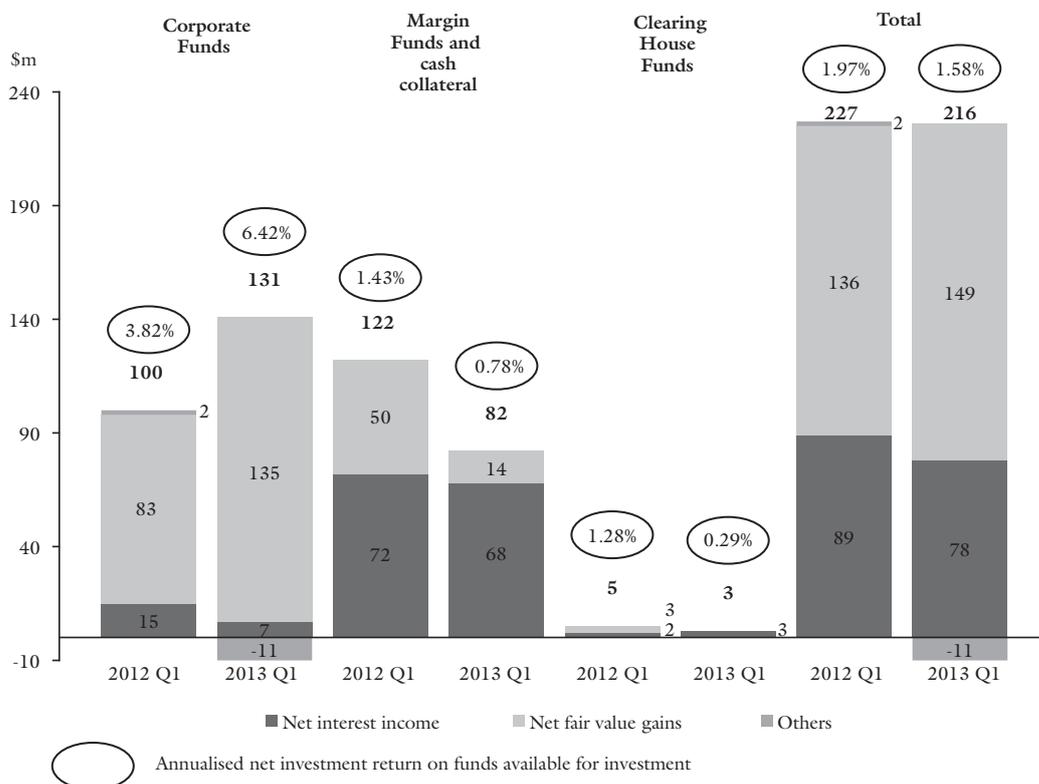
**Average Amount of Funds Available for Investment**



The increase in the average amount of funds available for investment was due to higher margin deposits and cash collateral from CPs arising from increases in margin rates and open interest as well as higher Clearing House Funds following the introduction of dynamic guarantee fund for HKSCC. It was, however, partly offset by a drop in Corporate Funds as the acquisition of the LME Group was partly funded by Corporate Funds.

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

**Net Investment Income by Funds**



The higher net investment income and return of the Corporate Funds in 2013 were mainly attributable to the fair value gain on LME's investment in shares of LCH.Clearnet Group Limited of \$107 million that was partly offset by foreign exchange losses, lower fair value gains on other investment categories and a drop in interest income from lower bank deposit rates.

The lower net investment income and return of the Margin Funds and cash collateral in 2013 were mainly due to a decrease in net fair value gains on investments (including certain principal-guaranteed structured notes) and a drop in interest income from lower bank deposit rates.

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

### (F) Operating Expenses

	Three months ended 31 Mar 2013 \$m	As restated Three months ended 31 Mar 2012 \$m	Change
Staff costs and related expenses	382	294	30%
IT and computer maintenance expenses	123	80	54%
Premises expenses	74	57	30%
Product marketing and promotion expenses	5	6	(17%)
Legal and professional fees	27	10	170%
Other operating expenses	58	37	57%
Total	<b>669</b>	<b>484</b>	<b>38%</b>

Staff costs and related expenses increased by \$88 million to \$382 million, of which \$57 million (2012: \$Nil) was attributable to the LME business. The balance was mainly due to a rise in permanent staff (excluding the LME business) from 974 at 31 March 2012 to 1,019 at 31 March 2013 for implementing various strategic plan initiatives, salary adjustments to keep up with the market trend, and higher performance bonus accrual in 2013 compared with 2012.

For IT and computer maintenance expenses, excluding costs of services and goods directly consumed by the Participants of \$17 million (2012: \$40 million), the amount consumed by the Group was \$106 million (2012: \$40 million), of which \$67 million (2012: \$Nil) 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 to SDNet/2 in Hong Kong in the second half of 2012. Following the migration, Participants can directly contract 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 Other Revenue in section (D).

Premises expenses went up by \$17 million to \$74 million, of which \$7 million (2012: \$Nil) was attributable to the LME business. The other increase was mainly due to higher rent upon the renewal of certain leases, the lease of additional office premises to accommodate the increased headcount and higher utility costs of the TKO Data Centre.

Legal and professional fees increased by \$17 million to \$27 million primarily for implementing strategic projects of the LME business.

Other operating expenses rose by \$21 million to \$58 million. The increase was mainly due to the inclusion of \$12 million of expenses incurred by the LME business in 2013 (2012: \$Nil), operations of the TKO Data Centre, where phase one of the construction was completed in September 2012, and higher bank facility fees for increasing the amount of committed facilities from \$4,000 million at 31 March 2012 to \$7,000 million at 31 March 2013 to further enhance the Group's liquidity.

**(G) Depreciation and Amortisation**

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m	Change
Depreciation and amortisation	116	29	300%

Depreciation and amortisation increased by \$87 million to \$116 million mainly due to depreciation on the TKO Data Centre, where phase one of the construction was completed in September 2012, depreciation and amortisation of LME's fixed assets and IT systems of \$34 million (2012: \$Nil), and amortisation of customer relationship intangibles arising from the acquisition of the LME Group of \$32 million (2012: \$Nil).

**(H) Costs relating to Acquisition of LME Group**

	Three months ended 31 Mar 2013 \$m	As restated Three months ended 31 Mar 2012 \$m	Change
Costs relating to acquisition of LME Group	-	19	(100%)

During the quarter ended 31 March 2012, the Group incurred legal and professional fees of \$18 million and other costs of \$1 million for the acquisition of the LME Group. No such costs were incurred by the Group during the quarter ended 31 March 2013.

**(I) Finance Costs**

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m	Change
Finance costs	49	–	N/A

The finance costs related to the convertible bonds issued and bank borrowing used to fund part of the consideration for the acquisition of the LME Group.

**(J) Taxation**

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m	Change
Taxation	228	195	17%

Taxation increased mainly due to higher profit before taxation and non-deductible expenses, a decline in non-taxable investment income and a higher tax rate on LME's profit.

**Working Capital**

Working capital rose by \$1,148 million to \$6,388 million at 31 March 2013 (31 December 2012: \$5,240 million). The increase was mainly due to \$1,158 million of profit generated during the three months ended 31 March 2013.

Banking facilities have been put in place for contingency purposes. During the first quarter of 2013, the Group secured additional facilities (which were executed in April 2013), bringing the total committed banking facilities 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.

**Capital Expenditures and Capital Commitments**

During the first quarter of 2013, the Group incurred capital expenditures of \$164 million (2012: \$285 million) which were mainly related to the TKO Data Centre, development of a new market data system and a commodities clearing system, and upgrade and enhancement of various IT systems.

The Group's capital expenditure commitments at 31 March 2013, including those authorised by the Board but not yet contracted for, amounted to \$987 million (31 December 2012: \$832 million) and were mainly related to the relocation of the primary data centres to the TKO Data Centre, the development of Hosting Services, a new market data system, clearing systems for OTC derivatives and commodities, and the OCG for the Cash Market, and the upgrade and enhancement of the Derivatives Market trading and clearing systems and various IT systems. The Group has adequate resources to fund its capital expenditure commitments.

Subsequent to the reporting period, in April 2013, additional capital commitments of \$350 million were approved mainly relating to the development of the remaining phases of the clearing system for commodities.

## **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 may also be used to hedge LME's currency exposure resulting from its foreign currency revenues.

