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

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

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2016

The Board¹ is pleased to present the unaudited consolidated results of the Group² for the nine months ended 30 September 2016.

FINANCIAL HIGHLIGHTS

Financial figures are expressed in \$million (\$m) unless otherwise stated	YTD Q3 2016 \$m	YTD Q3 2015 \$m	Change
Revenue and other income	8,478	10,600	(20%)
Operating expenses	2,522	2,461	2%
EBITDA ³	5,956	8,139	(27%)
Profit attributable to shareholders	4,528	6,425	(30%)
Basic earnings per share	\$3.74	\$5.44	(31%)

Key messages

- Revenue and overall financial performance remained steady in Q3 2016, compared to the prior quarter, with some pick-up in volumes during September.
- Revenue and other income for YTD Q3 2016 was 20 per cent lower than the prior period. However, after excluding exceptional gains of \$514 million in YTD Q3 2015, revenue and other income decreased by 16 per cent. The significant drivers of Group revenue during the period were:
 - Subdued activity on the Cash Market in Hong Kong and Commodities trading on the LME.
 - Increased trading of derivatives contracts on the Futures Exchange.
- Operating expenses increased by 2 per cent against YTD Q3 2015. After eliminating a one-off recovery of \$77 million from the liquidators of Lehman Brothers Securities Asia Limited in YTD Q3 2015, underlying operating expenses have reduced by 1 per cent compared to the prior period.
- Profit attributable to shareholders decreased by 30 per cent against YTD Q3 2015, where exceptionally high trading income delivered record high profits for the Group, or by 23 per cent after adjusting for the one off items referred to above. Notwithstanding difficult trading conditions, the YTD Q3 2016 profit attributable to shareholders compares well with pre 2015 results and was 24 per cent higher than the equivalent period in 2014.

	YTD Q3 2016	YTD Q3 2015	Change
KEY MARKET STATISTICS			
ADT of equity products traded on the Stock Exchange (\$bn)	49.9	89.8	(44%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	17.9	27.4	(35%)
ADT traded on the Stock Exchange (\$bn)	67.8	117.2	(42%)
Average daily number of derivatives contracts traded on the Futures Exchange	472,955	392,105	21%
Average daily number of stock options contracts traded on the Stock Exchange	297,001	419,937	(29%)
Average daily volume of metals contracts traded on the LME (lots)	612,663	681,550	(10%)

