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

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

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

2014 FINAL RESULTS, **FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board is pleased to submit the Group's consolidated results for the year ended 31 December 2014.

FINANCIAL HIGHLIGHTS

	2014	2013	Change
KEY MARKET STATISTICS			
ADT of equity products on the Stock Exchange (\$bn)	56.2	50.1	12%
ADT of DWs, CBBCs and warrants on the Stock Exchange (\$bn)	13.3	12.5	6%
ADT on the Stock Exchange (\$bn)	69.5	62.6	11%
Average daily number of derivatives contracts traded on the Futures Exchange	274,879	283,610	(3%)
Average daily number of stock options contracts traded on the Stock Exchange	301,797	249,295	21%
Average daily volume of metals contracts traded on the LME (lots)	700,204	676,283	4%
	2014 \$m	2013 \$m	Change
Revenue and other income	9,849	8,723	13%
Operating expenses	2,958	2,777	7%
EBITDA ¹	6,891	5,946	16%
Profit attributable to shareholders	5,165	4,552	13%
Basic earnings per share	\$4.44	\$3.95	12%
Interim dividend per share	\$1.83	\$1.82	1%
Final dividend per share	\$2.15	\$1.72	25%
	\$3.98	\$3.54	12%
Dividend payout ratio	90%	90%	–

- Revenue and other income reached \$9.8 billion and increased by 13 per cent (\$1,126 million) compared with 2013.
- The overall growth in revenue and other income reflects increased trading volumes and related revenue as well as growth in all other categories of revenue and income. The launch of LME Clear in September 2014 also contributed to the revenue growth. The increase over 2013 was reduced by the impact of gains on the Group's investment in LCH.Clearnet Group Limited, which were \$85 million higher in 2013.
- Operating expenses increased by 7 per cent against 2013 mainly due to higher staff costs attributable to increased headcount as well as higher legal fees for defending litigation in the UK and the US. This was partly offset by recoveries and receivables of \$77 million from the liquidators of LBSA in 2014.
- EBITDA increased by 16 per cent compared to 2013. The overall EBITDA margin increased by 2 per cent from 68 per cent in 2013 to 70 per cent in 2014 as the growth in revenue and other income outpaced the 7 per cent increase in operating expenses.
- Profit attributable to shareholders increased by 13 per cent (\$613 million) to \$5,165 million. Higher EBITDA was partly offset by an increase in depreciation and amortisation, due primarily to new systems launched during the year (including LME Clear) and the Hong Kong data centre at Tseung Kwan O, the final phase of which was completed in late 2013, together with the effect of a one-off deferred tax credit of \$108 million in 2013 arising from a reduction of the Corporation Tax rate in the UK.

¹ 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.

CHAIRMAN'S STATEMENT

2014 was a remarkable year for the Group. A number of priorities outlined in our strategic plan were accomplished. These achievements have laid strong foundations for the sustainable growth of the Group in the years ahead, and will have a profound impact on our future.

Strategic Achievements

With the support of the government authorities and regulators in Hong Kong and the Mainland, and the collaborative efforts of the exchanges and clearing houses in the two cities, the Shanghai-Hong Kong Stock Connect programme was launched on 17 November 2014. The Stock Connect scheme was a breakthrough and is of historic significance. For the first time, mutual market access is offered to investors in Hong Kong and the Mainland, enabling them to trade shares listed and traded in Shanghai and Hong Kong respectively through an orderly, controllable and scaleable channel. The scheme brings long-term mutual benefits to the two markets – it expands the sources of investment, opens up new investment opportunities and facilitates the gradual opening of the Mainland's capital account in support of RMB internationalisation. With its pivotal role in the Stock Connect scheme, HKEx has reinforced its position as the global exchange of choice for Chinese investors and the Chinese exchange of choice for international investors. Recognising that we cannot be complacent, we will continue to work closely with the relevant authorities and regulators, our exchange partners and market participants to ensure that the Stock Connect scheme operates smoothly, and to gradually expand mutual market access in an orderly manner.

On the commodities front, we made a big step forward with the launch of LME Clear, the new clearing house of the LME in London, and the announcement of the LME new fee schedule. These strategic achievements not only provide us with immediate incremental revenues but also give the Group the ability to pursue new products, new markets and new capabilities. On 1 December 2014, we launched LME-based metals contracts in Hong Kong in the form of cash-settled RMB-denominated mini futures. It was another milestone as we expand beyond our well-established equity and equity derivatives businesses. We will continue to pursue our strategy of expanding our Hong Kong markets into new asset classes.

Details of the performance and progress in 2014 against our strategic objectives are set out in the Chief Executive's Review and the Business Review sections of this announcement.

Performance and Dividend

Our markets performed well in 2014 despite the challenging global financial environment. In respect of IPO funds raised, the Stock Exchange was ranked second worldwide and first in Asia¹. The market capitalisation of Hong Kong's securities market exceeded \$26 trillion for the first time. The turnover of ETFs also reached a record high, topping \$1 trillion. In our Derivatives Market, various products reached new record highs in terms of trading volume and open interest. The turnover of our securitised derivatives² ranked first in the world for the eighth consecutive year. The LME also had a good year, as it continued to enjoy steady turnover growth.

The Group's consolidated revenue and other income rose 13 per cent against 2013, resulting in an increase of 13 per cent in the profit attributable to shareholders. The basic earnings per share were \$4.44, an increase of 12 per cent. The Board recommends a final dividend of \$2.15 per share for the year ended 31 December 2014 resulting in the full-year dividend of \$3.98 per share, an increase of 12 per cent as compared with that of previous year.

¹ Source: Dealogic

² DWs and CBBCs

Role and Responsibilities

Apart from pursuing our business objectives, we recognise our wider role of contributing to the integrity, quality and stability of our markets. We work closely with the regulatory authorities to ensure our businesses remain on track to comply with evolving regulatory requirements. In addition, with the support of market participants and regulators, we continue to monitor closely market changes and progress international standards, launch market consultations, and introduce enhancements to the local regulatory regime, when and where appropriate.

We do not lose sight of the inextricable link between our business and our social responsibility. We are accountable to our stakeholders and the communities in which we operate. It is encouraging that in recognition of our commitment to being a responsible corporate citizen, HKEx continues to be included in the leading global and regional sustainability indices. In 2014, we contributed \$83 million to The Community Chest of Hong Kong through our Stock Code Balloting for Charity Scheme. We have prepared our 2014 Corporate Social Responsibility Report which summarises our commitment and efforts and will be available on the HKEx website before 25 March 2015.

Governance and the Board

Good governance practices are crucial in order to earn the trust of our stakeholders. The Board remains focused on improving its effectiveness, and the efficiency of the governance processes. With our expansion in Hong Kong and into markets outside Hong Kong, the Board and the management have paid particular attention to enhancing the Group's risk management, both the structure and the process. The Board on 5 March 2015 resolved to establish a Risk Committee to be responsible for the Group's enterprise-wide risk management including overseeing the relevant risk management systems and ensuring that they are compatible with the Group's strategy and risk appetite. In addition, an external consultant was engaged to conduct a Board performance review in 2014, which confirmed that the Board continues to operate to a very high standard. Details of our governance performance in 2014 are set out in the 2014 Corporate Governance Report.

We believe that an appropriate mix of skills, experience and perspectives within the Board helps strengthen its effectiveness. Dr Fred Hu who is a prominent economist and has a wealth of experience in the financial industry, in particular the Mainland financial sector, joined the Board as an Independent Non-executive Director in November 2014. Dr Hu was appointed by the Board to fill the vacancy that arose upon the resignation of Mr John Strickland, a veteran Director who had served the Group for more than 14 years. On behalf of the Board, I would like to thank John for his guidance and contributions to the Group during his long service on the Board.

Outlook

Looking ahead, the global economic environment remains challenging. Deleveraging in both the public and private sectors, monetary policy divergence, anticipated US interest rate changes, oil price volatility and regional political instability have created uncertainties and risks. However, Hong Kong is benefiting from the continued growth of the Mainland economy. The Group is well-positioned to sustain the value of our core businesses, and will continue to capitalise on new opportunities arising from the further development of the Mainland's financial markets.

On behalf of the Board, I would like to thank our Shareholders and other stakeholders for their unwavering confidence and support. I also wish to extend my appreciation to my fellow Board members, our diligent and dedicated management team and our staff at every level for their contributions in delivering the remarkable achievements last year.

CHOW Chung Kong
Chairman

CHIEF EXECUTIVE'S REVIEW

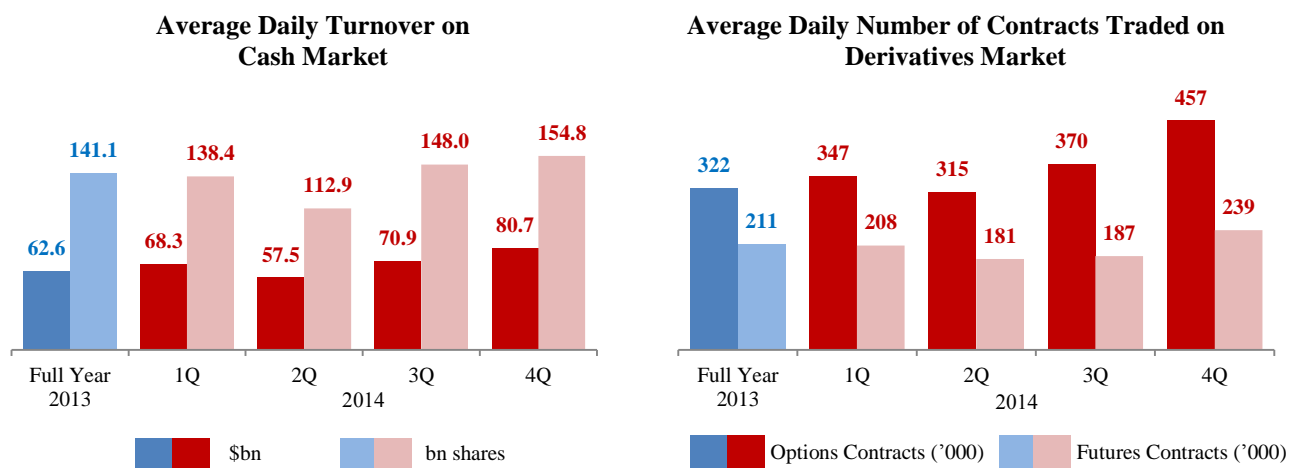
2014 was a year of breakthroughs for the Company, with many of our key strategic initiatives in the Strategic Plan for 2013-2015 coming to fruition. One of our most important achievements is the successful launch of Shanghai-Hong Kong Stock Connect, which fundamentally changed our market landscape and opened up a new era for our business growth. At the same time, we have implemented many other critical, albeit not so eye-catching, initiatives and enhancements to our business. I am confident that these efforts have not only laid down a solid foundation for our future growth, but have also brought us to a new level of competitiveness that will have far-reaching significance for our business as well as our market on the global stage.