At 31 March 2013, the aggregate net open foreign currency positions amounted to HK\$2,470 million, of which HK\$1,009 million was non-USD exposure (31 December 2012: HK\$2,702 million, of which HK\$1,112 million was non-USD exposure) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$1,034 million (31 December 2012: HK\$1,114 million). All forward foreign exchange contracts will mature within 2 months (31 December 2012: 3 months).

## **Contingent Liabilities**

Details of contingent liabilities are included in note 27 to the Condensed Consolidated Financial Statements of this Quarterly Report.

## **Changes since 31 December 2012**

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 2012.

It is the Group's plan to declare a dividend only at the half-year and year-end. Therefore, no dividend will be proposed for the first quarter of 2013 (first quarter of 2012: \$Nil).

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

## **Review of Financial Statements**

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the three months ended 31 March 2013 in conjunction with HKEx's external auditor.

The external auditor has carried out certain agreed-upon procedures on the Unaudited Condensed Consolidated Financial Statements for the three months ended 31 March 2013 in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants.

# OPERATIONAL REVIEW

## Long-term Incentive Schemes

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

## Share Option Schemes

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

Movements in the outstanding share options granted under the Post-Listing Scheme during the three months ended 31 March 2013 are set out below.

Date of grant	Exercise price \$	Number of shares issuable under the options				As at 31 Mar 2013	Exercise <sup>2</sup> period
		As at 1 Jan 2013	Issued upon <sup>1</sup> subscription during the three months ended 31 Mar 2013	Cancelled/ lapsed during the three months ended 31 Mar 2013			
<b>Employees</b>							
31 Mar 2004	16.96	309,500	9,000	–	300,500	31 Mar 2006 – 30 Mar 2014	
17 May 2004	15.91	25,000	–	–	25,000	17 May 2006 – 16 May 2014	
26 Jan 2005	19.25	528,600	4,500	–	524,100	26 Jan 2007 – 25 Jan 2015	

Notes:

- 1 The weighted average closing price immediately before the dates on which the options were exercised was \$138.79.
- 2 Options granted were subject to a vesting scale in tranches of 25 per cent each per annum starting on the 2<sup>nd</sup> anniversary and became fully vested on the 5<sup>th</sup> anniversary of the grant.

## Share Award Scheme

The Share Award Scheme was adopted by the Board on 14 September 2005 (Adoption Date). The rules and trust deed of the scheme are available on the HKEx website. Since the Adoption Date, a total of 4,558,505 shares had been awarded under the scheme up to the date of this Quarterly Report, representing about 0.43 per cent of HKEx shares in issue as at the Adoption Date.

On 25 April 2013, the Board approved a sum of £1,771,743 (approximately HK\$21 million) for the purchase of the HKEx shares to be awarded to the selected employees of LME, of which £495,833 (approximately HK\$6 million) is to be awarded to Mr Martin Abbott, a director and the chief executive of LME.

Details of the awards (save for those which had been fully vested or lapsed as of 31 December 2012), including the number of shares which were awarded and vested according to the terms of the Share Award Scheme during the three months ended 31 March 2013, are set out below.

Date of approval by Board	Date of <sup>1</sup> award	Awarded sum \$'000	Number of shares purchased	Number of Awarded Shares	Average <sup>2</sup> fair value per share \$	Number of Awarded Shares vested during the three months ended 31 Mar 2013	Vesting period <sup>3</sup>
10 Dec 2008	3 Feb 2009	4,900	59,900	59,900	81.96	29,950 <sup>4</sup>	1 Jan 2011 – 1 Jan 2014
23 Apr 2010	10 Jun 2010	88,516	720,100	720,054 <sup>5</sup>	123.29	7,118 <sup>4</sup>	13 May 2012 – 13 May 2013
23 Apr 2010	9 Jul 2010	840	6,900	6,900	121.88	–	10 Jun 2012 – 10 Jun 2013
14 Dec 2010	31 Dec 2010	91,303	518,100	518,039 <sup>5</sup>	176.75	9,930 <sup>4</sup>	14 Dec 2012 – 14 Dec 2013
14 Dec 2010	30 Mar 2011	570	3,300	3,300	169.92	1,650	13 Jan 2013 – 13 Jan 2014
14 Dec 2010	30 Mar 2011	1,170	6,900	6,900	169.92	3,450	1 Feb 2013 – 1 Feb 2014
14 Dec 2010	8 Apr 2011	263	1,400	1,400	179.55	–	1 Apr 2013 – 1 Apr 2014
14 Dec 2010	9 Jun 2011	570	3,300	3,300	171.59	–	26 Apr 2013 – 26 Apr 2014
14 Dec 2010	11 Oct 2011	1,620	11,800	11,800	137.22	–	19 Sept 2013 – 19 Sept 2014
14 Dec 2010	11 Oct 2011	1,560	14,400	14,400	108.03	–	3 Oct 2013 – 3 Oct 2014
14 Dec 2011	30 Dec 2011	113,624	567,800	912,437 <sup>5,6</sup>	124.75	29,312 <sup>4</sup>	14 Dec 2013 – 14 Dec 2014
14 Dec 2010	28 Mar 2012	500	3,400	3,400	143.74	–	3 Jan 2014 – 3 Jan 2015
14 Dec 2011	22 Jun 2012	256	2,300	2,300	108.45	–	26 Mar 2014 – 26 Mar 2015
14 Dec 2011	22 Jun 2012	345	3,100	3,100	108.42	–	2 Apr 2014 – 2 Apr 2015
14 Dec 2011	22 Jun 2012	412	3,800	3,800	108.45	–	2 May 2014 – 2 May 2015
14 Dec 2011	5 Sept 2012	975	8,900	8,900	109.00	–	7 Jul 2014 – 7 Jul 2015
3 Dec 2012	31 Dec 2012	102,398	707,200	810,245 <sup>5,6</sup>	126.71	–	3 Dec 2014 – 3 Dec 2015
14 Dec 2011	27 Mar 2013	316	2,200	2,200	139.86	–	1 Jan 2015 – 1 Jan 2016
14 Dec 2011	27 Mar 2013	2,400	17,100	17,100	139.86	–	9 Jan 2015 – 9 Jan 2016

## Notes:

- 1 The date of award refers to the date on which the trustee allocated the Awarded Shares to the selected employees from the shares purchased with the awarded sum determined by the Board.
- 2 The fair value of the Awarded Shares was based on the average purchase cost per share.  
For the shares awarded on 30 December 2011 and 31 December 2012, the fair value of the Awarded Shares was based on the average fair value calculated from the weighted average of the following:
  - (a) for shares awarded from unallocated or forfeited shares: closing price of the HKEx shares on the date of approval of the awarded sum by the Board; and
  - (b) for shares purchased from the market: average cost per share.
- 3 Effective 13 May 2010, the vesting period of the Awarded Shares was changed from 5 years to 3 years. Accordingly, the Awarded Shares and the related income are vested in 2 equal tranches in the 2<sup>nd</sup> and 3<sup>rd</sup> year after the grant, as opposed to 4 equal tranches from the 2<sup>nd</sup> to 5<sup>th</sup> year, the arrangement prior to the change.
- 4 According to the terms of the Share Award Scheme, these Awarded Shares became vested on a selected employee who retired prior to the vesting periods.
- 5 The relevant awards included an aggregate of 255,124 shares awarded to HKEx's Chief Executive.
- 6 The Share Award Scheme's trustee applied 344,706 shares and 103,116 shares held under the scheme, which were unallocated or forfeited pursuant to the scheme, to partly satisfy the awards allocated on 30 December 2011 and 31 December 2012 respectively.

As at 31 March 2013, taking into account the shares acquired out of the dividends from the shares held under the trust, there were 2,331,342 shares held in trust under the Share Award Scheme.

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## ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS

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Throughout the three months ended 31 March 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 shall, pursuant to Article 90(4) of HKEx's Articles of Association, be coterminous with his employment with HKEx, and he is not subject to retirement by rotation.

HKEx's 2012 CSR Report, which underscores the Company's approach and commitment to act responsibly and contribute positively to the community and the environment, is available on the HKEx website. In the preparation of 2012 CSR Report, HKEx adopted the Global Reporting Initiative, or GRI, G3.1 Sustainability Reporting Guidelines, and complied with the ESG Reporting Guide. HKEx values feedback for improving its CSR performance and reporting. Comments can be submitted via the online form at [www.hkex.com.hk/eng/exchange/csr/csr.htm](http://www.hkex.com.hk/eng/exchange/csr/csr.htm).

While HKEx continues to be included in the FTSE4Good Index Series, it received the 2013 ET Carbon Ranking Leader Award from the Environmental Investment Organisation in April 2013.