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

2 HKEX and its subsidiaries

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

BUSINESS REVIEW

Overview

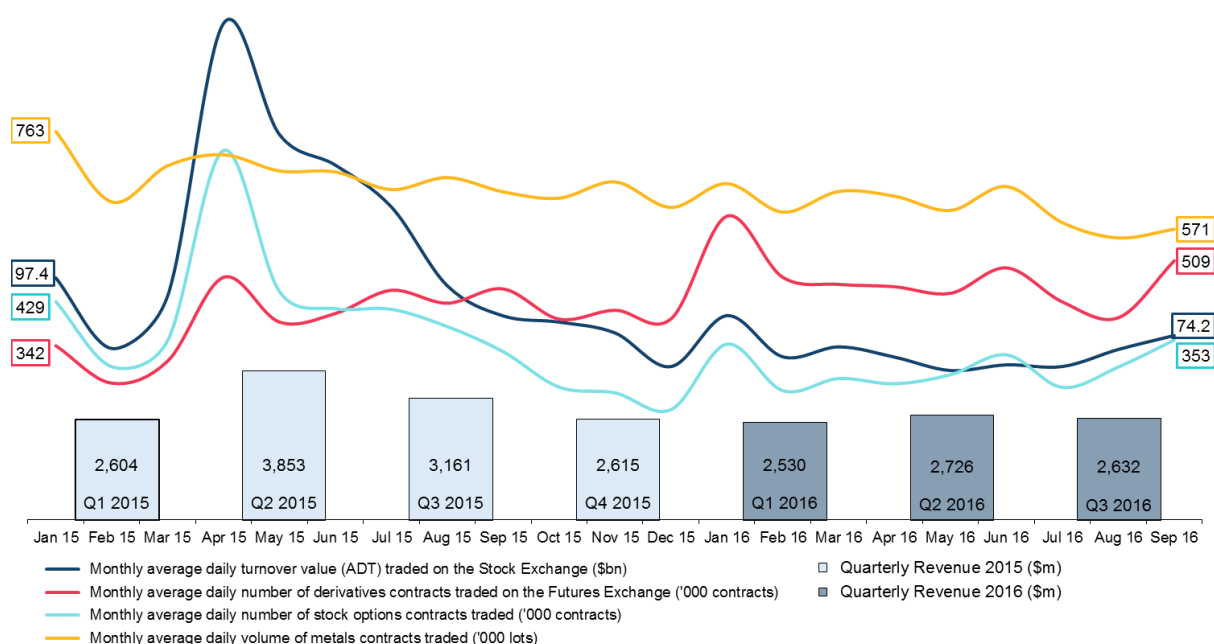


Fig. 1 – Market activity and Group Revenue

Market sentiment improved in Q3 2016⁴ with the Hang Seng Index reaching a 52-week high during September and headline ADT improving to \$68.3 billion, 9 per cent above Q2 2016. This was accompanied by an increased level of funds flow through the Shanghai-Hong Kong Stock Connect (SH-HK Connect) where both Northbound and Southbound Trading showed increases over Q2. In particular, the net inflow of Mainland funds via Southbound trading reached a record high in September. Nevertheless, Revenue⁵ was 3 per cent lower than Q2 2016, due to seasonal fluctuation in depository, custody and nominee services, which were down by \$146 million, and reduced derivatives trading relative to Q2 2016.

Overall revenue and other income for YTD Q3 2016 dropped by \$2,122 million (20 per cent) compared to the prior period. After adjusting for one-off items, which increased the 2015 revenue and other income by \$514 million⁶, the decline against the prior period was 16 per cent. Nevertheless, this compares favorably with the difficult markets experienced during the first nine months of 2016 where there was a decline in headline Cash Market ADT of 42 per cent (against the record high of \$117.2 billion in YTD Q3 2015) as well as reduced volumes in the commodities and stock options markets. The more modest fall in overall revenue and other income is attributable to a continuation of a significant increase in trading on the HKFE⁷ that has been seen throughout 2016. Overall HKFE volumes are up 21 per cent over YTD Q3 2015 but the concentration of this volume growth in higher fee products, in particular Hang Seng Index products, has resulted in HKFE trading fees increasing by 41 per cent⁸. This upsurge in derivatives activity has seen trading income from the Derivatives Market increase from 18 per

4 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, YTD Q3 2015 = nine months ended 30 September 2015, YTD Q3 2016 = nine months ended 30 September 2016

5 Excludes net investment income and sundry income

6 One-off items in YTD Q3 2015: gain on sale of Worldwide House property \$445 million, gain on sale of shares in LCH.Cleantnet Group Limited (LCH) \$31 million, and post liquidation interest received from liquidators of Lehman Brothers Securities Asia Limited (Lehman) \$38 million

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

8 Before any allocation of fees to Clearing segment

cent in YTD Q3 2015 to 29 per cent of the Group's overall trading income in YTD Q3 2016.

The effect of the expenditure control measures introduced earlier in the year can be seen in the Group's operating expenses, which have risen by 2 per cent overall. However, after eliminating a one-off recovery of \$77 million from Lehman's liquidators in YTD Q3 2015, the Group's underlying operating expenses have reduced by 1 per cent compared to the prior period. The Group's capital expenditure for the year to date is also lower than previously anticipated as less critical projects have been deferred.

Business Update and Analysis of Results by Operating Segment

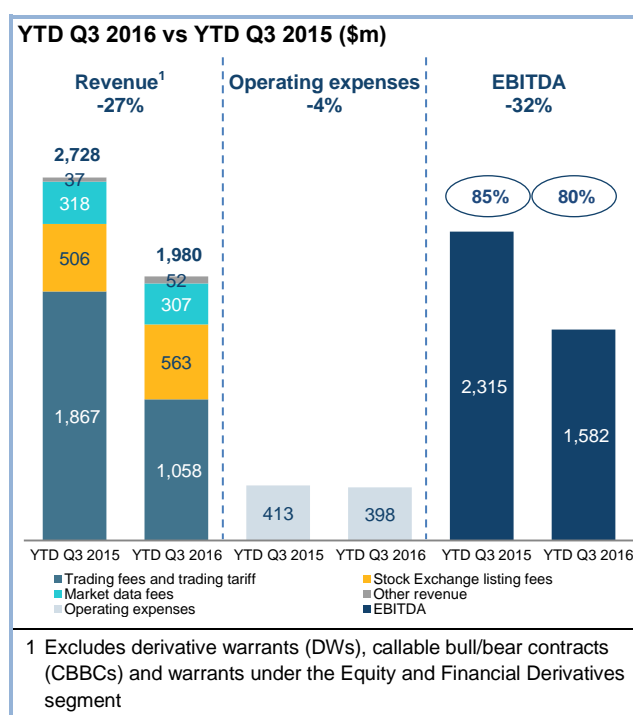
	YTD Q3 2016		YTD Q3 2015		Change	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m	Revenue and other income %	EBITDA %
Results by segment:						
Cash	1,980	1,582	2,728	2,315	(27%)	(32%)
Equity and Financial Derivatives	1,576	1,240	1,675	1,315	(6%)	(6%)
Commodities	1,178	743	1,322	937	(11%)	(21%)
Clearing	3,165	2,634	3,996	3,480	(21%)	(24%)
Platform and Infrastructure	399	288	373	261	7%	10%
Corporate Items	180	(531)	506	(169)	(64%)	214%
	8,478	5,956	10,600	8,139	(20%)	(27%)

Cash Segment

Analysis of Results

Trading fees and trading tariff dropped by 43 per cent compared to YTD Q3 2015 in line with the 44 per cent fall in ADT. The overall drop in revenue was partly offset by an 11 per cent increase in Stock Exchange listing fees.