Market Performance

Our primary market performed competitively in 2014. HKEx ranked second globally in IPOs with total equity funds raised of \$232.5 billion, representing a 38 per cent rise from 2013. 122 companies were newly listed on our market, compared to 110 in 2013¹. The listed companies also raised \$710.2 billion through follow-on placements, an increase of 238 per cent over 2013. Total funds raised of \$942.7 billion represents a record for HKEx.

In the secondary market, the full-year 2014 ADT stood at \$69.5 billion, an 11 per cent increase compared to 2013. Although the year started relatively weakly, market sentiment in the second half of the year quickly picked up, due to the announcement of the Shanghai-Hong Kong Stock Connect and a renewed interest in Chinese companies. ADT steadily rose to \$70.9 billion in the third quarter and \$80.7 billion in the fourth quarter. In particular, we witnessed a total of 11 trading days in December with daily turnover exceeding \$100 billion.

Derivatives turnover witnessed another record year with total turnover of 142,439,039 contracts, an increase of 10 per cent from 2013. This was largely driven by strong trading in stock options and index futures and options. Open interest at year-end was 7,960,406 contracts, up from 6,230,082 at the previous year-end.



¹ Including the number of transfers of listing from the GEM to the Main Board in 2013 and 2014

Business Development Review

Preserving and Enhancing the Competitiveness of Our Core Businesses

For primary listings in 2014, we continued to actively encourage potential issuers around the globe to list in Hong Kong via a wide range of marketing activities. To improve the regulatory environment for IPOs in Hong Kong, we worked closely with the SFC and market participants and published a number of Rule amendments and guidance letters, all of which were aimed at enhancing our market attractiveness for potential issuers. As a follow-up to the big debate about the future of Hong Kong's IPO framework, we also worked closely with the regulators and published a Concept Paper on WVR: whether governance structures that give certain persons voting power or other related rights disproportionate to their shareholding (WVR structure) should be permissible for companies listed or seeking to list on SEHK's markets. The process of gathering market feedback is still ongoing and we hope the market will come to a consensus that will benefit Hong Kong's long-term future.

In the secondary market, we continued to enhance market structure to improve our global competitiveness. Our efforts include:

- **Expanding Market Reach:** AHFT was extended from 11:00 pm to 11:45 pm to ensure it covers the morning part of the US business day, and to 1:00 am for our Hong Kong listed commodities contracts. As a result of this, the full year 2014 AHFT trading accounted for 6 per cent of day session trading volume, versus 4 per cent in the previous year.
- **Enhancing Market Efficiency:** We published a consultation paper on 16 January 2015 on the proposed introduction of a VCM in the securities and derivatives markets and a CAS in the securities market, with the aim of offering greater safeguards to our market and improving market efficiency.

Continuing Effort in Developing Fixed Income and Currency

Our RMB Currency Futures contract continued to prove itself an effective risk management tool for market users amid increased USD/CNH volatility in 2014. Trading of RMB Currency Futures increased 48 per cent compared with 2013, and reached daily high of 6,318 contracts on 19 March.

Our effort in engaging the market also remained active via various channels, including education, promotional activities as well as incentive programmes to solidify the development of the market. We hosted the first RMB FIC Conference on 22 May 2014. The event was a great success with over 400 senior representatives attending, and we plan to host the second Conference in June 2015.

Taking Commodities Business to the Next Level

Average daily volume on the LME hit a fresh record high in 2014, rising 4 per cent from the previous year to 700,204 lots. Aluminium, along with zinc and nickel, enjoyed record annual volumes. Their average daily volumes gained 3 per cent, 2 per cent and 39 per cent respectively.

A number of transformational initiatives have also taken place within the LME to take it to the next level, including:

- **Launched Proprietary Clearing House (LME Clear):** LME Clear was launched on 22 September 2014. It is an important milestone in the LME's development, as it not only provides immediate incremental revenues, but also gives the LME and the Group the capability to pursue new markets, new products and other new opportunities in a more timely fashion.
- **Continued Investment in Technology:** To support future business development at the LME, we have made considerable investments in technology during 2014, including the launch of LMEnet, the introduction of LMEstage as well as insourcing of IT. The delivery of these IT initiatives not only provided market players with an enhanced service experience; it also laid a great foundation for future delivery of various strategic initiatives within the LME.
- **Announced New Fees:** As part of the LME commercialisation plan, the LME announced its new trading fees in September 2014, which took effect from 1 January 2015. The new fee schedule allows the LME to continue its efforts in innovation and providing the highest levels of service to users.

Building an Asian commodities business has always been a key component of our strategy, which is to build the “East Wing” of the LME and to extend the LME to the Asian time zone. The launch of the London Metal Mini Futures on the Hong Kong platform is the first step in the realisation of this strategy. We have attracted 3 liquidity providers and 18 Active Traders since launch. On the first day of trading, the volume for Day Trading and After-Hours Trading Sessions totalled 2,064 contracts for all 3 metals contracts. We will continue to market and enhance the liquidity of these contracts.

Enhancing Platform Capability for New Opportunities

HKEx systems demonstrated strong reliability again in 2014, facilitating smooth continuous operation of our markets. In addition to stable system support for existing operations, we have also continued to build our platform and enhance our capabilities. Major initiatives include:

- **Orion Central Gateway:** OCG was launched for the Cash Market in June 2014, followed by EP migration taking place via 2 batches in the second half of 2014. With OCG, market participants will enjoy a number of benefits, such as reduced infrastructure costs and a new “drop copy” service.
- **New Systems for Shanghai-Hong Kong Stock Connect:** To support the launch of Shanghai-Hong Kong Stock Connect, new systems, namely the “China Stock Connect System” and “China Stock Connect Open Gateway”, were developed, and have been operating smoothly since debut.
- **New Securities Trading Device:** The NSTD was rolled out in November 2014 to replace the legacy MWS and AMS Terminals. The new system will provide not only the existing terminal trading functions, but also more advanced features for market participants. Migration from the MWS and the AMS will take place in phases and be completed within 2015.
- **Orion Market Data Platform for Derivatives Market:** Upon the roll-out of OMD for the Cash Market in September 2013, the platform was also expanded and launched for the Derivatives Market in December 2014, marking the completion of the HKEx OMD initiative, which standardised the market data systems across Cash and Derivatives markets and enabled direct distribution of HKEx market data to the Mainland.

China Connectivity: Shanghai-Hong Kong Stock Connect

On 10 April 2014, Premier Li Keqiang announced the establishment of a mutual market access programme between Shanghai and Hong Kong, namely Shanghai-Hong Kong Stock Connect. This is the most significant milestone of China's capital market reform and opening up since the H-share scheme was introduced in 1993.

In the following 7 months, China Securities Regulatory Commission and the SFC collaborated closely to establish the regulatory framework for the programme. The SSE, ChinaClear as well as ourselves engaged the market intensively to prepare for a smooth launch.

On 17 November 2014, we witnessed history, the launch of Shanghai-Hong Kong Stock Connect. For the first time ever, investors in Shanghai and Hong Kong markets, be they individuals or institutions, are able to trade listed shares in the other market, through their own local brokers and exchange. It marked a breakthrough in the opening up of China's financial markets, and further enhances Hong Kong's role as a unique gateway between Mainland and international investors.

Since the launch, the programme has been running smoothly and stably. While we endeavour to ensure the sound operation of Shanghai-Hong Kong Stock Connect, we have also focused on continuing market education and on engaging the market for further programme enhancement. Our efforts include:

- maintaining active communication and engagement with market participants and investors via a range of channels, such as educational seminars, workshops, joint international roadshows with the SSE, etc;
- facilitating overseas regulators and fund associations to gain a clearer and better understanding of the programme via a number of channels, and as a consequence, the first Undertakings for Collective Investment in Transferable Securities (UCITS) was approved to participate in Shanghai-Hong Kong Stock Connect in December 2014 and a fast-track application procedure for UCITS to update their prospectuses to invest in A shares via Shanghai-Hong Kong Stock Connect has also been put in place;
- introducing covered short-selling service for Northbound Trading in the first quarter of 2015 to give investors greater flexibility in trading strategy and risk management; and
- implementing an enhanced solution in the first quarter of 2015, through which institutional investors who hold A shares through custodians are able to comply with the Mainland's pre-trade checking requirement without transferring their shares to brokers before execution of a sell transaction.

Shanghai-Hong Kong Stock Connect is the first step of a long and historic opening. We firmly believe that Stock Connect will take us further to the next big opportunity – the development of a Mutual Market whereby HKEx and our Mainland counterparts can effect accelerated opening of China's capital markets by allowing international capital to invest in Mainland products and Mainland capital to invest in international products.

Strategy Outlook – Mutual Market

The greatest significance of Shanghai-Hong Kong Stock Connect is that it provides China with an interim model for opening up of its capital markets before it is completely ready for the large-scale arrivals of international investors and departures of Chinese domestic investors. The interim model works like a “Mutual Market” whereby investors on each side of the boundary are able to trade products of the other market within their home time zone, relying on their home market infrastructures. With the joint oversight of the two regulators, capital flows from China and international markets are able to congregate and interact with each other in this “Mutual Market”, facilitating the gradual convergence of the Mainland and international markets.