The Company's ESG information is set out in the Corporate Governance and Corporate Social Responsibility sections of the HKEx website.

# DISCLOSURE OF INTERESTS

## Compliance with Model Code

HKEx has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code throughout the three months ended 31 March 2013.

## Directors' Interests and Short Positions in Shares and Underlying Shares of HKEx

As at 31 March 2013, the interests and short positions of Directors, including HKEx's Chief Executive, in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code, were as set out below.

### Long Positions in Shares and Underlying Shares of HKEx

Name of Director	Number of shares/underlying shares held				Total	% of issued <sup>1</sup> share capital
	Personal interests	Family interests	Corporate interests	Other interests		
C K Chow	15,000 <sup>2</sup>	–	–	–	15,000	0.00
Charles Li	265,234 <sup>3</sup>	–	–	–	265,234	0.02
John Strickland	18,000 <sup>4</sup>	–	–	–	18,000	0.00

Notes:

- 1 Based on 1,149,821,587 HKEx shares in issue as at 31 March 2013
- 2 Mr Chow was the beneficial owner of those shares.
- 3 It included Mr Li's interests in 198,088 Awarded Shares and 6,607 shares acquired out of the dividends from the Awarded Shares according to the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in the Operational Review section of this Quarterly Report.
- 4 Mr Strickland was the beneficial owner of those shares.

Save for those disclosed above, as at 31 March 2013, none of the Directors had any interests or short positions in the shares, underlying shares, or debentures of HKEx or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEx and the Exchange pursuant to the Model Code.

Apart from the Share Award Scheme, at no time during the period under review, was HKEx or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, HKEx or any other body corporate. Save for the disclosed, none of the Directors (including their spouses and children under the age of 18), during the three months ended 31 March 2013, held any interests in or was granted any right to subscribe for the securities of HKEx or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

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

### Minority Controllers

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

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

As at the date of this Quarterly Report, the SFC has granted approval to 8 entities to be Minority Controllers on the basis that the shares are held by them in custody for their clients. According to the Participant Shareholding Report as at 31 March 2013, the 8 approved Minority Controllers in aggregate held approximately 59 per cent of HKEx's issued share capital.

As at 31 March 2013, other persons' interests and short positions in the shares and underlying shares of HKEx (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange, were as set out below.

#### Long Positions in Shares and Underlying Shares of HKEx

Name	Capacity	Number of shares/ underlying shares held	Total	% of issued <sup>1</sup> share capital
The Government of the Hong Kong Special Administrative Region (for the account of the Exchange Fund)	Beneficial owner	66,730,300 <sup>2</sup>	66,730,300	5.80

Notes:

1 Based on 1,149,821,587 HKEx shares in issue as at 31 March 2013

2 Based on a confirmation to HKEx by the Government in respect of its holding immediately following completion of placing of new HKEx shares as announced on 30 November 2012

Save for those disclosed above, as at 31 March 2013, no other persons had any interests or short positions in the shares or underlying shares of HKEx as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEx and the Exchange.

### Purchase, Sale or Redemption of HKEx's Listed Securities

During the three months ended 31 March 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 Share Award Scheme, purchased on the Exchange a total of 19,300 HKEx shares at a total consideration of about \$2.7 million.

# CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Three months ended 31 Mar 2013	As restated Three months ended 31 Mar 2012
	Note	\$m	\$m
Trading fees and trading tariff	3	922	659
Stock Exchange listing fees	4	255	244
Clearing and settlement fees		431	389
Depository, custody and nominee services fees		69	81
Market data fees		188	147
Other revenue	5	140	127
<b>REVENUE AND TURNOVER</b>	2	<b>2,005</b>	1,647
Investment income		217	228
Interest rebates to Participants		(1)	(1)
Net investment income	6	216	227
Sundry income		1	1
<b>REVENUE AND OTHER INCOME</b>		<b>2,222</b>	1,875
<b>OPERATING EXPENSES</b>			
Staff costs and related expenses	7	382	294
Information technology and computer maintenance expenses	8	123	80
Premises expenses		74	57
Product marketing and promotion expenses		5	6
Legal and professional fees		27	10
Other operating expenses		58	37
		<b>669</b>	484
<b>EBITDA*</b>		<b>1,553</b>	1,391
Depreciation and amortisation		(116)	(29)
<b>OPERATING PROFIT</b>		<b>1,437</b>	1,362
Costs relating to acquisition of LME Group		-	(19)
Finance costs	9	(49)	-
Share of loss of a joint venture		(2)	-
<b>PROFIT BEFORE TAXATION</b>	2	<b>1,386</b>	1,343
<b>TAXATION</b>	10	<b>(228)</b>	(195)
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>1,158</b>	1,148
Basic earnings per share	11(a)	<b>\$1.01</b>	\$1.06
Diluted earnings per share	11(b)	<b>\$1.01</b>	\$1.06

\* EBITDA represents 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 non-recurring costs arising from the acquisition of the LME Group.

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

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	<b>Three months ended 31 Mar 2013 \$m</b>	Three months ended 31 Mar 2012 \$m
<b>PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>1,158</b>	1,148
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	<u>(1,142)</u>	–
<b>OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS</b>	<u>(1,142)</u>	–
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS</b>	<u><b>16</b></u>	<u>1,148</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 31 Mar 2013			At 31 Dec 2012		
		Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
<b>ASSETS</b>							
Cash and cash equivalents	12	38,883	–	38,883	34,077	–	34,077
Financial assets measured at fair value through profit or loss	13	4,050	131	4,181	4,369	123	4,492
Financial assets measured at amortised cost	14	8,671	131	8,802	8,442	131	8,573
Accounts receivable, prepayments and deposits	15	6,482	7	6,489	13,689	7	13,696
Interest in a joint venture		–	95	95	–	97	97
Goodwill and other intangible assets		–	17,069	17,069	–	18,183	18,183
Fixed assets		–	1,669	1,669	–	1,675	1,675
Lease premium for land		–	24	24	–	24	24
Deferred tax assets		–	23	23	–	20	20
<b>Total assets</b>		<b>58,086</b>	<b>19,149</b>	<b>77,235</b>	<b>60,577</b>	<b>20,260</b>	<b>80,837</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities</b>							
Margin deposits and cash collateral from Clearing Participants	17	37,767	–	37,767	36,786	–	36,786
Accounts payable, accruals and other liabilities	18	9,169	19	9,188	15,818	20	15,838
Deferred revenue		486	–	486	530	–	530
Taxation payable		196	–	196	178	–	178
Other financial liabilities		67	–	67	57	–	57
Participants' contributions to Clearing House Funds	19	3,969	–	3,969	1,924	–	1,924
Borrowings	20	–	6,653	6,653	–	6,615	6,615
Provisions		44	49	93	44	45	89
Deferred tax liabilities		–	1,007	1,007	–	1,056	1,056
<b>Total liabilities</b>		<b>51,698</b>	<b>7,728</b>	<b>59,426</b>	<b>55,337</b>	<b>7,736</b>	<b>63,073</b>
<b>Equity</b>							
Share capital	21			1,150			1,150
Share premium	21			8,732			8,731
Shares held for Share Award Scheme	21			(297)			(305)
Employee share-based compensation reserve	22(a)			143			122
Exchange reserve				(953)			189
Convertible bond reserve				409			409
Designated reserves	23			586			587
Retained earnings	24			8,039			6,881
<b>Shareholders' funds</b>				<b>17,809</b>			<b>17,764</b>
<b>Total liabilities and equity</b>				<b>77,235</b>			<b>80,837</b>
<b>Net current assets</b>				<b>6,388</b>			<b>5,240</b>
<b>Total assets less current liabilities</b>				<b>25,537</b>			<b>25,500</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital, share premium and shares held for Share Award Scheme (note 21) \$m	Employee share-based compensation reserve (note 22(a)) \$m	Exchange reserve \$m	Convertible bond reserve \$m	Designated reserves (note 23) \$m	Retained earnings (note 24) \$m	Total equity \$m
At 1 Jan 2013	9,576	122	189	409	587	6,881	17,764
Profit attributable to shareholders	-	-	-	-	-	1,158	1,158
Other comprehensive income	-	-	(1,142)	-	-	-	(1,142)
Total comprehensive income	-	-	(1,142)	-	-	1,158	16
Shares issued upon exercise of employee share options	1	-	-	-	-	-	1
Shares purchased for Share Award Scheme	(2)	-	-	-	-	-	(2)
Vesting of shares of Share Award Scheme	10	(9)	-	-	-	(1)	-
Employee share-based compensation benefits	-	30	-	-	-	-	30
Transfer of reserves	-	-	-	-	(1)	1	-
<b>At 31 Mar 2013</b>	<b>9,585</b>	<b>143</b>	<b>(953)</b>	<b>409</b>	<b>586</b>	<b>8,039</b>	<b>17,809</b>