Operating expenses declined by 4 per cent due to lower staff costs including reduced variable pay accruals and cost control measures.



Business Update

Market sentiment improved during Q3 2016, with the benchmark Hang Seng Index reaching a 52-week high during September 2016 and headline ADT increasing to \$68.3 billion in Q3 2016 compared with the previous quarter (\$62.6 billion), partly driven by significant increase in participation of Southbound investors. In September a \$59 billion net inflow of Mainland funds via Southbound trading represented a record high. However, ADT for YTD Q3 2016 was still down as compared to the record-highs achieved during the same period in 2015.

On 16 August 2016, a Joint Announcement by the China Securities Regulatory Commission and the Securities and Futures Commission (SFC) granted in principle approval for the establishment of Shenzhen-Hong Kong Stock Connect (SZ-HK Connect), set for launch in Q4 2016. It also abolished the aggregate quota under the SH-HK Connect, allowing its continued and uninterrupted operation. Subsequent to this announcement, HKEX has participated in over 30 Mainland seminars and training workshops on the mechanism and developments of the Stock Connects, reaching over 5,600 attendees.

The Initial Public Offering (IPO) of Postal Savings Bank of China, the largest IPO globally year-to-date, took place during Q3 2016 raising \$59.2 billion.

HKEX continues to promote Hong Kong as the preferred offshore listing venue for Mainland enterprises through seminars, training programmes and also sponsored a simulation game to familiarise Mainland investors with Hong Kong's trading rules and listed products. New programmes have also been introduced to expand coverage of Cash Market data in the Mainland. To prepare for the launch of SZ-HK Connect, HKEX introduced two new programmes including an Enhanced Volume Discount Scheme and a One-Off Six-Month Fixed Fee Programme which aim to increase real-time data visibility and services that meet Mainland investors' needs.

Phase One of the Closing Auction Session, which facilitates trade executions at securities' closing prices, was successfully implemented on 25 July 2016 for selected securities and has been operating smoothly to-date. The Volatility Control Mechanism, another market microstructure enhancement which safeguards the securities market from abnormal price fluctuations, was also successfully rolled out on 22 August 2016 with no triggering of the mechanism recorded to date.

On 23 September 2016, the Stock Exchange published the findings of a review of the corporate governance reports of 81 listed issuers with a financial year-end date of 30 June 2015. This review, together with two earlier reviews (for issuers with financial year-end dates of 31 December 2014 and 31 March 2015), has examined a total of 1,636 issuers' corporate governance reports. The Stock Exchange will continue conducting periodic reviews of issuers' corporate governance practices.

Key Market Indicators	YTD Q3	
	2016	2015
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	49.9	89.8
ADT of Northbound Trading ² (RMBbn)	3.0	7.1
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2}	899,219	1,288,554
Number of newly listed companies on the Main Board ³	50	63
Number of newly listed companies on GEM	25	21
Total equity funds raised		
- IPOs (\$bn)	135.9	156.4
- Post-IPOs (\$bn)	179.8	695.3
Number of companies listed on the Main Board at 30 Sept	1,687	1,605
Number of companies listed on GEM at 30 Sept	243	211
Number of trading days	184	184
¹ Excludes DWs, CBBCs and warrants under the Equity and Financial Derivatives segment and includes \$3.3 billion (YTD Q3 2015: \$3.9 billion) of ADT of Southbound Trading under SH-HK Connect ² Includes buy and sell trades under SH-HK Connect ³ Includes 4 transfers from The Growth Enterprise Market (GEM) (YTD Q3 2015: 12)		

The deadline for responding to the joint consultation with the SFC on “Proposed Enhancements to the Stock Exchange’s Decision-Making and Governance Structure for Listing Regulation” was extended by two months. The consultation period will now end on 18 November 2016.