This model has the potential to be extended to other products and asset classes, including equity derivatives, commodities, fixed income and currencies. Those Chinese capital markets products that are of interest to international investors can be placed in this “Mutual Market”, while those international products that are needed by Chinese investors can also be added, thereby enabling Chinese investors to diversify their investments and hedge against international price risks. In this way, a swift and large-scale opening up of China’s markets can be achieved, giving China greater international market and pricing influence without waiting for lengthy and extensive legal and regulatory reforms to be carried out first. Further, with the currency of transaction being the RMB, this “Mutual Market” would further accelerate the internationalisation of China’s currency, helping to realise yet another goal.

Appreciation

I would like to take this opportunity to express my greatest appreciation to the HKEx Group staff. It was their enormous effort, consistent focus and dedication that not only have delivered the strategic achievements, but have kept our ship on the right course at the same time.

I must also thank our regulator, the SFC, our market participants and other stakeholders for their generous support, in particular, over the course of the Shanghai-Hong Kong Stock Connect implementation. I look forward to continuing to work with them closely in the coming years.

Last but not least, I would like to thank my fellow members of the Board for their tremendous support, without which we would not have achieved so much in implementing strategies and making history in 2014.

LI Xiaojia, Charles
Director and Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Cash Segment

Key Market Indicators

	2014	2013	Change
ADT of equity products on the Stock Exchange [#] (\$bn)	56.2	50.1	12%
Number of newly listed companies on the Main Board [*]	103	87	18%
Number of newly listed companies on the GEM	19	23	(17%)
Number of companies listed on the Main Board at 31 Dec	1,548	1,451	7%
Number of companies listed on the GEM at 31 Dec	204	192	6%
Total	1,752	1,643	7%
Market capitalisation of companies listed on the Main Board at 31 Dec (\$bn)	24,892	23,909	4%
Market capitalisation of companies listed on the GEM at 31 Dec (\$bn)	179	134	34%

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

^{*} Including 7 transfers from the GEM (2013: 8)

	2014 \$bn	2013 \$bn	Change
Total equity funds raised on the Main Board			
– IPOs	230.3	165.8	39%
– Post-IPO	699.0	204.0	243%
Total equity funds raised on the GEM			
– IPOs	2.2	3.2	(31%)
– Post-IPO	11.2	5.9	90%
Total	942.7	378.9	149%

Business Update

Review of Listing Rules

In 2014, the Stock Exchange made various proposals and conclusions on Listing Rules amendments as set out in the following table. Details of the consultations and other main policy issues arising in 2014 as well as the proposals under review in 2015 are set out in the 2014 Listing Committee Report which will be available on the HKEx website.

Proposals and Conclusions Made in 2014

	Consultation paper*	Consultation conclusions*	Effective date of changes (if any)
• Review of connected transaction Rules	Apr 2013	Mar 2014	1 Jul 2014
• Proposed changes to align the definitions of connected person and associate in the Listing Rules	Apr 2013	Mar 2014	1 Jul 2014
• Risk management and internal control: review of the Corporate Governance Code and Corporate Governance Report	Jun 2014	Dec 2014	Accounting periods beginning on or after 1 Jan 2016
• Review of Listing Rules on disclosure of financial information with reference to the new Companies Ordinance and HKFRSs and proposed minor/housekeeping Rule amendments	Aug 2014	Feb 2015	1 Apr 2015
– amendments unrelated to disclosure of financial information			
– amendments relating to disclosure of financial information			Accounting periods ending on or after 31 Dec 2015
• Concept paper on WVR	Aug 2014	First half of 2015 (tentative)	–

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

First Listing of New Products

2014 witnessed the first listing of perpetual preference shares issued by commercial banks to qualify as additional tier-1 capital. Carrying complex features with conversion triggers, the preference shares are offered to professional investors only. Two banks listed their preference shares in the last quarter of 2014, raising an aggregate of approximately RMB75 billion. The Government also sold its inaugural US\$1 billion five-year sukuk debt which was listed on the Stock Exchange in September 2014.

IPO Processing, Compliance and Monitoring

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

Statistics of IPO Work

	2014	2013
• Number of listing applications vetted	232 ¹	227
• Number of first comment letters issued to new listing applicants	147 ²	144
– Average time (in business days) between receipt of application and issuance of first comment letter	10	14
• Number of applications brought to the Listing Committees (or their delegates) for decisions	140	138
– Number of applications reviewed by the Listing Committees (or their delegates) within 120 calendar days	101	74
– Number of applications reviewed by the Listing Committees (or their delegates) more than 180 calendar days	13	26
• Number of applications to which approval was granted in principle	148 ³	146
• Number of requests for guidance from listing applicants or their advisers seeking clarifications of the listing matters	124	108
– Average response time (in business days)	6	7
• Number of listing applications for transfer of listing from the GEM to the Main Board accepted	12	14

Notes:

1 Comprising 194 new applications and 38 existing applications brought forward from 2013

2 The number of comment letters was lower than the total number of new applications accepted because investment vehicles under Chapter 20 of the Main Board Listing Rules and transfer of listing from the GEM to the Main Board are not included. If the applications for transfers of listing from the GEM to the Main Board were included, the number of first comment letters issued would be 157 and the average number of days taken to issue these letters would be 10 business days.

3 As at the end of 2014, 21 approved applications had not been listed yet, and 8 approved applications had lapsed during the year.

Number of IPO Transactions

	2014	2013
• New listing applications accepted in the year	194	177
• Applications listed	135	132
– Companies listed on the Main Board under Chapter 8	96	79
– Investment vehicles listed on the Main Board	12	18
– Transfers of listing from the GEM to the Main Board	7	8
– Companies listed on the GEM	19	23
– Deemed new listing(s)	1	4
• New listing applications rejected ¹	13	7
• New listing applications withdrawn	7	2
• Applications in process at year-end	39	38
• Active applications with approval granted but not yet listed at year-end	21	20

Note:

1 In 2014, 2 rejection decisions (2013: 1) were subsequently reversed by the Listing Committee upon review.

The Listing Rules complementing the new sponsor regulation introduced on 1 October 2013 came into full effect on 1 October 2014. During the period of 16 months between 1 October 2013 and 31 January 2015 (Relevant Period), the Stock Exchange made various enhancements to the existing guidance materials to clarify the requirements of the new regime to the market. With the issuance of new and revised guidance and the streamlining of the IPO vetting process, improvement in the quality of the Application Proof submissions and reduction in the vetting processing time were noted. The return rate¹ of listing applications during the second 8 months of the Relevant Period was 3 per cent as compared with 11 per cent during the first 8 months of the Relevant Period, and a 12 per cent reduction in the average number of calendar days taken to process an application for hearing by the Listing Committee/GEM Listing Approval Group in the second 8 months of the Relevant Period as compared with that in the first 8 months.

Note:

1 The return rate is the number of applications returned by the Stock Exchange expressed as a percentage of the total number of applications received during the Relevant Period.

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

Action	Service standard	Cases accepted for vetting from 1 Jan to 31 Dec 2014			% of cases meeting service standard
		Number of business days taken			
		Average	Maximum	Minimum	
Issuance of the first round of comments	10 business days from the date of receipt of the listing application	10	16	7	73 ¹

Note:

1 A longer time was required for certain cases because there was an increase of 157 per cent of applications received in March 2014 against the same time in 2013. The increase in the number of applications might be attributed to the commencement of the requirement to publish an Application Proof on the HKExnews website on 1 April 2014.

Number of Compliance and Monitoring Actions

	2014	2013
• Announcements of issuers vetted	48,761	41,726
– Pre-vetted	161	151
– Post-vetted ¹	48,600	41,575
• Circulars of issuers vetted	1,761	1,581
– Pre-vetted	1,327	1,190
– Post-vetted	434	391
• Share price and trading volume monitoring actions undertaken ²	7,417	5,287
– Clarification announcements published by issuers in response to enquiries on unusual share price and/or trading volume movements ³	494	390
• Enquiries raised about press reports ⁴	66	55
– Clarification announcements published by issuers in response to enquiries about press reports	26	32
• Complaints handled	445	454
• Cases (including complaints) referred to Listing Enforcement Team for investigation	22	25

Notes:

- 1 Including clarification announcements published by issuers in response to unusual share price and/or trading volume movements in their securities
- 2 In 2014, monitoring actions undertaken included 1,356 enquiries (2013: 1,015) on unusual share price and trading volume movements, and the actions undertaken led to 129 resumption announcements (2013: 81) on trading suspensions.
- 3 Including 210 qualified announcements (2013: 136) and 284 standard negative announcements (2013: 254)
- 4 Figures cover written enquiries only. The Stock Exchange also raised verbal enquiries to issuers in relation to press reports. In 2014, there were 65 (2013: 142) verbal enquiries and 17 (2013: 46) of them resulted in clarification announcements.

Post-vetted Announcements

	2014	2013
Subject to detailed post-vetting ¹	12,554	10,452
Required follow-up actions by the Stock Exchange	2%	3%
Required follow-up actions by issuers (eg, clarification announcements) ²	28%	23%
Involved Listing Rules non-compliance ²	11%	16%

Notes:

- 1 Representing 26 and 25 per cent of all post-vetted announcements in 2014 and 2013 respectively
- 2 Figures are presented as a percentage of the number of post-vetted announcements which required follow-up actions taken by the Stock Exchange and mainly involved minor Rule non-compliance and voluntary clarifications.