	Share capital, share premium and shares held for Share Award Scheme \$m	Employee share-based compensation reserve \$m	Exchange reserve \$m	Convertible bond reserve \$m	Designated reserves \$m	Retained earnings \$m	Total equity \$m
At 1 Jan 2012	1,423	106	-	-	577	7,053	9,159
Profit attributable to shareholders	-	-	-	-	-	1,148	1,148
Shares purchased for Share Award Scheme	(1)	-	-	-	-	-	(1)
Vesting of shares of Share Award Scheme	4	(3)	-	-	-	(1)	-
Employee share-based compensation benefits	-	29	-	-	-	-	29
Transfer of reserves	-	-	-	-	3	(3)	-
<b>At 31 Mar 2012</b>	<b>1,426</b>	<b>132</b>	<b>-</b>	<b>-</b>	<b>580</b>	<b>8,197</b>	<b>10,335</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Note	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net cash inflow from operating activities	25	1,871	1,203
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for purchases of fixed assets and intangible assets		(215)	(241)
Net (increase)/decrease in financial assets of the Corporate Funds:			
Increase in time deposits with original maturities more than three months		(15)	(1,180)
Net proceeds from maturity of financial assets measured at amortised cost (excluding time deposits)		24	–
Interest received from financial assets measured at amortised cost (excluding time deposits)		–	7
Interest received from financial assets measured at fair value through profit or loss		8	23
Net cash outflow from investing activities		(198)	(1,391)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares upon exercise of employee share options		1	–
Purchases of shares for Share Award Scheme		(2)	(1)
Payments of finance costs		(17)	–
Net cash outflow from financing activities		(18)	(1)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,655</b>	<b>(189)</b>
Cash and cash equivalents at 1 Jan		4,035	2,340
Exchange differences on cash and cash equivalents		(37)	–
<b>Cash and cash equivalents at 31 Mar</b>		<b>5,653</b>	<b>2,151</b>
<b>Analysis of cash and cash equivalents</b>			
Cash on hand and balances and deposits with banks		5,653	2,151

## 1. Basis of Preparation and Accounting Policies

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

These unaudited condensed consolidated financial statements should be read in conjunction with the 2012 annual consolidated financial statements. Except as described below and the change in operating segments as described in note 2 to the condensed consolidated financial statements, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2012.

### Adoption of new/revised Hong Kong Financial Reporting Standards (HKFRSs)

In 2013, Hong Kong Exchanges and Clearing Limited (HKEx) and its subsidiaries (collectively the Group) have adopted the following new/revised HKFRSs:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
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### 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 condensed consolidated financial statements (note 31).

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

Amendments to HKAS 16	Property, Plant and Equipment
Amendments to HKAS 32	Financial Instruments: Presentation
Amendments to HKAS 34	Interim Financial Reporting

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.

Following the amendments to HKAS 34, the disclosure of total liabilities for a particular reportable segment is required in the interim financial statements if such information is regularly provided to the chief operating decision-maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The adoption of the amendments to HKAS 34 does not have any impact to the Group as information relating to segment liabilities is not regularly reported to the chief operating decision-maker.

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

## 1. Basis of Preparation and Accounting Policies (continued)

### Change in presentation of the condensed consolidated statement of comprehensive income

Prior to the acquisition of the LME business, 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 as a measure 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. Effective from January 2013, the Group's reportable segments have been reorganised as explained below.

In 2012, the Group had five reportable segments:

The **Cash Market** segment mainly referred to the operations of The Stock Exchange of Hong Kong Limited (Stock Exchange), which cover all products traded on the Cash Market platforms, such as equities, callable bull/bear contracts (CBBCs) and derivative warrants (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 Hong Kong Futures Exchange Limited (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 LME Holdings Limited and its subsidiaries (LME Group), which operate an exchange in the United Kingdom 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 other ancillary operations.

The **Clearing** segment referred to the operations of the three clearing houses, namely Hong Kong Securities Clearing Company Limited (HKSCC), The SEHK Options Clearing House Limited (SEOCH) and HKFE Clearing Corporation Limited (HKCC), which are responsible for clearing, settlement and custodian activities of the Cash and Derivatives Markets operated by the Group. Its revenue and other income was 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 Clearing Participants.

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

## 2. Operating Segments (continued)

Up to May 2012, central income (mainly net investment income of the Corporate Funds) and central costs (mainly costs of support functions that centrally provided services to all of the operating segments and other costs not directly related to any of the operating segments) were allocated to the respective operating segments. From June 2012 onwards, the central income and central costs are included as “Corporate Items” and are no longer allocated to the respective operating segments. Costs of developing new business initiatives incurred before launch (such as hosting services and development of clearing houses for clearing over-the-counter derivatives contracts and base metals futures and options contracts traded on The London Metal Exchange (LME)) were absorbed as support function costs under “Corporate Items”.

Following the acquisition of the LME Group in December 2012, the Group has implemented an internal reorganisation to better align its business activities to its strategic objectives of becoming a vertically and horizontally integrated multi-asset class exchange. As a result, the reportable segments have been reorganised. After the reorganisation effective from January 2013, the Group has five 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 information technology systems and marketing strategies. The operations in each of the Group’s new reportable segments are as follows:

The **Cash** segment mainly covers all equity products traded on the Cash Market platforms and sales of Cash Market data. Currently, the Group operates two Cash Market platforms, the Main Board and the Growth Enterprise Market (GEM). The major sources of revenue of the segment are trading fees, trading tariff, listing fees of equity products and Cash Market data fees.

The **Equity and Financial Derivatives** segment mainly refers to the derivatives products traded on the Futures Exchange and the Stock Exchange, and includes 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 of futures and options. Its revenue mainly comprises trading fees, trading tariff and listing fees of derivatives products and market data fees of futures and options.

The **Commodities** segment refers to the operations of the LME Group (excluding its clearing operations), which operates an exchange in the United Kingdom 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 mainly refers to the operations of the three clearing houses, namely HKSCC, SEOCH and HKCC, which are responsible for clearing, settlement and custodian activities of the Stock Exchange and the Futures Exchange, and the development and operations of the new clearing houses for clearing over-the-counter derivatives contracts (OTC Clearing Hong Kong Limited (OTC Clear)) and clearing base metals futures and options contracts traded on LME (LME Clear Limited (LME Clear)). Its revenue and other income is derived primarily from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Margin Funds and cash collateral and Clearing House Funds.

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

## 2. Operating Segments (continued)

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

Comparative figures have been restated to conform to the current period’s presentation.

The chief operating decision-maker assesses the performance of the operating segments principally based on their EBITDA. An analysis of the Group’s EBITDA and profit before taxation for the period by operating segment is as follows:

	Three months ended 31 Mar 2013						
	Cash	Equity and	Commodities	Clearing	Platform and	Corporate	Group
		Financial					
\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Revenue from external customers	635	446	295	547	81	1	2,005
Net investment income	-	-	-	85	-	131	216
Sundry income	-	-	-	1	-	-	1
Revenue and other income	635	446	295	633	81	132	2,222
Operating expenses	118	115	112	132	30	162	669
Reportable segment EBITDA	517	331	183	501	51	(30)	1,553
Depreciation and amortisation	(12)	(11)	(66)	(14)	(9)	(4)	(116)
Finance costs	-	-	-	-	-	(49)	(49)
Share of loss of a joint venture	-	(2)	-	-	-	-	(2)
Reportable segment profit before taxation	505	318	117	487	42	(83)	1,386
	As restated						
	Three months ended 31 Mar 2012						
	Cash	Equity and	Commodities	Clearing	Platform and	Corporate	Group
		Financial					
\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue from external customers	596	439	-	506	106	-	1,647
Net investment income	-	-	-	127	-	100	227
Sundry income	-	-	-	1	-	-	1
Revenue and other income	596	439	-	634	106	100	1,875
Operating expenses	115	106	-	98	49	116	484
Reportable segment EBITDA	481	333	-	536	57	(16)	1,391
Depreciation and amortisation	(10)	(6)	-	(11)	-	(2)	(29)
Costs relating to acquisition of LME Group	-	-	-	-	-	(19)	(19)
Reportable segment profit before taxation	471	327	-	525	57	(37)	1,343