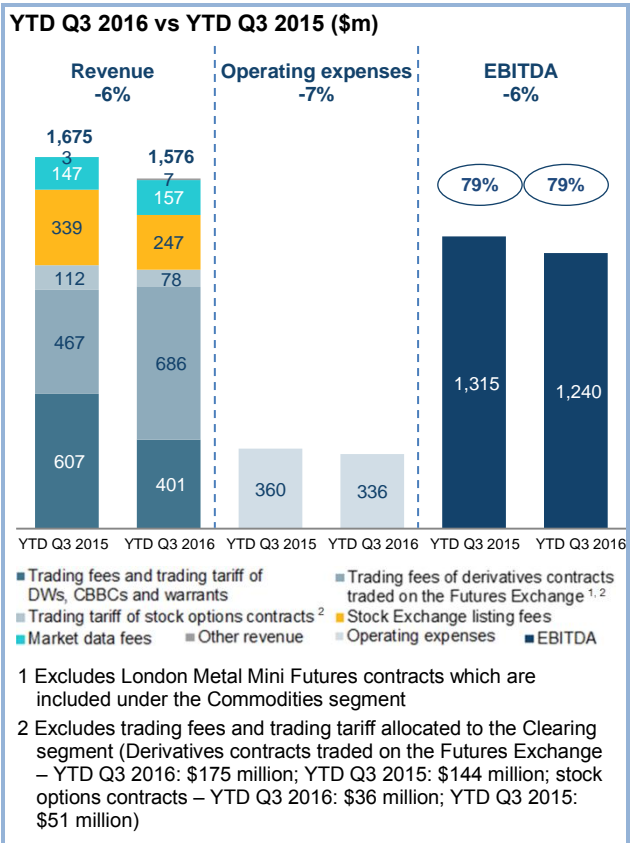
Equity and Financial Derivatives Segment

Analysis of Results

Trading fees and trading tariff of DWs, CBBCs, warrants and stock options declined by approximately one third compared to YTD Q3 2015, consistent with the drop in trading volume. However, this was fully offset by an increase of 47 per cent in the trading fees of derivatives contracts traded on the Futures Exchange over the same period. The increase in HKFE trading fees was higher than the 21 per cent increase in average daily number of contracts traded as a higher proportion of derivatives contracts traded in 2016 related to higher fee products including Hang Seng Index (HSI) Futures.

Stock Exchange listing fees dropped by 27 per cent reflecting a decrease in the number of newly listed DWs and CBBCs.

Operating expenses decreased by 7 per cent due to lower staff costs including reduced variable pay accruals, partly offset by higher index license fees from the increased trading volume of derivatives contracts.



Business Update

The increased volume of derivatives contracts traded on the Futures Exchange experienced throughout 2016 remained strong in Q3 2016, albeit at a lower level than Q2 2016. On 27 September 2016, the HSI Futures broke its record high with 316,855 contracts traded on a single day. The open interest of Hang Seng China Enterprises Index Options (H-shares Index Options) also reached a record high on 28 September 2016 with 2,913,053 contracts.

The continuous accumulation of open interest across all major derivatives products reflected enhanced demand for risk management products against a backdrop of continued global economic and political uncertainty. Record open interest in the H-shares Index Options market was achieved on 28 September 2016 and the average daily number of HSI Futures in Q3 2016 was 55 per cent higher than Q3 2015.

The Mini H-shares Index Options was successfully launched on 5 September 2016, with an average daily volume of 3,136 contracts in the first month of trading.

Key Market Indicators	YTD Q3	
	2016	2015
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	17.9	27.4
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange	190,919	258,255
Average daily number of derivatives contracts traded on the Futures Exchange ¹	472,813	391,893
Average daily number of stock options contracts traded on the Stock Exchange	297,001	419,937
Number of newly listed DWs	3,675	5,174
Number of newly listed CBBCs	6,895	9,152
Average daily number of contracts traded during After-Hours Futures Trading ¹	39,043	19,904
Number of trading days	185	184
	At 30 Sept 2016	At 30 Sept 2015
Open interest of futures and options contracts ¹	9,642,130	9,722,463

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

The open interest of HKEX's USD/CNH Futures set an all-time high of 33,340 contracts (US\$3.3 billion in notional value) on 30 September 2016, ahead of the inclusion of the Renminbi (RMB) into the International Monetary Fund's Special Drawing Rights basket on 1 October 2016. HKEX's USD/CNH Futures market has by far the highest open interest level amongst global exchanges, representing about two-thirds of world's total.

The SFC published a consultation paper on proposed enhancements to the position limit regime on 20 September 2016, consulting the market on hedge exemptions for the Derivatives Market. The consultation paper also facilitates implementation of the conclusions of HKEX's June 2016 consultation paper on proposed revisions to the stock option position limit model.

Volatility Control Mechanism, a microstructure enhancement to safeguard market integrity, is scheduled to be launched in the Derivatives Market on 14 November 2016. Exchange Participants' verification test and market rehearsal were conducted in Q3 2016.