Key Initiatives by the Stock Exchange in 2014 to Promote Issuers' Self-compliance with the Listing Rules

- Published consultation conclusions and guidance materials on Listing Rules amendments, including the Rule changes on connected transaction requirements
- Issued letters to issuers providing guidance to Rule compliance based on findings from the Stock Exchange's review of disclosure in issuers' annual reports and published a report to release the findings and recommendations to promote transparency and high quality disclosures by issuers
- Published a report of key findings and observations under the Financial Statements Review Programme to enhance transparency and improve the quality of financial disclosure in periodic financial reports
- Issued guidance letters on major areas affecting listed issuers, including the application of reverse takeover requirements, use of contractual arrangements for issuers' businesses, and opinion letters prepared by independent financial advisers under the Listing Rules
- Organised 13 seminars (11 sessions in Hong Kong, and 2 sessions in Beijing and Shanghai) for issuers and market practitioners on the Rule changes on connected transactions, review of inside information regime, corporate governance update and updates of Listing Rules compliance issues

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

Service for initial responses	Service standard	% of cases meeting service standard	
		2014	2013
• Pre-vetting activities			
– Initial response to pre-vetted announcements	Same day	98%	98%
– Initial response to pre-vetted circulars (very substantial acquisition)	10 business days	99%	100%
– Initial response to pre-vetted circulars (other than very substantial acquisition)	5 business days	99%	99%
• Issuer enquiries ¹			
– Initial response to issuer's enquiries	5 business days	98%	98%
• Waiver applications ²			
– Initial response to waiver applications (other than application for delay in despatch of circulars)	5 business days	98%	98%
• Post-vetting activities			
– Initial response to post-vetted results announcements	5 business days	99%	98%
– Initial response to post-vetted announcements (other than results announcements)	1 business day	98%	99%

Notes:

- 1 In 2014, 387 written enquiries (2013: 415) on Listing Rules interpretations and related matters were handled.
- 2 In 2014, 357 waiver applications (2013: 344) from strict compliance with requirements under the Listing Rules were processed.

Long Suspension

Status of long suspended companies (as at year-end)	Main Board		GEM	
	2014	2013	2014	2013
Resumption of trading of securities during the year	21	19	3	6
Cancellation/withdrawal of listing during the year	6	3	0	2
Companies in the third stage of delisting	2	4	N/A	N/A
Companies notified of the Stock Exchange's intention to cancel their listing ¹	0	0	3	2
Companies suspended for 3 months or more	37	39	8	8

Note:

- For the GEM, the figures represent companies who had failed to maintain sufficient operations or assets to warrant their continued listing. In these cases, the Stock Exchange had notified the companies of its intention to cancel the companies' listing and place them in a one-stage delisting procedure (as compared to 3 stages for the Main Board).

Listing Enforcement

Following the implementation of statutory backing for the obligation to disclose inside information in January 2013, work relating to the enforcement of that obligation has now passed to the SFC. This change has enabled the Stock Exchange to re-focus its Listing Rule enforcement activities in different directions. Five themes have been approved by the Listing Committee as the focus for investigation and enforcement during 2014, details of which are set out in the 2014 Listing Committee Report.

Enforcement Statistics

	2014	2013
Investigations ¹	60 ^{2,3}	69
Public censures ⁴	4	5
Public statements/criticisms ⁴	1	3
No sanction following disciplinary action	1	0
Warning/caution letters ⁵	14	16

Notes:

- Figures cover cases concluded during the year, and cases which remained active as at year-end.
- There were 20 outstanding investigations (80 per cent of which commenced in 2014) as at the end of 2014 as compared to 27 investigations (82 per cent of which commenced in 2013) as at the end of 2013.
- In 2014, 2 cases originating from complaints were subject to enforcement investigation, and might give rise to disciplinary proceedings after investigation.
- Figures represent only the primary regulatory action from a disciplinary matter. They exclude any other actions taken at a lower level, eg, private reprimand in the same case.
- The warning and caution letters were primarily delivered in circumstances where action before the Listing Committees was not considered appropriate.

Primary Market Information

The Latest Listed Company Information section of the HKExnews website, which housed a total of 2,034,373 archived issuer documents for public access free of charge as at the end of 2014, remained one of the most popular sections of the website during 2014. The Stock Exchange also administers the filing and publication of Disclosure of Interests (DI) notices through the HKExnews website in accordance with the SFC's requirements and specifications under Part XV of the SFO.

Primary Market Information Statistics (Main Board and GEM)

	2014	2013
Number of issuer news filings processed by the Stock Exchange	272,064 ¹	239,004
Hit rates for HKExnews website (m)	452	409
Number of searches for issuer documents (m)	74 ²	49
Number of DI filings processed by the Stock Exchange	55,083	52,658
Hit rates for DI filings (m)	168	143

Notes:

- The majority of issuers' submissions were uploaded within 2 seconds (excluding the Internet transmission time which is beyond HKEx's control).
- Eighty per cent of searches were responded to within 0.1 seconds (excluding the Internet transmission time which is beyond HKEx's control).

Client Business Development

Apart from participating in seminars and meetings organised in different cities around the world to promote listing in Hong Kong, the Listing in Hong Kong Bi-monthly Newsletter was introduced on the HKE_x website in 2014 to provide information about listing in Hong Kong.

Shanghai-Hong Kong Stock Connect

Shanghai-Hong Kong Stock Connect was launched on 17 November 2014. At launch, Hong Kong investors could trade 568 A shares listed on the SSE, and Mainland investors could trade 273 stocks listed on the Stock Exchange under the Stock Connect scheme. From the launch day to the end of December 2014, the average daily trading turnover (ie, the daily average of the buy trade value and sell trade value) of Northbound Trading and Southbound Trading was RMB5,584 million and HK\$929 million respectively. As at 31 December 2014, there were 97 China Connect Exchange Participants and 63 Trade-through Exchange Participants registered to participate in Northbound Trading, while there were 89 members of the SSE registered to participate in Southbound Trading. The total revenue and other income generated by the Stock Connect during 2014 was approximately \$68 million.

To increase public knowledge of the Stock Connect scheme, HKE_x participated in more than 240 investor education seminars held in and outside Hong Kong. Over 28,000 market participants, including institutional investors, retail investors and brokers, attended the events. Market participants who want updates on the scheme can read the Bi-weekly Investor Newsletter – Shanghai-Hong Kong Stock Connect on the HKE_x website.

HKE_x and the SSE have been exchanging free 1-price depth data from the eligible stocks for Northbound Trading and Southbound Trading to increase the visibility of real-time data. The Members and Participants of the two exchanges can use the data internally free of charge and provide the data to their trading clients. Other programmes such as free-trial services, volume discounts and enhanced Basic Market Price features have also been introduced to further improve the accessibility of real-time Hong Kong market data in the Mainland. HKE_x introduced short selling for eligible A shares on 2 March 2015 and will continue to introduce enhancements to facilitate Northbound Trading.

Mainland Development

As evidenced by, among other things, the launch of Stock Connect, the Mainland's capital market reform and opening up has accelerated. Against this backdrop, HKE_x has stepped up liaison and promotional efforts in the Mainland to explore new business opportunities.

Throughout the year, HKE_x continued to undertake market promotion activities all over the Mainland. Another new initiative, the “Institute-Connect” was also introduced for better reaching out to Mainland business partners including exchanges, market intermediaries, industry associations and government agencies. In its first year, the programme comprised more than 100 events in different Mainland cities that HKE_x organised or participated in to promote its businesses, including the Stock Connect scheme. HKE_x also arranged exchange and training programmes for officials from various Mainland authorities to foster an understanding of different markets and to pave the way for future cooperation opportunities.

ETF Market Development

In 2014, there were 12 ETFs newly listed on the Stock Exchange (2013: 16) and 6 ETFs delisted (2013: Nil). As at the end of 2014, HKEx had 122 listed ETFs (2013: 116), 26 ETF managers (2013: 24) and 34 ETF market makers (2013: 33), and 20 ETFs had RMB counters (2013: 14). The total turnover of ETFs of \$1,167.7 billion in 2014 was a record high (2013: \$903.1 billion), accounting for 7 per cent (2013: 6 per cent) of the total market turnover. The higher turnover of ETFs in the second half of 2014 was attributed to improved market sentiment towards A shares.

Underlying benchmark of ETFs newly listed in 2014	Number
Regional markets	3
A-share market	2
A-share sectors	2
Onshore RMB bonds	2
European market	1
Hong Kong sector	1
Investment grade bond	1

In the 2014-15 Budget, the Financial Secretary proposed waiving the stamp duty for the trading of all ETFs, to reduce the transaction costs of Hong Kong-listed ETFs, thus facilitating the development, management and trading of ETFs in Hong Kong. Following the passage of the Stamp Duty (Amendment) Bill 2014 on 4 February 2015 in the Legislative Council, a stamp duty waiver for all ETFs listed in Hong Kong took effect on 13 February 2015.

The HKEx website was awarded the 10th Annual ETF Global Awards – Most Informative ETF Website in Asia-Pacific by exchangetradedfunds.com and the Stock Exchange was awarded the Asia-Pacific Structured Products Awards 2014 – Best Exchange by StructuredRetailProducts.com.

Service Enhancement

The new Throttle-on-Demand Scheme became effective on 2 January 2015 enabling EPs to temporarily increase their system capacity for trading on the securities market in Hong Kong on a daily or monthly basis.

CESC

In July 2014, CESC launched the CES 280, which enlarged the aggregate market value of the Mainland stocks in its Cross Border Index Series from 50 per cent to 70 per cent. The CES 280 has a well-balanced mix of sectors, including industrial, financial and consumer discretionary, with no individual sector covering more than 20 per cent of the index.

CESC launched a new index series on the Stock Connect scheme on 15 December 2014. The series, comprising the CES SHSC300 and CES SCHK100, provides market participants with a benchmark to measure the performance of the stocks admitted under the scheme.