### 3. Trading Fees and Trading Tariff

Trading fees and trading tariff were derived from:

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m
Securities traded on the Stock Exchange (excluding stock options contracts)	505	453
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	207	206
Base metals futures and options contracts traded on LME	210	–
	<b>922</b>	<b>659</b>

### 4. Stock Exchange Listing Fees

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

	Three months ended 31 Mar 2013				As restated Three months ended 31 Mar 2012			
	Equity		CBBCs, DWs & others	Total	Equity		CBBCs, DWs & others	Total
	Main Board	GEM			Main Board	GEM		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Stock Exchange listing fees</b>								
Annual listing fees	110	6	1	117	109	6	1	116
Initial and subsequent issue listing fees	14	3	120	137	30	3	94	127
Other listing fees	1	–	–	1	1	–	–	1
<b>Total</b>	<b>125</b>	<b>9</b>	<b>121</b>	<b>255</b>	<b>140</b>	<b>9</b>	<b>95</b>	<b>244</b>
<b>Direct costs of listing function</b>	<b>73</b>	<b>21</b>	<b>6</b>	<b>100</b>	<b>72</b>	<b>17</b>	<b>5</b>	<b>94</b>
<b>Contribution to profit before taxation</b>	<b>52</b>	<b>(12)</b>	<b>115</b>	<b>155</b>	<b>68</b>	<b>(8)</b>	<b>90</b>	<b>150</b>

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

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

During the three months ended 31 March 2012, central costs (mainly costs of support functions that centrally provide services to all of the operating segments and other costs not directly related to any of the operating segments) were allocated as indirect costs of the listing function. As a result of the change in the format of management information provided to the chief operating decision-maker from June 2012 onwards (note 2), these costs were no longer included as costs of the listing function. Comparative figures for the three months ended 31 March 2012 have been restated to conform to this revised presentation.

## 5. Other Revenue

	Three months ended 31 Mar 2013	As restated Three months ended 31 Mar 2012
	\$m	\$m
Network, terminal user, dataline and software sub-license fees	62	103
Commodities stock levies and warehouse listing fees	27	–
Participants' subscription and application fees	16	9
Hosting services	16	–
Trading booth user fees	3	3
Sales of Trading Rights	3	5
Miscellaneous revenue	13	7
	<b>140</b>	<b>127</b>

## 6. Net Investment Income

	Three months ended 31 Mar 2013	Three months ended 31 Mar 2012
	\$m	\$m
Gross interest income	79	90
Interest rebates to Participants	(1)	(1)
Net interest income	<b>78</b>	<b>89</b>
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	149	136
Others	(11)	2
Net investment income	<b>216</b>	<b>227</b>

## 7. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Three months ended 31 Mar 2013	Three months ended 31 Mar 2012
	\$m	\$m
Salaries and other short-term employee benefits	325	245
Employee share-based compensation benefits	30	29
Termination benefits	2	–
Retirement benefit costs (note 28(b))	25	20
	<b>382</b>	<b>294</b>

## 8. Information Technology and Computer Maintenance Expenses

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m
Costs of services and goods:		
– consumed by the Group	106	40
– directly consumed by Participants	17	40
	<u>123</u>	<u>80</u>

## 9. Finance Costs

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m
Interest expenses on borrowings	44	–
Net foreign exchange losses on financing activities	5	–
	<u>49</u>	<u>–</u>

## 10. Taxation

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

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m
Current tax – Hong Kong Profits Tax	192	200
Current tax – Overseas Tax	24	–
	<u>216</u>	<u>200</u>
Deferred taxation	12	(5)
	<u>228</u>	<u>195</u>

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2012: 16.5 per cent) and overseas profits tax at the rates of taxation prevailing in the countries in which the Group operates.

## 11. Earnings Per Share

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

(a) Basic earnings per share

	Three months ended 31 Mar 2013	As restated Three months ended 31 Mar 2012
Profit attributable to shareholders (\$m)	<u>1,158</u>	1,148
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	<u>1,147,449</u>	1,082,254
Basic earnings per share (\$)	<u>1.01</u>	1.06

(b) Diluted earnings per share

	Three months ended 31 Mar 2013	As restated Three months ended 31 Mar 2012
Profit attributable to shareholders (\$m)	<u>1,158</u>	1,148
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,147,449	1,082,254
Effect of employee share options (in '000)	748	852
Effect of Awarded Shares (in '000)	<u>2,333</u>	2,182
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	<u>1,150,530</u>	1,085,288
Diluted earnings per share (\$)	<u>1.01</u>	1.06

- (i) The effect of the outstanding convertible bonds (note 20) was not included in the computation of diluted earnings per share for the three months ended 31 March 2013 as it was anti-dilutive.
- (ii) 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 three months ended 31 March 2012 retrospectively, which increased the weighted average number of ordinary shares for the three months ended 31 March 2012 by 4,563,000.

## 12. Cash and Cash Equivalents

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
Cash and cash equivalents:		
– Clearing House Funds (note 19)	4,411	2,325
– Margin Funds and cash collateral (note 17) (note (a))	28,819	27,717
– Corporate Funds (note 16)	33,230	30,042
	5,653	4,035
	<b>38,883</b>	<b>34,077</b>

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

## 13. Financial Assets Measured at Fair Value through Profit or Loss

	At 31 Mar 2013		
	Margin Funds and cash collateral (note 17) \$m	Corporate Funds (note 16) \$m	Total \$m
<u>Mandatorily measured at fair value</u>			
Equity securities:			
– listed in Hong Kong	–	115	115
– listed outside Hong Kong	–	133	133
– unlisted	–	376	376
	–	624	624
Debt securities:			
– listed in Hong Kong	–	192	192
– listed outside Hong Kong	–	1,040	1,040
– unlisted	1,800	518	2,318
	1,800	1,750	3,550
Derivative financial instruments:			
– forward foreign exchange contracts	–	7	7
	1,800	2,381	4,181
The expected recovery dates of the financial assets are analysed as follows:			
Within twelve months (note (a))	1,800	2,250	4,050
More than twelve months	–	131	131
	1,800	2,381	4,181

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

	At 31 Dec 2012		
	Margin Funds and cash collateral (note 17) \$m	Corporate Funds (note 16) \$m	Total \$m
<u>Mandatorily measured at fair value</u>			
Equity securities:			
– listed in Hong Kong	–	111	111
– listed outside Hong Kong	–	105	105
– unlisted	–	292	292
	–	508	508
Debt securities:			
– listed in Hong Kong	–	193	193
– listed outside Hong Kong	–	980	980
– unlisted	2,186	622	2,808
	2,186	1,795	3,981
Derivative financial instruments:			
– forward foreign exchange contracts	–	3	3
	2,186	2,306	4,492
The expected recovery dates of the financial assets are analysed as follows:			
Within twelve months (note (a))	2,186	2,183	4,369
More than twelve months	–	123	123
	2,186	2,306	4,492

- (a) Included financial assets maturing after twelve months of \$1,800 million (31 December 2012: \$1,796 million) attributable to the Margin Funds and cash collateral that could readily be liquidated to meet liquidity requirements of the Funds.