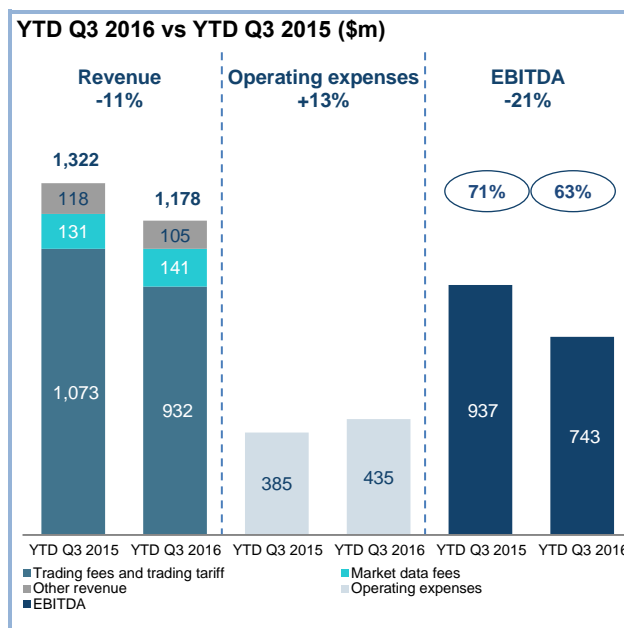
HKEX launched a new market surveillance platform for the Derivatives Market, SMARTS Derivatives Surveillance Systems, on 1 August 2016. The new platform complements the existing surveillance systems in the Cash Market, and enhances our capabilities in real-time monitoring and cross-market surveillance, as well as facilitating the rollout of new products and trading microstructures. HKEX also introduced electronic submission of Large Open Position Reports for Stock Options on 3 October 2016.

Commodities Segment

Analysis of Results

Trading fees fell by 13 per cent compared to YTD Q3 2015 principally due to a 10 per cent drop in average daily volume of metals contracts traded but also reflecting the effect of incentive rebates introduced in Q3 2015 and fee reductions for certain member trades effective from September 2016.

Operating expenses rose by 13 per cent. This increase in costs was principally attributable to increased headcount for strategic initiatives (including product development and the establishment of a commodities trading platform in the Mainland) but also to higher legal and professional fees incurred on strategic projects.



Business Update

The average daily volume in YTD Q3 2016 decreased by 10 per cent from the comparable period last year.

Q3 2016 for the LME was dominated by the temporary closure of its offices due to structural issues and the consequent relocation of the Ring to the back-up site in Chelmsford. Both the LME and LME Clear continued to provide trading and clearing services to the market during the period.

The LME continued to review the orderly functioning of its physical network, and on 28 September 2016 announced its intention to introduce caps on maximum rates charged by LME-registered warehouses following a market-wide consultation. This is the final part of the

three-year-long warehouse reform programme designed to enhance the LME's warehouse network and to ensure that it fully serves the requirements of the global metals market.

On 5 August 2016 the LME announced the introduction of a package of measures designed to strengthen metals trading on the LME, which included rebalancing of Member fees for short dated carries and a cap for position transfers. Going forward, the LME will also review the incentive programmes to further increase liquidity.

On 9 August 2016, The World Gold Council and the LME, together with Goldman Sachs, ICBC Standard Bank, Morgan Stanley, Natixis, OSTC and Societe Generale, announced their intention to introduce a suite of exchange-traded and centrally-cleared precious metals products. The offering is targeted for launch in Q2 2017. More information can be found at: <http://www.lme.com/metals/precious-metals/lmeprecious/>.

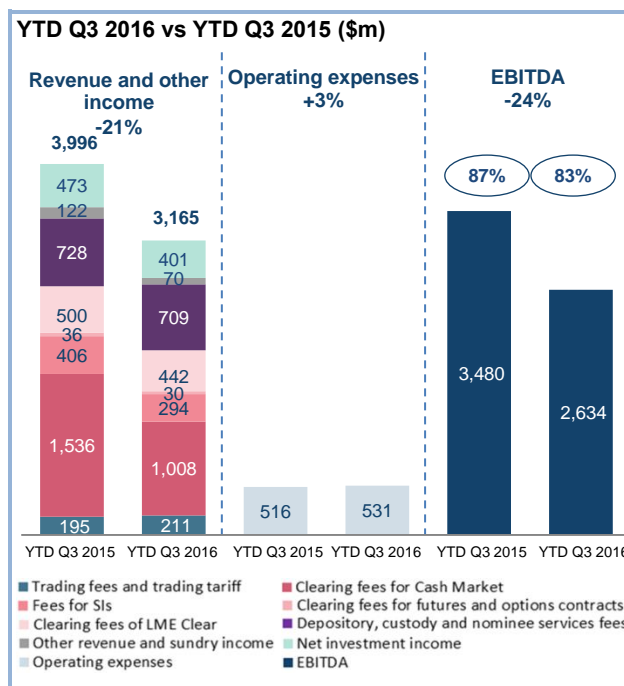
Key Market Indicators	YTD Q3	
	2016	2015
Average daily volume of metals contracts traded on the LME (lots)		
Aluminium	216,960	249,315
Copper	154,301	168,446
Zinc	109,200	119,369
Nickel	80,655	82,071
Lead	43,779	53,088
Others	7,768	9,261
Total	612,663	681,550
Number of trading days	190	189
	At	At
	30 Sept	30 Sept
	2016	2015
Total futures Market Open Interest (lots)	2,273,426	2,402,865

Clearing Segment

Analysis of Results

The 21 per cent drop in revenue and other income reflects a decrease in Hong Kong clearing fees (arising from the 42 per cent decline in ADT and 34 per cent drop in volume of settlement instructions (SIs)), lower LME Clear fees on lower average daily volume of metals contracts trades on the LME, and lower net investment income (attributable to lower average Margin Funds). The overall reduction in activity was partly offset by an increase in average clearing fees due to a decrease in average transaction size that resulted in more Cash Market trades being subject to the minimum clearing fee and fewer SI trades being subject to the maximum fee.