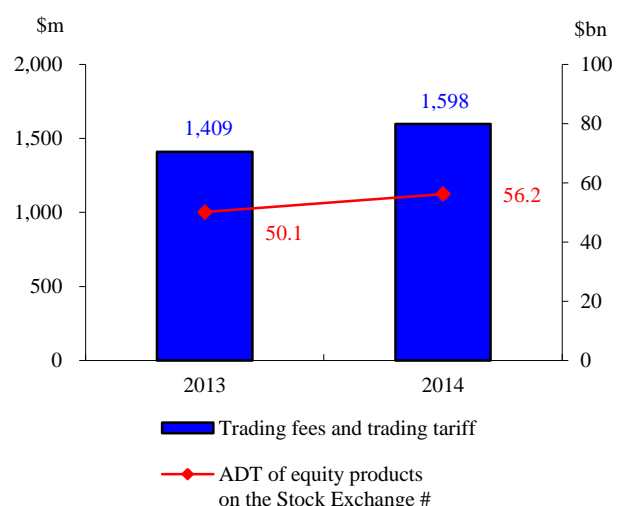
Mainland Market Data Hub in Shanghai

HKEx launched the MMDH in Shanghai in March 2014 to strengthen HKEx's Mainland connectivity and enable Mainland investors to access HKEx's market data through a reliable, scalable and cost-effective infrastructure. It offers securities market and index datafeed products and is the first significant technical infrastructure footprint in the Mainland. As at 31 December 2014, 5 IVs were connected to the MMDH.

Analysis of Results
Summary

	2014 \$m	2013 \$m	Change
Trading fees and trading tariff [#]	1,598	1,409	13%
Stock Exchange listing fees [#]	651	586	11%
Market data fees [#]	430	402	7%
Other revenue	82	58	41%
Total revenue	2,761	2,455	12%
Operating expenses	(461)	(447)	3%
EBITDA	2,300	2,008	15%
EBITDA margin	83%	82%	1%

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

Trading Fees and Trading Tariff


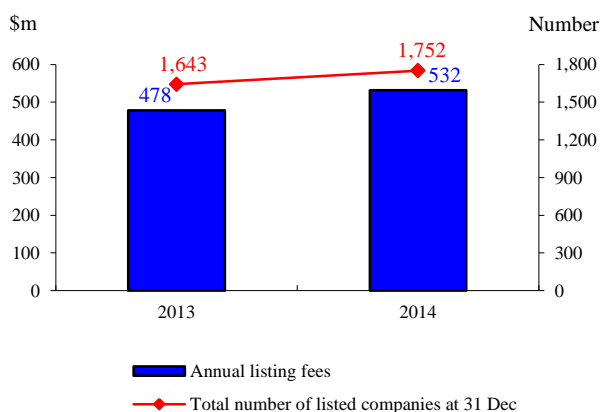
Trading fees and trading tariff rose by 13 per cent or \$189 million due to a rise in ADT of equity products by 12 per cent and a 1 per cent increase in the number of trading days.

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

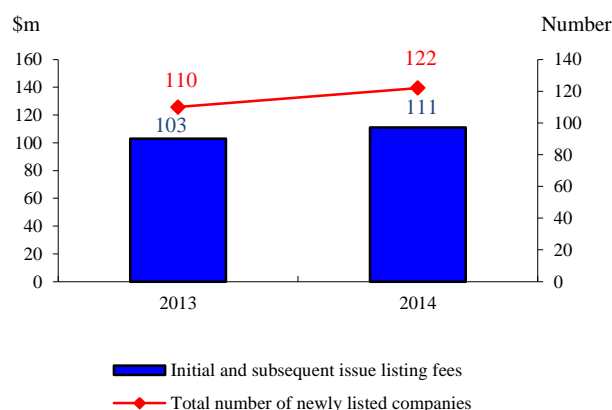
Stock Exchange Listing Fees

	2014 \$m	2013 \$m	Change
Annual listing fees	532	478	11%
Initial and subsequent issue listing fees	111	103	8%
Others	8	5	60%
Total	651	586	11%

Annual Listing Fees



Initial and Subsequent Issue Listing Fees



Annual listing fees increased with the rise in the total number of listed companies. The 11 per cent increase in annual listing fees was higher than the 7 per cent increase in the number of listed companies due to the full year impact of the annual listing fees of companies newly listed in 2013 as nearly 60 per cent of these companies were listed in the fourth quarter of 2013.

Initial and subsequent issue listing fees increased with the number of newly listed companies, but was partly offset by a lower number of lapsed and withdrawn IPO applications not listed within 6 months of application.

Market Data Fees

Market data fees increased by 7 per cent or \$28 million due to the full year effect of new datafeeds, following the launch of OMD in the second half of 2013, together with greater demand for non-display data services.

Other Revenue

Other revenue increased by 41 per cent or \$24 million arising from higher brokerage fees on direct IPO allotments.

EBITDA

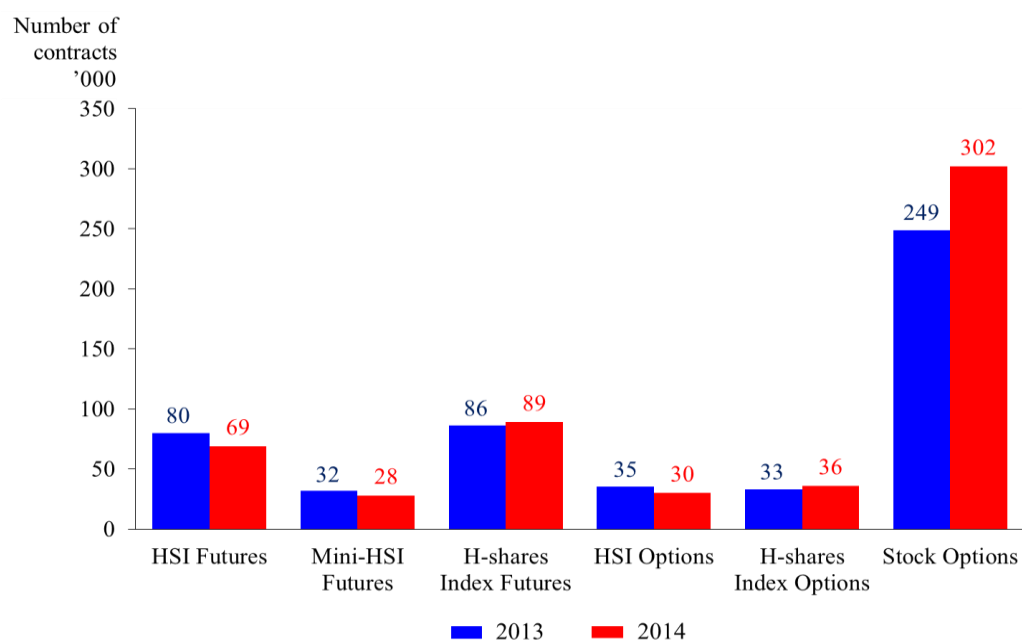
Operating expenses increased by 3 per cent or \$14 million mainly due to increased staff costs, on headcount increases for Stock Connect and other initiatives, which was partly offset by lower premises costs upon renewal of certain leases. Coupled with a 12 per cent increase in revenue and other income, EBITDA margin edged up by 1 per cent from 82 per cent to 83 per cent.

Equity and Financial Derivatives Segment
Key Market Indicators

	2014	2013	Change
ADT of DWs, CBBCs and warrants on the Stock Exchange (\$bn)	13.3	12.5	6%
Average daily number of derivatives contracts traded on the Futures Exchange	274,879	283,610	(3%)
Average daily number of stock options contracts traded on the Stock Exchange	301,797	249,295	21%
Number of newly listed DWs	7,560	7,264	4%
Number of newly listed CBBCs	9,983	8,948	12%

Business Update

It was a record year for the futures and options market in terms of total trading volume with 142,439,039 contracts (up 10 per cent from the previous year) and year-end total open interest of 7,960,406 contracts (up 28 per cent from the previous year). The growth in the H-shares Index products was also noteworthy in 2014 with total trading volume and year-end open interest increased by 10 per cent and 16 per cent respectively.

Average Daily Turnover of Major Derivatives

Record High Volume and Open Interest Achievements in 2014

	Volume		Open interest	
	Date	Number of contracts	Date	Number of contracts
H-shares Index Futures	—	—	24 Dec	335,684
Mini H-shares Index Futures	5 Dec	51,414	11 Dec	16,436
H-shares Index Options	5 Dec	115,258	29 Dec	1,560,676
CES 120 Futures	—	—	27 May	1,178
USD/CNH Futures	19 Mar	6,318	14 Feb	23,887
Flexible H-shares Index Options	—	—	29 Dec	40,290
Stock Options	5 Dec	865,463	29 Dec	10,319,511

Stock Options Market Development

The trading volume of Stock Options in 2014 increased 23 per cent from the previous year to 74,543,861 contracts and year-end open interest increased 33 per cent from the previous year to 6,320,147 contracts; both are record highs. At the end of December 2014, there were 80 stock option classes available for trading, including 10 new stock option classes introduced in 2014, 40 of which could be traded by Taiwan investors. 17 option classes were under the Primary Market Maker programme and accounted for 79 per cent of total stock options volume in 2014. A market maker protection function was introduced in January 2014 to enable market makers to provide more quotes and narrower spreads with lower simultaneous execution risk on selected stock option classes.

To increase investor interest, real-time stock option prices were made available on the HKEx Stock Options Mobile Apps from December 2014. In addition, 4 educational videos with market commentators were produced to increase investors' knowledge of stock options. The ETFs & Options Investment Expo 2014 and other stock options seminars held by HKEx in the year attracted over 6,500 participants.

RMB Currency Futures Market Development

The trading volume of USD/CNH Futures in 2014 increased 48 per cent from the previous year to 205,049 contracts. HKEx has continued to promote the USD/CNH Futures to increase investor awareness in Hong Kong and other parts of Asia in particular in the Mainland and Singapore. Other than including USD/CNH Futures in the AHFT, an additional calendar quarter month, more calendar spreads and 2 new market makers were introduced for USD/CNH Futures in 2014. In January 2015, HKEx introduced an Active Trader Programme and a Spread Enhancement Programme to further develop the market.