#### 14. Financial Assets Measured at Amortised Cost

	At 31 Mar 2013			
	Clearing	Margin Funds	Corporate	Total
	House	and cash	Funds	
	Funds	collateral	Funds	
(note 19)	(note 17)	(note 16)		
	\$m	\$m	\$m	\$m
Unlisted debt securities	-	-	70	70
Time deposits with original maturities over three months	189	7,146	1,336	8,671
Other financial assets	-	-	61	61
	<b>189</b>	<b>7,146</b>	<b>1,467</b>	<b>8,802</b>
The expected recovery dates of the financial assets are analysed as follows:				
Within twelve months	189	7,146	1,336	8,671
More than twelve months	-	-	131	131
	<b>189</b>	<b>7,146</b>	<b>1,467</b>	<b>8,802</b>

	At 31 Dec 2012			
	Clearing	Margin Funds	Corporate	Total
	House	and cash	Funds	
	Funds	collateral	Funds	
(note 19)	(note 17)	(note 16)		
	\$m	\$m	\$m	\$m
Unlisted debt securities	-	-	94	94
Time deposits with original maturities over three months	217	6,880	1,321	8,418
Other financial assets	-	-	61	61
	<b>217</b>	<b>6,880</b>	<b>1,476</b>	<b>8,573</b>
The expected recovery dates of the financial assets are analysed as follows:				
Within twelve months	217	6,880	1,345	8,442
More than twelve months	-	-	131	131
	<b>217</b>	<b>6,880</b>	<b>1,476</b>	<b>8,573</b>

#### 15. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable under the T+2 settlement cycle, which accounted for 85 per cent (31 December 2012: 93 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within two days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

**16. Corporate Funds**

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
The Group's Corporate Funds were invested in the following instruments:		
Cash and cash equivalents (note 12)	5,653	4,035
Financial assets measured at fair value through profit or loss (note 13)	2,381	2,306
Financial assets measured at amortised cost (note 14)	1,467	1,476
	<b>9,501</b>	<b>7,817</b>

**17. Margin Deposits and Cash Collateral from Clearing Participants**

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
Margin deposits and cash collateral from Clearing Participants comprised (note (a)):		
SEOCH Clearing Participants' margin deposits	4,834	4,125
HKCC Clearing Participants' margin deposits	30,620	30,237
HKSCC Clearing Participants' margin deposits and cash collateral	2,313	2,424
	<b>37,767</b>	<b>36,786</b>
The margin deposits and cash collateral were invested in the following instruments for managing the obligations of the Margin Funds and cash collateral:		
Cash and cash equivalents (note 12)	28,819	27,717
Financial assets measured at fair value through profit or loss (note 13)	1,800	2,186
Financial assets measured at amortised cost (note 14)	7,146	6,880
Margin receivable from Clearing Participants	2	3
	<b>37,767</b>	<b>36,786</b>

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

**18. Accounts Payable, Accruals and Other Liabilities**

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 60 per cent (31 December 2012: 80 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

## 19. Clearing House Funds

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
The Clearing House Funds comprised:		
Clearing Participants' contributions (note (a))	3,969	1,924
Designated reserves (note 23)	586	587
	<u>4,555</u>	<u>2,511</u>
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Cash and cash equivalents (note 12)	4,411	2,325
Financial assets measured at amortised cost (note 14)	189	217
	<u>4,600</u>	<u>2,542</u>
Less: Other financial liabilities of Clearing House Funds	(45)	(31)
	<u>4,555</u>	<u>2,511</u>
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	1,090	228
SEOCH Reserve Fund	610	414
HKCC Reserve Fund	2,855	1,869
	<u>4,555</u>	<u>2,511</u>

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

## 20. Borrowings

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
Bank borrowings	3,106	3,100
Convertible bonds	3,547	3,515
	<u>6,653</u>	<u>6,615</u>
Total borrowings	<u>6,653</u>	<u>6,615</u>

During the three months ended 31 March 2013, there were no repayments of the bank borrowings, and none of the convertible bonds were redeemed or converted.

## 21. Share Capital, Share Premium and Shares Held for Share Award Scheme

Authorised:

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
2,000,000,000 shares of \$1 each	<u>2,000</u>	<u>2,000</u>

Issued and fully paid:

	Number of shares of \$1 each '000	Share capital \$m	Share premium \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2012	1,077,670	1,080	639	(296)	1,423
Shares issued upon placement of shares	65,705	66	7,642	–	7,708
Shares issued upon exercise of employee share options (note (a))	122	–	2	–	2
Shares issued in lieu of cash dividends	4,004	4	447	(9)	442
Transfer from employee share-based compensation reserve upon exercise of employee share options	–	–	1	–	1
Shares purchased for Share Award Scheme (note (b))	(738)	–	–	(93)	(93)
Vesting of shares of Share Award Scheme (note (c))	645	–	–	93	93
At 31 Dec 2012	<u>1,147,408</u>	<u>1,150</u>	<u>8,731</u>	<u>(305)</u>	<u>9,576</u>
At 1 Jan 2013	1,147,408	1,150	8,731	(305)	9,576
Shares issued upon exercise of employee share options (note (a))	13	–	1	–	1
Shares purchased for Share Award Scheme (note (b))	(19)	–	–	(2)	(2)
Vesting of shares of Share Award Scheme (note (c))	88	–	–	10	10
At 31 Mar 2013	<u>1,147,490</u>	<u>1,150</u>	<u>8,732</u>	<u>(297)</u>	<u>9,585</u>

- (a) During the three months ended 31 March 2013, employee share options granted under the Post-Listing Share Option Scheme were exercised to subscribe for 13,500 shares (year ended 31 December 2012: 121,500 shares) in HKEx at an average consideration of \$17.72 per share (year ended 31 December 2012: \$17.88 per share), of which \$1.00 per share was credited to share capital and the balance was credited to the share premium account.
- (b) During the three months ended 31 March 2013, the Share Award Scheme acquired 19,300 HKEx shares (year ended 31 December 2012: 737,800 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$2 million (year ended 31 December 2012: \$93 million).
- (c) During the three months ended 31 March 2013, the Share Award Scheme transferred 87,812 HKEx shares (year ended 31 December 2012: 644,763 shares) to the awardees upon vesting of certain Awarded Shares and the shares arising from related dividends reinvested. The total cost of the vested shares was \$10 million (year ended 31 December 2012: \$93 million).

## 22. Employee Share-based Arrangements

### (a) Equity-settled share-based arrangement

The Group operates a share option scheme and a Share Award Scheme for the benefits of its employees in Hong Kong. The employee share-based compensation expenses in relation to the options and share awards were charged to profit or loss under staff costs over the relevant vesting periods with a corresponding increase in employee share-based compensation reserve.

No share options were granted during the three months ended 31 March 2013. Details of Awarded Shares awarded during the three months ended 31 March 2013 are set out below:

Date of approval by Board	Date of Award	Awarded Sum \$'000	Number of shares purchased	Number of shares awarded	Average fair value per share \$	Vesting period
14 Dec 2011	27 Mar 2013	316	2,200	2,200	139.86	1 Jan 2015 – 1 Jan 2016
14 Dec 2011	27 Mar 2013	2,400	17,100	17,100	139.86	9 Jan 2015 – 9 Jan 2016

### (b) Cash-settled share-based arrangement

The LME Group operates a long-term incentive plan for its employees in the United Kingdom. The plan was set up by the LME Group to provide selected employees with an entitlement, in the form of share options, to a receipt of cash when the options are exercised. During the three months ended 31 March 2013, no share options were granted and options with total value of £3,004,000 were exercised and settled.

At 31 March 2013, all of the remaining outstanding options (31 December 2012: all) were vested, and the liability of \$226 million (31 December 2012: \$279 million) was included in accounts payable, accruals and other liabilities. Subsequent to the reporting period, in April 2013, all of the options were exercised and the liability was fully settled.

### 23. Designated Reserves

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

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
Clearing House Funds reserves		
– HKSCC Guarantee Fund reserve	124	124
– SEOCH Reserve Fund reserve	110	111
– HKCC Reserve Fund reserve	352	352
	<u>586</u>	<u>587</u>

### 24. Retained Earnings (Including Proposed Dividend)

	2013 \$m	2012 \$m
At 1 Jan	6,881	7,053
Profit attributable to shareholders	1,158	4,084
Transfer from/(to) Clearing House Funds reserves	1	(10)
Dividends:		
2011 final dividend	–	(2,252)
2012 interim dividend	–	(1,996)
Unclaimed HKEx dividends forfeited	–	7
Vesting of shares of Share Award Scheme	(1)	(5)
	<u>8,039</u>	<u>6,881</u>
At 31 Mar 2013/31 Dec 2012		
Representing:		
Retained earnings	6,364	5,206
Proposed dividend	1,675	1,675
	<u>8,039</u>	<u>6,881</u>
At 31 Mar 2013/31 Dec 2012		

## 25. Notes to the Condensed Consolidated Statement of Cash Flows

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

	Three months ended 31 Mar 2013 \$m	As restated Three months ended 31 Mar 2012 \$m
Profit before taxation	1,386	1,343
Adjustments for:		
Net interest income	(78)	(89)
Dividend income	(2)	(2)
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	(149)	(136)
Forfeiture of unclaimed cash dividends held by HKSCC Nominees Limited	(1)	(1)
Finance costs	49	–
Depreciation and amortisation	116	29
Employee share-based compensation benefits	30	29
Gains on disposal of fixed assets	–	(2)
Provision for impairment losses of trade receivables	–	1
Share of loss of a joint venture	2	–
Changes in provisions	–	2
Net (increase)/decrease in financial assets of Margin Funds and cash collateral	(974)	2,906
Net increase/(decrease) in financial liabilities of Margin Funds and cash collateral	981	(2,878)
Net increase in Clearing House Fund financial assets	(2,058)	(506)
Net increase in Clearing House Fund financial liabilities	2,059	505
Net decrease/(increase) in financial assets measured at fair value through profit or loss less financial liabilities at fair value through profit or loss	6	(97)
Decrease/(increase) in accounts receivable, prepayments and deposits	7,205	(1,026)
(Decrease)/increase in other current liabilities	(6,593)	1,241
Net cash inflow from operations	1,979	1,319
Dividends received	1	2
Interest received from bank deposits	79	86
Interest received from financial assets measured at fair value through profit or loss	15	26
Interest paid to Participants	(1)	(1)
Income tax paid	(202)	(229)
Net cash inflow from operating activities	1,871	1,203

## 26. Capital Expenditures and Commitments

During the three months ended 31 March 2013, the Group incurred capital expenditures of \$164 million (2012: \$285 million) and disposed of fixed assets and intangible assets with net book value of less than \$1 million (2012: \$15 million). The capital expenditures incurred were mainly related to the new Data Centre at Tseung Kwan O, development of a new market data system and a commodities clearing system, and upgrade and enhancement of various information technology systems.