Operating expenses increased by 3 per cent over the prior period. However, after excluding a non-recurring recovery from Lehman's liquidators of \$77 million in YTD Q3 2015, underlying operating expenses showed a reduction of 10 per cent, mainly as a result of lower legal and professional fees incurred on strategic projects and lower staff costs including reduced variable pay accruals.



Business Update

The Hong Kong Securities Clearing business saw overall lower volumes in YTD Q3 2016, largely driven by the 42 per cent reduction in ADT on the Cash Market compared to the prior period.

In contrast, the Clearing business in the Derivatives Market saw a slight improvement as the trading activities

increased in futures and options traded on HKFE, partially offset by lower volumes in stock options.

Effective from 26 September 2016, HKCC relaxed its cash collateral policy to provide Clearing Participants (CPs) with greater flexibility in meeting their RMB margin requirements. RMB margin requirement of up to RMB 1 billion⁹ can be satisfied by any acceptable cash and/or non-cash collateral¹⁰. This change reduces investors' funding costs when trading RMB-denominated derivatives products.

During August and September 2016, over 1,200 market participants attended seminars organised by HKSCC in preparation for the official launch of SZ-HK Connect. The first round of market rehearsals to confirm CPs' readiness in participating in SZ-HK Connect was completed successfully on 30 October 2016, and the second round of market rehearsals will be held on 5-6 November 2016.

Key Market Indicators	YTD Q3	
	2016	2015
ADT traded on the Stock Exchange (\$bn)	67.8	117.2
Average daily number of Stock Exchange trades	1,090,138	1,546,809
Average daily value of SIs (\$bn)	182.1	276.5
Average daily number of SIs	83,144	104,554

⁹ Beyond which HKCC CPs must satisfy their RMB margin requirement by RMB cash.

¹⁰ Non-cash collateral limit remains at 50 per cent of margin requirement.

OTC Clear launched clearing services for USD/CNH cross currency swaps on 15 August 2016, and is the first international clearing house to do so. In addition, the SFC has recognised OTC Clear as a Designated Central Counterparty, which allows market participants to use the clearing services offered by OTC Clear to fulfil their mandatory clearing obligations in Hong Kong.

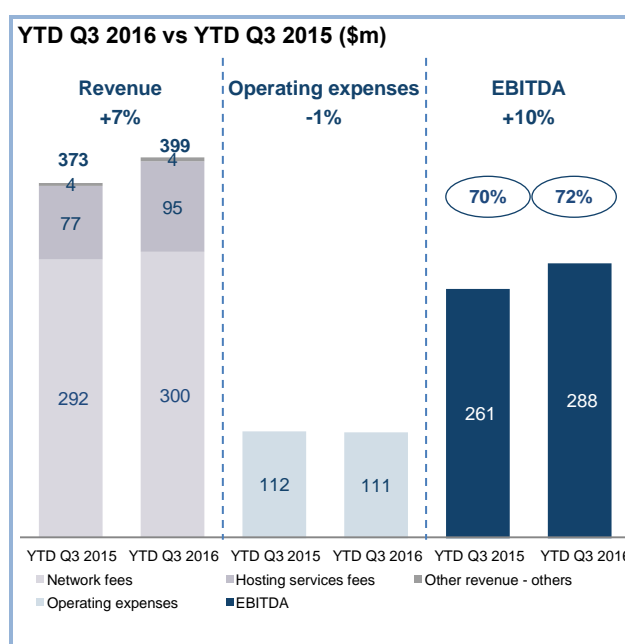
Subject to regulatory approval LME Clear proposes to enhance its margin methodology which is expected to significantly reduce initial margin requirements, in particular for aluminium and copper.

Platform and Infrastructure Segment

Analysis of Results

Network, terminal user, dataline and software sub-license fees (Network fees) rose by 3 per cent as a result of an increase in Cash Market trading system line rental income, as more Exchange Participants migrated from the obsolete Open Gateway to HKEX Orion Central Gateway. This was partly offset by a decrease in sales of throttles.

Hosting services fees increased by 23 per cent due to an increase in the number of racks taken up by customers.



Business Update

During YTD Q3 2016, all major trading, clearing, settlement, and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform reliably. On 22 July 2016, the opening of the LME's electronic trading platform experienced a delay due to changes undertaken by a third party telecom network provider, which affected the LME's member network. However, telephone trading of the LME products was able to continue as normal.

The system development phase for the implementation of Orion Trading Platform – Securities Market is progressing and is scheduled to be completed by the end of 2016 and testing and other market readiness activities will be carried out in 2017.