FIC Development

On 22 May 2014, HKEx hosted its first RMB FIC Conference to create an industry-wide forum to explore regulatory and business issues with a representative cross section of the FIC community. Given the overwhelming support, the second RMB FIC Conference will be held in June 2015. To further extend our community outreach, HKEx joined as an institutional member of the Treasury Markets Association (TMA) which is an industry group that promotes cooperation and synergy among market practitioners with a view to enhancing professionalism and the overall competitiveness of the treasury markets in Hong Kong. Through TMA, HKEx has convened an industry working group under the Market Development Committee to review specific new products for introduction in 2015.

Service Enhancement and Other Product Development

On 6 January 2014, HKEx began offering after-hours trading of Mini-HSI Futures and Mini H-shares Index Futures and extended the block trade facility to the AHFT session. On 7 April 2014, USD/CNH Futures were also included in the AHFT session. Since 3 November 2014, the close of AHFT of stock index futures and USD/CNH Futures has been extended from 11:00 pm to 11:45 pm, thus allowing an overlap with the trading hours in the US for at least one hour and 15 minutes on each trading day. On 1 December 2014, the 3 London Metal Mini Futures were included in the AHFT from 5:00 pm to 1:00 am of the following day. AHFT volume was 6 per cent of the volume of the day session in 2014.

HKE_x enhanced its Derivatives Market data promotion programme in 2014 to include Asia Commodities products and cover Australia, India and other Asia-Pacific countries. As of the end of December 2014, 42 IVs had enrolled in the programme.

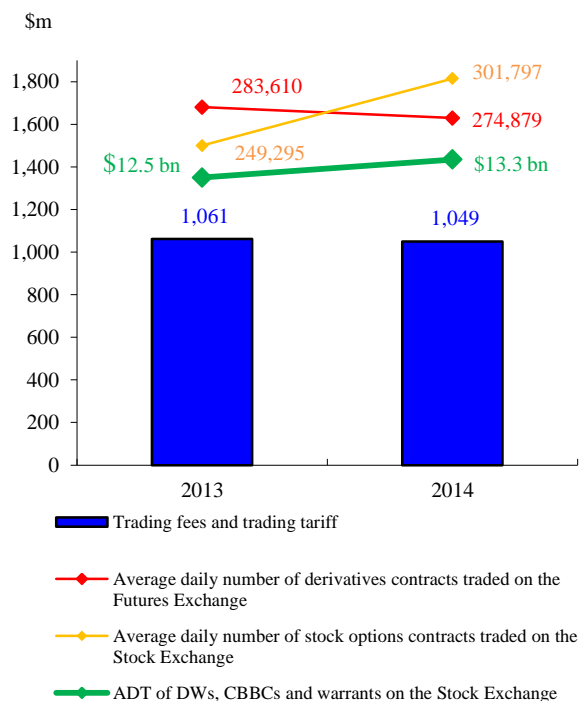
CES 120 Futures was awarded the Most Innovative New Contract Launch by an Exchange – Equities and Equity Indexes by FOW, a leading news and data provider for the derivatives industry, in 2014.

Analysis of Results

Summary

	2014 \$m	2013 \$m	Change
Trading fees and trading tariff	1,049	1,061	(1%)
Stock Exchange listing fees	451	430	5%
Market data fees	163	160	2%
Other revenue	3	11	(73%)
Total revenue	1,666	1,662	0%
Operating expenses	(400)	(422)	(5%)
EBITDA	1,266	1,240	2%
EBITDA margin	76%	75%	1%

Trading Fees and Trading Tariff



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

Trading fees and trading tariff decreased by 1 per cent or \$12 million due to a drop in the average daily number of derivatives contracts traded on the Futures Exchange, and a higher proportion of trades being lower fee H-shares Index products. The decrease was partially offset by higher ADT of DWs, CBBCs and warrants, higher average daily number of stock options contracts traded and a 1 per cent increase in the number of trading days.

Stock Exchange Listing Fees

Stock Exchange listing fees are mainly derived from initial and subsequent issue listing fees of DWs and CBBCs. The increase in fees by 5 per cent or \$21 million was due to higher numbers of newly listed DWs and CBBCs.

EBITDA

Operating expenses decreased by 5 per cent or \$22 million mainly due to lower premises costs upon renewal of certain leases, and the redeployment of additional staff to strategic capital projects. As a result, EBITDA margin increased by 1 per cent to 76 per cent.

Commodities Segment

Key Market Indicators

	2014	2013	Change
Average daily volume of metals contracts traded on the LME (lots)	700,204	676,283	4%

Business Update

LME

The total futures MOI at the end of the year was 2,268,769 lots, a 12 per cent decrease from the MOI reported at the end of 2013. However, futures MOI achieved record high in 2014 at 2,621,235 lots. Excluding minor contracts, nickel experienced the strongest growth, with MOI 10 per cent above the level reported at the end of last year. The MOI of the other 5 main metals were down by between 7 and 21 per cent. In the 12 months ended 31 December 2014, an average of 143,605 lots per day traded across LMEselect, down 3 per cent year-on-year.

Products	Average daily volume year-on-year increase
Aluminium	3%
NASAAC	36%
Nickel	39%
Tin	2%
Zinc	2%

During 2014, various initiatives were completed as scheduled. These included: (i) the launch of LMestage, a real-time synthetic test environment for Members and their clients; (ii) the insourcing of IT to improve the delivery of strategic initiatives; (iii) maintaining and further investment in the Ring; (iv) the announcement of the launch of LMEnet, a dedicated network that provides market participants a fast, reliable and secure connection to the LME and LME Clear electronic systems; (v) the launch of LMEbullion, a custom-built electronic solution that replaced the previous pricing mechanism to provide reference prices for the platinum and palladium markets; and (vi) the introduction of new transaction fees on 1 January 2015.

In addition, the LME continued with its proposed reforms of the warehousing network. These included the appointment of a Physical Market Committee, the publication of the LME's first Commitments of Traders Report and the implementation of the linked load-in/load-out rule with effect from 1 February 2015. Further information is available on the LME website. The LME is also continuing the development of a premium futures contract for the aluminium industry.

Information about the litigation related to the metals warehousing industry is set out on pages 36 to 37 under Contingent Liabilities.

Introduction of First Asia Commodities Contracts

On 1 December 2014, the London Metal Mini Futures commenced trading on the Futures Exchange. The London Metal Mini Futures are monthly cash-settled futures contracts tradable in RMB from 9:00 am to 4:15 pm and 5:00 pm to 1:00 am the next morning Hong Kong time on weekdays, excluding the public holidays on HKEx's trading calendar. Pre-holiday arrangements are the same as those for other contracts traded on the Futures Exchange.

A HKFE/LME Reciprocal Membership Arrangement has been introduced for the period between 17 November 2014 and 31 December 2015 to broaden access to and provide liquidity for the London Metal Mini Futures and to encourage the Futures Exchange's Participants to become LME Members. Under this reciprocal arrangement, the LME and HKFE will waive their respective first year's annual subscription and application processing fees for existing HKFE Participants/LME Members or their affiliates.

Promotional Activities

The LME further expanded its global franchise by including new Members from Asia and the first Aluminium Committee Member from the Middle East. To increase market participants' knowledge of its commodities products and the LME's business, the LME has continued its dialogue with the global metals community, organised and participated in metal-related seminars held in Hong Kong and other major cities, and increased its presence at high profile industry events such as the CESCO Week held in Chile and the FIA Expo in Chicago. The LME also continued to hold its LME Week Asia in Hong Kong. The event in April 2014 saw a 50 per cent increase in the number of participants compared with the event held in the previous year. The 2015 LME Week Asia will be held in Hong Kong on 20 May 2015. More details are available on the HKEx Group website.

Since July 2014, HKEx has strengthened cooperation with 8 Hong Kong professional associations and conducted training on commodities products for about 900 participants.

Analysis of Results**Summary**

	2014 \$m	2013 \$m	Change
Trading fees and trading tariff	928	861	8%
Market data fees	176	175	1%
Other revenue	170	174	(2%)
Total revenue	1,274	1,210	5%
Operating expenses	(568)	(514)	11%
EBITDA	706	696	1%
EBITDA margin	55%	58%	(3%)

Trading Fees and Trading Tariff

Trading fees and trading tariff rose by 8 per cent or \$67 million as a result of a 4 per cent increase in average daily volume of metals contracts traded on the LME and the effect of appreciation of GBP over 2013 on the GBP income stream.

EBITDA

Operating expenses rose by 11 per cent or \$54 million. The increase was attributable to higher headcount due to infrastructure and commercialisation initiatives of the LME, increased expenditure on promoting the newly launched Asia commodities contracts, and the legal fees incurred in respect of the class action lawsuits in the US and a judicial review claim filed in the UK of \$43 million (2013: \$15 million). The increase was partly offset by lower IT costs of the LME due to insourcing of a previously outsourced IT team. As revenue only rose by 5 per cent or \$64 million, EBITDA rose by 1 per cent to \$706 million. However, as the percentage increase in operating expenses is higher than that of revenue, EBITDA margin declined from 58 per cent in 2013 to 55 per cent in 2014.

Clearing Segment

Business Update

Regulatory Review

The 4 clearing houses in Hong Kong have each submitted an application to the ESMA as a third country CCP, and all of them received a Notification of Completeness in the last quarter of 2014. In January 2015, the SFC and the ESMA entered into an MOU on cooperation arrangements in connection with the CCPs established in Hong Kong which have applied for the ESMA's recognition. The establishment of cooperation arrangements fulfilled a pre-condition for the recognition of these CCPs by the ESMA under the EMIR.

In response to the Financial Sector Assessment Program's Technical Note on Oversight and Supervision of Financial Market Infrastructures published in July 2014 by the International Monetary Fund, each of the Hong Kong clearing houses has published its PFMI disclosure document on the HKEx website. Moreover, HKSCC, HKCC and SEOCH discontinued accepting bank guarantees as an approved type of collateral for any purpose with effect from 1 September 2014.