At 31 March 2013, the Group's commitments in respect of capital expenditures were as follows:

	At 31 Mar 2013	At 31 Dec 2012
	\$m	\$m
Contracted but not provided for		
– fixed assets	55	78
– intangible assets	324	125
Authorised but not contracted for		
– fixed assets	376	358
– intangible assets	232	271
	987	832

The Group's capital expenditure commitments were mainly related to the relocation of the primary data centres to the new Data Centre at Tseung Kwan O, the development of hosting services, a new market data system, clearing systems for over-the-counter derivatives and commodities, and a Central Gateway for the Cash Market, and the upgrade and enhancement of the Derivatives Market trading and clearing systems and various information technology systems.

Subsequent to the reporting period, in April 2013, total capital commitments of \$350 million were further approved mainly for the development of the remaining phases of the clearing system for commodities.

## 27. Contingent Liabilities

At 31 March 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 Securities and Futures Commission (SFC) to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding \$71 million (31 December 2012: \$71 million). Up to 31 March 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 509 trading Participants covered by the indemnity at 31 March 2013 (31 December 2012: 511) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$102 million (31 December 2012: \$102 million).
- (c) HKEx had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs of winding up.

## 28. Material Related Party Transactions

- (a) Key management personnel compensation

	Three months ended 31 Mar 2013 \$m	Three months ended 31 Mar 2012 \$m
Salaries and other short-term employee benefits	31	19
Employee share-based compensation benefits	11	7
Retirement benefit costs	2	2
	<b>44</b>	<b>28</b>

- (b) Post-employment benefit plans

The Group has sponsored a defined contribution provident fund scheme (ORSO Plan) and a Mandatory Provident Fund scheme (MPF Scheme) for the benefits of its employees in Hong Kong. The Group has also sponsored a defined contribution pension scheme for all employees of the LME Group aged over 25 (LME pension scheme). The retirement benefit costs charged to the condensed consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan, the MPF Scheme and the LME pension scheme and related fees (note 7). At 31 March 2013, the contributions payable to the post-employment benefit plans were \$1 million (31 December 2012: \$1 million).

- (c) Transactions and balance with a joint venture

During the three months ended 31 March 2013, the Group charged the joint venture, China Exchanges Services Company Limited (CESC), a management fee of \$1 million (2012: \$Nil) in respect of management services provided to the joint venture. The amounts due from CESC at 31 March 2013 amounted to \$9 million (31 December 2012: \$7 million).

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

## 29. Change in Group Structure

On 7 February 2013, all of the shares of LME Clear were transferred from LME to HKEx Investment (UK) Limited at a consideration of £1. There is no financial impact to the Group on the share transfer.

### 30. Fair Value of Assets and Liabilities

(a) Assets and liabilities carried at fair value

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

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

	At 31 Mar 2013			Total \$m
	Level 1 \$m	Level 2 \$m	Level 3 \$m	
<b>Recurring fair value measurements:</b>				
<b>Assets</b>				
Financial assets measured at fair value through profit or loss:				
– equity securities	248	–	376	624
– debt securities	–	3,550	–	3,550
– forward foreign exchange contracts	7	–	–	7
	<b>255</b>	<b>3,550</b>	<b>376</b>	<b>4,181</b>
<b>Recurring fair value measurements:</b>				
<b>Liabilities</b>				
Other financial liabilities of Corporate Funds:				
Financial liabilities at fair value through profit or loss:				
– forward foreign exchange contracts	2	–	–	2
	<b>2</b>	<b>–</b>	<b>–</b>	<b>2</b>

**30. Fair Value of Assets and Liabilities (continued)**

(a) Assets and liabilities carried at fair value (continued)

	At 31 Dec 2012			Total \$m
	Level 1 \$m	Level 2 \$m	Level 3 \$m	
<b>Recurring fair value measurements:</b>				
<b>Assets</b>				
Financial assets measured at fair value through profit or loss:				
– equity securities	216	–	292	508
– debt securities	–	3,981	–	3,981
– forward foreign exchange contracts	3	–	–	3
	<u>219</u>	<u>3,981</u>	<u>292</u>	<u>4,492</u>
<b>Recurring fair value measurements:</b>				
<b>Liabilities</b>				
Other financial liabilities of Corporate Funds:				
Financial liabilities at fair value through profit or loss:				
– forward foreign exchange contracts	6	–	–	6
	<u>6</u>	<u>–</u>	<u>–</u>	<u>6</u>

During the three months ended 31 March 2013, there were no transfers of instruments between Level 1 and Level 2.

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

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

At 31 March 2013 and 31 December 2012, no non-financial assets or liabilities were carried at fair value.

**30. Fair Value of Assets and Liabilities (continued)**

## (a) Assets and liabilities carried at fair value (continued)

Fair value measurements using significant unobservable inputs (Level 3)

	<u>Investment in an unlisted company</u>	
	2013 \$m	2012 \$m
At 1 Jan	292	–
Addition through acquisition of subsidiaries	–	289
Gains recognised in profit or loss under net investment income	107	–
Exchange differences recognised in other comprehensive income, under currency translation differences of foreign subsidiaries	(23)	3
At 31 Mar 2013/31 Dec 2012	<u>376</u>	<u>292</u>
Total gains for the period included in profit or loss under net investment income	<u>107</u>	–
Change in unrealised gains for the period included in profit or loss for assets held at 31 Mar 2013/31 Dec 2012, under net investment income	<u>107</u>	–

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Possible reasonable change	Impact on valuation	
					At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
Investment in shares in an unlisted company	Future growth rates of the company	2% to 4%	The higher the future growth rates, the higher the fair value;	+/-1%	+52/-39	+72/-53
Fair value at 31 Mar 2013 was \$376 million (31 Dec 2012: \$292 million)	Estimated WACC	8% to 12%	The higher the WACC, the lower the fair value;	+/-1%	-36/+49	-49/+67
	Dilution effect of capital raise to comply with expected changes in regulatory capital	25% to 35%	The higher the dilution, the lower the fair value;	+/-5%	-21/+21	-22/+22
	Discount for value attributable to a minority stake	10% to 20%	The higher the discount, the lower the fair value;	+/-5%	-17/+17	-17/+17
	Premium for probability of sale of shares at an offer price made by an independent third party	45% to 60% to be sold at the offer price	The higher the probability, the higher the fair value.	+/-5%	+9/-9	N/A

As the unlisted investment is not traded in an active market, its fair value has been determined using discounted cash flow valuation techniques. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, an estimate of weighted average cost of capital (WACC), the effect of expected changes in regulation and an adjustment for the value of the investment attributable to a minority stake. For the valuation at 31 March 2013, it also incorporated a premium to reflect the probability of the sale of shares at an offer price made by an independent third party.