The revamp of the HKEX corporate websites, to improve the user experience, is in progress. The updated HKEX Group website was launched in September 2016 while the Market website will be launched in 2017.

Corporate Items

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

Revenue and other income dropped compared to YTD Q3 2015, which included a one-off gain of \$445 million on the disposal of Worldwide House, partly offset by higher net investment income. In YTD Q3 2015, a \$31 million gain on sale of the remaining stake in shares of LCH was included in net investment income.

Excluding the LCH gain, net investment income of the Corporate Funds in YTD Q3 2016 increased by \$143 million principally due to higher fair value gains on debt and equity securities.

	YTD Q3	
	2016	2015
	\$m	\$m
Revenue and Other Income		
Net investment income	169	57
Gain on disposal of a leasehold property	-	445
Others	11	4
Total	180	506
Operating expenses	711	675

Operating expenses increased by 5 per cent over YTD Q3 2015 due to new offices leased following the disposal of Worldwide House, partly offset by lower staff costs including reduced variable pay accruals.

FINANCIAL REVIEW

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

Margin Fund deposits of \$119.1 billion at 30 September 2016 were \$3.9 billion higher than at 31 December 2015 due to an increase in open interest in futures and options contracts cleared through HKCC at 30 September 2016. Clearing House Fund contributions dropped from \$7.5 billion at 31 December 2015 to \$7.3 billion at 30 September 2016 due to lower contributions required from Participants in response to changes in market volatility and risk exposures. Funds received were invested in cash and cash equivalents, financial assets measured at amortised costs and financial assets measured at fair value through profit or loss.

Borrowings

No new borrowings nor repayments were made in YTD Q3 2016.

Capital Expenditure and Commitments

During YTD Q3 2016, the Group incurred capital expenditure of \$409 million (YTD Q3 2015: \$458 million) related to the establishment of a commodities trading platform in the Mainland, the renovation of new offices, and the development and upgrade of various trading and clearing systems including the commodities trading and clearing systems, a cash trading system, and trading and clearing systems to facilitate mutual stock market access between Mainland China and Hong Kong. The Group's capital expenditure commitments at 30 September 2016, including those authorised by the Board but not yet contracted for, amounted to \$905 million (31 December 2015: \$961 million).

Contingent Liabilities

At 30 September 2016, there were no significant changes in the Group's contingent liabilities compared to 31 December 2015, except as described below.

In 2013, the LME, LMEH and HKEX were named as defendants in the aluminium warehousing litigation alleging anti-competitive behaviour in the United States (US). Following vigorous defence by the Group, the US District Court for the Southern District of New York (District Court) dismissed all the claims in a series of orders. In 2014, plaintiffs classified as "consumer end users" and "commercial end users" filed appeals against the District Court's decisions but the appeals were all dismissed by the US Court of Appeals in July 2015 with the agreement of the plaintiffs. On 5 October 2016, the District Court entered

judgment for the remaining non-HKEX Group defendants against the plaintiffs classified as “first level” purchasers. The deadline for these plaintiffs to file their appeals, including any against the LME, LMEH and HKEX, is 7 November 2016. The District Court has ordered the direct action plaintiffs to file, and the direct action plaintiffs have filed, a brief by 20 October 2016 that explains why their claims against the remaining non-HKEX Group defendants should not be dismissed as well, although no ruling has yet been made by the District Court on the direct action plaintiffs’ motion.

Charges on Assets

Securities were held by one of the Group’s subsidiaries, LME Clear, as non-cash collateral for margins posted by its CPs and collateral in respect of its interest in overnight triparty reverse repurchase agreements, and amounted to \$72,200 million at 30 September 2016 (31 December 2015: \$76,928 million). This non-cash collateral, which was not recorded on the consolidated statement of financial position of the Group, together with certain financial assets amounting to \$3,025 million at 30 September 2016 (31 December 2015: \$4,953 million) have been repledged to LME Clear’s investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The first floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

Changes since 31 December 2015

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 2015.

It is the Group’s practice to declare a dividend only at the half-year and year-end and no dividend will be proposed for Q3 2016 (Q3 2015: \$Nil).