HKSCC, HKCC, SEOCH and OTC Clear each registered with the US Internal Revenue Service as a "Reporting Financial Institution under a Model 2 Intergovernmental Agreement" in June 2014, and the relevant amended rules and procedures became effective July 2014. On 13 November 2014, the Government signed an inter-governmental agreement with the US Government to facilitate compliance with the FATCA by Hong Kong's financial institutions.

Cash Clearing

HKSCC's depository counter and the CCASS back-up centre were relocated from Infinitus Plaza to Exchange Square in November 2014.

The Securities and Futures and Companies Legislation (Uncertificated Securities Market Amendment) Bill 2014 was gazetted and submitted to the Legislative Council in June 2014. The first reading of the Bill was completed in January 2015. As a member of the Uncertificated Securities Market Working Group, HKEx continues to work with the SFC and other stakeholders to finalise details of the operational model, including the fee model, and to prepare for the relevant subsidiary legislation for the launch of an uncertificated securities market regime in Hong Kong.

Since the launch of the Stock Connect, securities and money settlement as well as nominee services have been smoothly conducted for Northbound and Southbound trades. To further facilitate institutional investors' participation, HKSCC is enhancing its clearing infrastructure through the development of an alternative Pre-trade Checking mechanism. It also aims to provide delivery versus payment service on Settlement Instructions. These enhancements will tentatively be launched in March 2015.

Derivatives Clearing

On 3 November 2014, the cut-off time for system input after the AHFT session (T+1 Session Cutoff Time) for stock index futures and RMB Currency Futures was extended from 11:45 pm on the calendar day to 12:30 am on the next calendar day. In addition, HKCC extended its services to support the clearing of the London Metal Mini Futures effective 1 December 2014.

OTC Clear

OTC Clear obtained no-action relief from the US CFTC in May 2014 that allows it to offer clearing services to US persons for their proprietary transactions on an interim basis until December 2015. As a long-term measure, OTC Clear intends to apply to the CFTC for exempt derivative clearing organisation status by June 2015. Furthermore, OTC Clear will start admitting Hong Kong branches of PRC-incorporated banks as Clearing Members once the relevant rule amendments are approved by the SFC in early 2015. In addition to inter-dealer clearing, subject to the SFC's approval, OTC Clear plans to introduce client clearing services and accept non-cash collateral in the first half of 2015. Regarding clearable OTC products, OTC Clear has commenced the development work for the clearing of cross currency swaps and aims to introduce the service by the end of 2015.

LME Clear

In February 2014, LMEwire, a trade repository reporting service, was introduced for LME Members and their clients. LME Clear, the new clearing house for the LME market, was launched on 22 September 2014. All 43 LME Clearing Members transferred in a total of over 2.2 million positions, representing 100 per cent of the open interest for the LME market. Since its launch, LME Clear provided an immediate incremental revenue stream for the Group, and it will be a major contributor to the Group's results in 2015. Further details on LME Clear, including LMEwire, are available on the LME website.

Analysis of Results

Revenue and Other Income

	2014 \$m	2013 \$m	Change
Trading fees and trading tariff – allocated from Equity and Financial Derivatives segment	185	178	4%
Clearing and settlement fees	1,998	1,631	23%
Depository, custody and nominee services fees	725	629	15%
Other revenue and sundry income	63	25	152%
	2,971	2,463	21%
Net investment income	532	393	35%
Total revenue and other income	3,503	2,856	23%
Operating expenses	(586)	(563)	4%
EBITDA	2,917	2,293	27%
EBITDA margin	83%	80%	3%

Trading Fees and Trading Tariff

Trading fees and trading tariff allocated from Equity and Financial Derivatives segment increased due to the higher number of stock options contracts traded but partly offset by a drop in the number of derivatives contracts traded on the Futures Exchange (see Equity and Financial Derivatives Segment commentary above).

Clearing and Settlement Fees

Clearing and settlement fees rose with the increase in ADT on the Stock Exchange, a 1 per cent increase in the number of trading days, and a reduction in average transaction size that has led to more clearing transactions being subject to the minimum fee. LME Clear also generated \$187 million of clearing fees after its launch in September 2014.

Depository, Custody and Nominee Services Fees

Depository, custody and nominee services fees rose by 15 per cent or \$96 million due to higher scrip fees, stock withdrawal fees, corporate action fees, dividend collection fees and electronic IPO services fees.

Other Revenue and Sundry Income

Other revenue increased mainly due to accommodation income received from LME Clear Participants on their cash collateral lodged with LME Clear as the investment return earned on this collateral was below the benchmarked investment return stipulated in the clearing rules of LME Clear.

Net Investment Income

The analysis of net investment income is as follows:

	2014			2013		
	Average fund size \$bn	Net Investment income \$m	Net investment return %	Average fund size \$bn	Net investment income \$m	Net investment return %
Margin Funds ^{^*}	67.5	510	0.75%	42.6	375	0.88%
Clearing House Funds ^{^#}	5.6	22	0.40%	3.8	18	0.46%
Total	73.1	532	0.73%	46.4	393	0.85%

[^] Including funds received from Participants of LME Clear from 22 September 2014

^{*} Including Mainland security and settlement deposits received from Participants in respect of trading of A shares on the SSE through the Stock Connect from 17 November 2014

[#] In April 2014, \$156 million of Corporate Funds previously earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear was segregated into designated bank accounts and separately managed. Accordingly, this amount and its related investment income totalling \$157 million is now disclosed under Clearing House Funds instead of Corporate Funds.

The increase in the average fund size of the Margin Funds during the year was due to significant amounts of collateral collected from LME Clear Participants since the launch of LME Clear on 22 September 2014, which has increased the overall average for the year.

The increase in the average fund size of the Clearing House Funds was also due to contributions from LME Clear Participants.

The higher net investment income on the Margin Funds in 2014 was mainly attributable to a rise in interest income from higher bank deposit rates in Hong Kong and from the increase in margin deposits from LME Clear Participants. Net investment return dropped as LME Clear's Margin Funds are only allowed to be invested in overnight investments, which have very low investment yields.

EBITDA

Operating expenses increased by 4 per cent due to increased operating costs after the launch of LME Clear. The increase was partly offset by recoveries and receivables of \$77 million from LBSA's liquidators. Due to the 23 per cent increase in revenue and other income, EBITDA of the segment rose by 27 per cent to \$2,917 million, and the EBITDA margin increased from 80 per cent in 2013 to 83 per cent in 2014.

Platform and Infrastructure Segment

Business Update

In 2014, all HKE_x market systems continued to demonstrate high system reliability in serving their users and HKE_x completed a number of important new system initiatives.

The China Stock Connect System and China Stock Connect Open Gateway were developed to support Northbound Trading, Mainland market data distribution and trading quota control under the Stock Connect. There was also an enhancement to CCASS to support Northbound clearing and settlement.

HKE_x launched OCG in the Cash Market in June 2014, a new centralised access point that enables EPs to connect their order management systems to HKE_x's securities trading system. The OCG benefits EPs by reducing infrastructure costs, introducing new services such as “drop copy”, and adopting industry messaging standards.

HKE_x commenced the rollout of NSTD in November 2014. NSTD is the new generation trading front-end provided by a third-party vendor to replace the legacy MWS and the on-floor and off-floor AMS Terminals. In addition to the existing terminal trading functions, NSTD gives EPs more advanced features. Migration of MWS and AMS Terminals to NSTD will be completed in the first and second half of 2015 respectively.

The OMD-D was launched in December 2014. It allows HKE_x to offer streaming real-time Premium and FullTick products to its Derivatives Market users. The launch of the OMD-D marked the completion of the OMD initiative, which was aimed at standardising the market data systems across the Cash Market and the Derivatives Market and enabling direct distribution of HKE_x market data to Mainland IVs through the MMDH.

The number of EPs subscribing for HKE_x Hosting Services continues to grow progressively. At the end of 2014, 90 EPs were using the service. EPs that had subscribed for Hosting Services generated, in aggregate, approximately 32 per cent of the Cash Market turnover and about 46 per cent of the trading volume of the Derivatives Market last year.

HKE_x's Genium INET platform upgrade of the Derivatives Market's trading and clearing systems and the LME's real-time testing platform were both awarded the Best Technology Innovation by an Exchange by FOW in 2014.

Analysis of Results
Summary

	2014 \$m	2013 \$m	Change
Network, terminal user, dataline and software sub-license fees	356	262	36%
Hosting services fees	98	75	31%
Others	11	10	10%
Total revenue	465	347	34%
Operating expenses	(152)	(137)	11%
EBITDA	313	210	49%
EBITDA margin	67%	61%	6%

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

Network, terminal user, dataline and software sub-license fees rose by 36 per cent or \$94 million. This arose from an increase in sales of throttles (partly related to one-off purchases by Participants to prepare for the launch of the Stock Connect), Cash Market trading system line rental income due to the launch of OCG and Derivatives Market trading system sub-license fee income due to the roll-out of the Genium system.

Hosting Services Fees

Hosting Services fees increased by 31 per cent or \$23 million due to the increased number of racks taken up by customers.

EBITDA

Operating expenses increased by 11 per cent or \$15 million due to higher operating costs of Hosting Services and increased IT costs consumed by Participants. As the percentage increase in revenue was higher than that of operating expenses, EBITDA margin increased from 61 per cent to 67 per cent.