**30. Fair Value of Assets and Liabilities (continued)**

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

Summarised in the following table are the carrying amounts and fair values of financial assets and financial liabilities not presented in the condensed consolidated statement of financial position at their fair values. These assets and liabilities were classified under Level 2 in the fair value hierarchy. The carrying amounts of bank borrowing with floating interest rates, short-term receivables (eg, accounts receivable, deposits and cash and cash equivalents) and short-term payables (eg, accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

	At 31 Mar 2013		At 31 Dec 2012	
	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m
<b>Financial assets</b>				
Financial assets measured at amortised cost:				
– debt securities <sup>1</sup>	70	70	94	94
– other financial assets maturing over one year <sup>2</sup>	61	58	61	58
<b>Financial liabilities</b>				
Borrowings:				
– liability component of convertible bonds <sup>3</sup>	3,547	3,743	3,515	3,723
Financial guarantee to the Collector of Stamp Revenue <sup>4</sup>	20	102	20	102

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

<sup>2</sup> The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets/liabilities, adjusted by an estimated credit spread. Assets/liabilities without a contractual maturity date are assumed to mature exactly one year after the end of the reporting period. The discount rates used ranged from 0.81 per cent to 2.09 per cent at 31 March 2013 (31 December 2012: 0.81 per cent to 1.51 per cent).

<sup>3</sup> The fair values are based on cash flows discounted using the prevailing market interest rates for loans with similar credit rating and similar tenor of the convertible bonds. The discount rate used was 1.91 per cent at 31 March 2013 (31 December 2012: 1.88 per cent).

<sup>4</sup> The fair values are based on the fees charged by financial institutions for granting such guarantees discounted using a ten-year Hong Kong Government bond rate to perpetuity but capped at the maximum exposure of the financial guarantee. The discount rate was 1.12 per cent at 31 March 2013 (31 December 2012: 0.59 per cent).

### 31. Offsetting Financial Assets and Financial Liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's condensed consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the condensed consolidated statement of financial position.

HKSCC currently has a legally enforceable right to set off the Continuous Net Settlement (CNS) money obligations receivable and payable and it intends to settle on a net basis.

For the net amounts of CNS money obligations receivable or payable (ie, after set-off) and other accounts receivables due from customers (including Participants, information vendors and hosting services customers), they do not meet the criteria for offsetting in the condensed consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default of the customers. In addition, the Group does not intend to settle the balances on a net basis.

- (a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

Type of financial assets	At 31 Mar 2013						Net amount \$m
	Gross amount of financial assets recognised \$m	Gross amount of financial liabilities offset in the condensed consolidated statement of financial position \$m	Net amount of financial assets presented in the condensed consolidated statement of financial position \$m	Financial liabilities other than cash collateral \$m	Cash collateral received \$m		
CNS money obligations receivable	94,449	(88,942)	5,507	(92)	(1,882)	3,533	
Other accounts receivable from Participants, information vendors and hosting services customers, net of provision for impairment losses	311	-	311	-	(85)	226	
<b>Total</b>	<b>94,760</b>	<b>(88,942)</b>	<b>5,818</b>	<b>(92)</b>	<b>(1,967)</b>	<b>3,759</b>	

**31. Offsetting Financial Assets and Financial Liabilities (continued)**

- (a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

Type of financial assets	At 31 Dec 2012						Net amount \$m
						Related amounts not offset in the condensed consolidated statement of financial position	
	Gross amount of recognised financial liabilities offset in the condensed statement of financial position		Net amount of financial assets presented in the condensed statement of financial position		Financial liabilities other than cash collateral	Cash collateral received	
	\$m	\$m	\$m	\$m	\$m	\$m	
CNS money obligations receivable	115,501	(102,768)	12,733	(2,694)	(903)	9,136	
Other accounts receivable from Participants, information vendors and hosting services customers, net of provision for impairment losses	242	-	242	-	(62)	180	
<b>Total</b>	<b>115,743</b>	<b>(102,768)</b>	<b>12,975</b>	<b>(2,694)</b>	<b>(965)</b>	<b>9,316</b>	

- (b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

Type of financial liabilities	At 31 Mar 2013						Net amount \$m
						Related amounts not offset in the condensed consolidated statement of financial position	
	Gross amount of recognised financial assets offset in the condensed statement of financial position		Net amount of financial liabilities presented in the condensed statement of financial position		Financial assets other than cash collateral	Cash collateral pledged	
	\$m	\$m	\$m	\$m	\$m	\$m	
CNS money obligations payable	94,449	(88,942)	5,507	(92)	-	5,415	

**31. Offsetting Financial Assets and Financial Liabilities (continued)**

- (b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements (continued)

Type of financial liabilities	At 31 Dec 2012						Net amount \$m
	Gross amount of recognised financial assets offset in the condensed consolidated statement of financial position			Net amount of financial liabilities presented in the condensed consolidated statement of financial position			
	Gross amount of recognised financial liabilities	condensed consolidated statement of financial position	condensed consolidated statement of financial position	Financial assets other than cash collateral	Cash collateral pledged		
	\$m	\$m	\$m	\$m	\$m		
CNS money obligations payable	115,501	(102,768)	12,733	(2,694)	–	10,039	

The tables below reconcile the “net amounts of financial assets and financial liabilities presented in the condensed consolidated statement of financial position”, as set out above, to the “accounts receivables, prepayments and deposits” and “accounts payable, accruals and other liabilities” presented in the condensed consolidated statement of financial position.

	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
Net amount of financial assets after offsetting as stated above	5,818	12,975
Financial assets not in scope of offsetting disclosures	568	669
Prepayments	103	52
Total accounts receivables, prepayments and deposits	6,489	13,696
	At 31 Mar 2013 \$m	At 31 Dec 2012 \$m
Net amount of financial liabilities after offsetting as stated above	5,507	12,733
Financial liabilities not in scope of offsetting disclosures	3,681	3,105
Total accounts payable, accruals and other liabilities	9,188	15,838

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the condensed consolidated statement of financial position that are disclosed in the above tables are measured at amortised cost. The amounts in the above tables that are offset in the condensed consolidated statement of financial position are measured on the same basis.

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# GLOSSARY

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2013 AGM	Annual general meeting held on 24 April 2013
AGM	HKEx's annual general meeting
AHFT	After-Hours Futures Trading
Awarded Shares	Shares awarded under the Share Award Scheme
BBS	Bronze Bauhinia Star
Board	HKEx's board of directors
BRICS	Refers to Brazil, Russia, India, China and South Africa, in connection with the BRICS Exchanges Alliance
Cash Market	HKEx's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CCASS	The Central Clearing and Settlement System
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
CNH	RMB traded in Hong Kong
Corporate Governance Code	Refers to Appendix 14 to the Main Board Listing Rules
CPs	Clearing Participants
CSR	Corporate Social Responsibility
DCASS	The Derivatives Clearing and Settlement System
Derivatives Market	HKEx's derivatives related business including stock options
Director(s)	HKEx's director(s)
DWs	Derivative Warrants
EPs or Participants	Exchange Participants
ESG	Environmental, Social and Governance
ESG Reporting Guide	Environmental, Social and Governance Reporting Guide, Appendix 27 to the Main Board Listing Rules
ETF(s)	Exchange Traded Fund(s)
Exchange or Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
Financial Secretary	Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China
Futures Exchange	Hong Kong Futures Exchange Limited
GBM	Grand Bauhinia Medal
GBS	Gold Bauhinia Star
GEM	The Growth Enterprise Market
Government	Government of the Hong Kong Special Administrative Region of the People's Republic of China
Government Appointed Director(s)	Director(s) appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKATS	The Hong Kong Futures Automated Trading System
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKSCC	Hong Kong Securities Clearing Company Limited
H-shares Index	Hang Seng China Enterprises Index
HSI	Hang Seng Index
IPO(s)	Initial Public Offering(s)
IT	Information Technology
IVs	Information Vendors
JP	Justice of the Peace

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## GLOSSARY

Listing Rules or Rules	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 and its subsidiaries
LMEH	LME Holdings Limited
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules
OCG	HKEx Orion Central Gateway
OMD	HKEx Orion Market Data Platform
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
Post-Listing Scheme	Post-Listing Share Option Scheme approved by Shareholders on 31 May 2000 which was subsequently amended by Shareholders on 17 April 2002
Pre-Listing Scheme	Pre-Listing Share Option Scheme approved by Shareholders on 31 May 2000
REIT(s)	Real Estate Investment Trust(s)
RMB	Renminbi
RQFII	RMB Qualified Foreign Institutional Investor
SBS	Silver Bauhinia Star
SDNet	The Securities and Derivatives Network
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance
Shareholders	HKEx's shareholders
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010
TKO Data Centre	Tseung Kwan O Data Centre
US	United States of America
US\$/USD	United States dollar
\$/HK\$/HKD	Hong Kong dollar
\$bn	Hong Kong dollar in billion
\$m	Hong Kong dollar in million
£/GBP	Pound sterling

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