Review of Financial Statements

The Audit Committee has reviewed the Group’s Unaudited Condensed Consolidated Financial Statements for YTD Q3 2016.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Nine months ended 30 Sept 2016 \$m	Nine months ended 30 Sept 2015 \$m	Three months ended 30 Sept 2016 \$m	Three months ended 30 Sept 2015 \$m
Trading fees and trading tariff	3,366	4,321	1,111	1,380
Stock Exchange listing fees	810	845	279	281
Clearing and settlement fees	1,774	2,478	587	802
Depository, custody and nominee services fees	709	728	236	245
Market data fees	605	596	201	210
Other revenue	624	650	218	243
REVENUE	7,888	9,618	2,632	3,161
Investment income and sundry income	590	537	216	141
Gain on disposal of a leasehold property	–	445	–	445
REVENUE AND OTHER INCOME	8,478	10,600	2,848	3,747
OPERATING EXPENSES				
Staff costs and related expenses	(1,505)	(1,562)	(489)	(528)
Information technology and computer maintenance expenses	(379)	(385)	(128)	(134)
Premises expenses	(243)	(214)	(81)	(75)
Product marketing and promotion expenses	(30)	(32)	(9)	(11)
Legal and professional fees	(63)	(62)	(17)	(33)
Other operating expenses:				
Reversal of provision for impairment losses arising from Participants' default on market contracts	–	77	–	–
Others	(302)	(283)	(110)	(100)
	(2,522)	(2,461)	(834)	(881)
EBITDA	5,956	8,139	2,014	2,866
Depreciation and amortisation	(573)	(500)	(191)	(175)
OPERATING PROFIT	5,383	7,639	1,823	2,691
Finance costs	(62)	(95)	(19)	(18)
Share of loss of a joint venture	(7)	(7)	(2)	(2)
PROFIT BEFORE TAXATION	5,314	7,537	1,802	2,671
TAXATION	(806)	(1,130)	(266)	(347)
PROFIT FOR THE PERIOD	4,508	6,407	1,536	2,324
PROFIT/(LOSS) ATTRIBUTABLE TO:				
- Shareholders of HKEX	4,528	6,425	1,543	2,330
- Non-controlling interests	(20)	(18)	(7)	(6)
PROFIT FOR THE PERIOD	4,508	6,407	1,536	2,324
Basic earnings per share	\$3.74	\$5.44	\$1.27	\$1.95
Diluted earnings per share	\$3.73	\$5.41	\$1.27	\$1.94

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Nine months ended 30 Sept 2016 \$m	Nine months ended 30 Sept 2015 \$m	Three months ended 30 Sept 2016 \$m	Three months ended 30 Sept 2015 \$m
PROFIT FOR THE PERIOD	4,508	6,407	1,536	2,324
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences of foreign subsidiaries recorded in exchange reserve	7	(7)	(3)	(4)
OTHER COMPREHENSIVE INCOME	7	(7)	(3)	(4)
TOTAL COMPREHENSIVE INCOME	4,515	6,400	1,533	2,320
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Shareholders of HKEX	4,535	6,418	1,540	2,326
- Non-controlling interests	(20)	(18)	(7)	(6)
TOTAL COMPREHENSIVE INCOME	4,515	6,400	1,533	2,320

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	At 30 Sept 2016			At 31 Dec 2015		
	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS						
Cash and cash equivalents	110,900	–	110,900	110,890	–	110,890
Financial assets measured at fair value through profit or loss	52,445	–	52,445	72,705	–	72,705
Financial assets measured at amortised cost	25,185	64	25,249	19,439	57	19,496
Accounts receivable, prepayments and deposits	8,478	21	8,499	15,535	21	15,556
Taxation recoverable	2	–	2	2	–	2
Interest in a joint venture	–	61	61	–	68	68
Goodwill and other intangible assets	–	17,813	17,813	–	17,872	17,872
Fixed assets	–	1,468	1,468	–	1,560	1,560
Lease premium for land	–	21	21	–	22	22
Deferred tax assets	–	33	33	–	22	22
Total assets	197,010	19,481	216,491	218,571	19,622	238,193
LIABILITIES AND EQUITY						
Liabilities						
Financial liabilities at fair value through profit or loss	44,456	–	44,456	64,486	–	64,486
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants	119,060	–	119,060	115,213	–	115,213
Accounts payable, accruals and other liabilities	8,641	27	8,668	15,270	15	15,285
Deferred revenue	352	–	352	773	–	773
Taxation payable	1,084	–	1,084	653	–	653
Other financial liabilities	37	–	37	42	–	42
Participants' contributions to Clearing House Funds	7,252	–	7,252	7,474	–	7,474
Borrowings	–	3,420	3,420	–	3,409	3,409
Provisions	85	68	153	65	70	135
Deferred tax liabilities	–	725	725	–	761	761
Total liabilities	180,967	4,240	185,207	203,976	4,255	208,231
Equity						
Share capital			22,083			19,285
Shares held for Share Award Scheme			(589)			(590)
Employee share-based compensation reserve			328			199
Exchange reserve			(247)			(254)
Designated reserves			774			778
Reserve relating to written put options to non-controlling interests			(293)			(293)
Retained earnings			9,101			10,691
Equity attributable to shareholders of HKEX			31,157			29,816
Non-controlling interests			127			146
Total equity			31,284			29,962
Total liabilities and equity			216,491			238,193
Net current assets			16,043			14,595

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2015. Amendments to Hong Kong Financial Reporting Standards effective for the financial year ending 31 December 2016 do not have any financial impact to the Group.

The financial information relating to the year ended 31 December 2015 that is included in this Quarterly Results Announcement as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

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

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

Hong Kong, 2 November 2016

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