Corporate Items

“Corporate Items” is not a business segment but comprises central income (mainly net investment income of the Corporate Funds) and central costs (mainly costs 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

	2014 \$m	2013 \$m	Change
Net investment income	175	188	(7%)
Others	5	5	0%
Total	180	193	(7%)

Net Investment Income

The analysis of net investment income is as follows:

	2014			2013		
	Average fund size \$bn	Net investment income \$m	Net investment return %	Average fund size \$bn	Net investment income \$m	Net investment return %
Corporate Funds	10.9	175	1.62%	9.4	188	2.00%

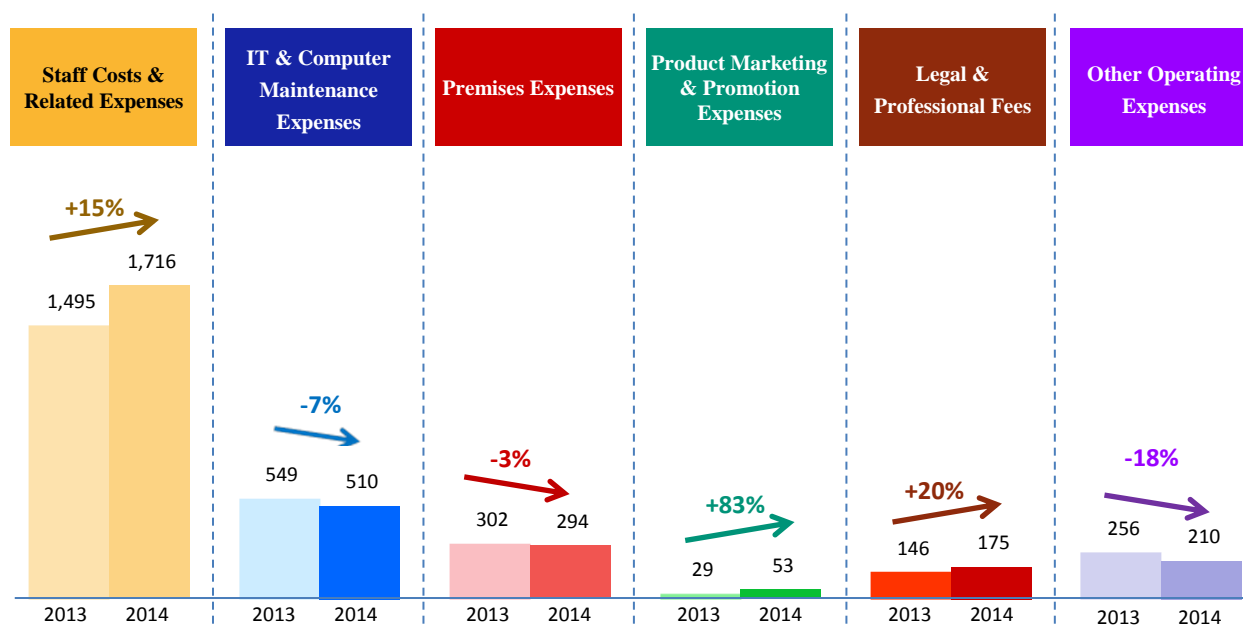
The average fund size of the Corporate Funds increased mainly due to profits retained from prior periods and the increase in profit during 2014.

Included in net investment income was a \$23 million of fair value gain on the LME's investment in shares of LCH.Clearnet Group Limited (2013: \$108 million of gain from the sale of part of the holding). Excluding these non-recurring fair value gains, net investment income of the Corporate Funds in 2014 increased by \$72 million principally due to higher fair value gains on investments and a rise in interest income from higher bank deposit rates in 2014.

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

Expenses, Other Costs and Taxation

Operating Expenses



Staff costs and related expenses increased by \$221 million or 15 per cent mainly due to annual pay adjustments together with increased headcount attributable to the insourcing of the LME's IT staff from a previously outsourced IT team, the launch of the Stock Connect, infrastructure and commercialisation initiatives of the LME Group, and the launch of LME Clear.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by the Participants of \$81 million (2013: \$75 million), was \$429 million (2013: \$474 million). The decrease was mainly attributable to lower IT costs of the LME Group due to the insourcing of a previously outsourced IT team, but was partly offset by higher maintenance costs for Genium and OTC Clear.

Premises expenses decreased by \$8 million or 3 per cent due to lower rental costs on renewal of certain leases and lower utility consumption.

Product marketing and promotion expenses rose by \$24 million or 83 per cent due to increased promotional activities relating to the launch of the Stock Connect and Asia Commodities products.

Legal and professional fees rose by \$29 million or 20 per cent, mainly related to legal fees incurred in respect of US class action lawsuits and a judicial review claim filed in the UK of \$43 million (2013: \$15 million).

Other operating expenses decreased by \$46 million or 18 per cent due to recoveries and receivables of \$77 million from LBSA's liquidators partly offset by higher maintenance and operating costs of the Hong Kong data centre at Tseung Kwan O, the final phase of which was completed in December 2013.

Depreciation and Amortisation

	2014 \$m	2013 \$m	Change
Depreciation and amortisation	647	507	28%

Depreciation and amortisation increased by \$140 million or 28 per cent mainly due to higher depreciation of the Hong Kong data centre at Tseung Kwan O, following completion of the final phase of construction in December 2013, as well as the roll-out of various new technology systems and upgrades in Hong Kong and the UK most notably, LME Clear.

Finance Costs

	2014 \$m	2013 \$m	Change
Finance costs	196	183	7%

The increase in finance costs was mainly attributable to the full-year impact of the interest of the financial liability relating to the put options written to non-voting shareholders of OTC Clear in October 2013 and the refinancing in December 2013 and January 2014 of a portion of the floating rate bank borrowings with fixed rate notes that bear slightly higher interest. The refinancing was undertaken to lock in part of the interest expenses of the Group at relatively low fixed rates as interest rates are expected to rise in future.

Taxation

	2014 \$m	2013 \$m	Change
Taxation	900	700	29%

Taxation increased mainly due to higher profit before taxation and a one-off deferred tax credit of \$108 million in 2013 arising from a reduction of the Corporation Tax rate in the UK.

FINANCIAL REVIEW

Changes to Key Items in Consolidated Statement of Financial Position

(A) Financial Assets and Financial Liabilities

Impact of the launch of LME Clear

LME Clear was launched on 22 September 2014 and acts as a CCP to the metals contracts traded on the LME. As part of its risk management measures, LME Clear collects cash margins and cash contributions to the LME Clear Default Fund from its Participants. These are included in the Group's consolidated statement of financial position as Margin Funds and Clearing House Funds and together total \$75,072 million. In addition, derivative financial assets and derivative financial liabilities, where LME Clear acts as a counterparty to members' trades and the positions do not qualify for netting under accounting standards, are recorded on the consolidated statement of financial position at the fair value of the outstanding contracts. These amounted to \$59,679 million at 31 December 2014 (31 December 2013: \$Nil). As a result, the Group's total assets and total liabilities have increased by \$135 billion.

Financial assets and financial liabilities by funds

Details of the Group's financial assets and financial liabilities are set out below.

	At 31 Dec 2014 \$m	At 31 Dec 2013 \$m	Change
Financial assets			
Cash and cash equivalents	136,778	41,452	230%
Financial assets measured at fair value through profit or loss	62,686	3,902	1,507%
Financial assets measured at amortised cost	10,256	9,046	13%
Total	209,720	54,400	286%

The Group's financial assets comprised financial assets of the Corporate Funds, Margin Funds, Clearing House Funds, base metals derivatives contracts and cash prepayments for A shares traded under the Stock Connect. The amounts attributable to the respective categories were as follows:

	At 31 Dec 2014 \$m	At 31 Dec 2013 \$m	Change
Corporate Funds [^]	10,264	10,142	1%
Margin Funds [*]	128,869	39,787	224%
Clearing House Funds [^]	10,289	4,471	130%
Base metals derivatives contracts	59,679	–	N/A
Cash prepayments for A shares	619	–	N/A
Total	209,720	54,400	286%

[^] At 31 December 2013, \$156 million of the Group's Corporate Funds was earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear. This was subsequently transferred to separately designated and managed accounts, amounted to \$157 million at 31 December 2014, and is included in Clearing House Funds for presentation purposes.

^{*} Excluding margin receivable from CPs and Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear of \$615 million (31 December 2013: \$6 million)

	At 31 Dec 2014 \$m	At 31 Dec 2013 \$m	Change
Financial liabilities			
Base metals derivatives contracts	59,679	–	N/A
Other financial liabilities at fair value through profit or loss	1	6	(83%)
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	129,484	39,793	225%
Participants' contributions to Clearing House Funds	9,426	3,884	143%
Total	198,590	43,683	355%

The increase in financial assets of Margin Funds and the increased margin deposits, Mainland security and settlement deposits, and cash collateral from CPs at 31 December 2014 against those at 31 December 2013 was mainly due to the launch of LME Clear where \$70,646 million of Margin Funds were received from LME Clear Participants at 31 December 2014.

The increase in financial assets of Clearing House Funds and the increased Participants' contributions to Clearing House Funds at 31 December 2014 against those at 31 December 2013 was mainly due to the launch of LME Clear where \$4,426 million of contributions to Clearing House Funds were received from its Participants at 31 December 2014.

Base metals derivative financial assets and derivative financial liabilities of \$59,679 million represent the fair value of outstanding contracts traded through LME Clear that do not qualify for netting treatment under relevant accounting standards, where LME Clear is acting in its capacity as a CCP to the metals contracts traded on the LME.

Corporate Funds at 31 December 2014 increased by 1 per cent or \$122 million as compared to those at 31 December 2013 as cash generated from profits during 2014 was partly offset by the payment of a previously accrued \$1.3 billion liability to LBSA's liquidators, relating to dividends withheld from LBSA's clients, together with the 2013 final and 2014 interim dividends.

(B) Fixed Assets, Intangible Assets and Capital Commitments

The total net book value of the Group's fixed assets and intangible assets decreased to \$19,504 million at 31 December 2014 from \$20,433 million at 31 December 2013. The drop was due to exchange losses of \$794 million, arising from the effect of the depreciation of GBP against HKD on the Group's investment in overseas subsidiaries, together with the net effect of depreciation and amortisation of \$647 million and additions of \$512 million. The additions mainly related to the development and upgrade of various trading and clearing systems including a commodities clearing system, a Central Gateway for Cash Market trading, a new market data platform for derivatives, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong.

The Group's capital expenditure commitments at 31 December 2014, including those authorised by the Board but not yet contracted for, amounted to \$574 million (31 December 2013: \$878 million) and were mainly related to the development and enhancement of IT systems including a market surveillance system, a clearing system for

OTC derivatives, a Central Gateway for Cash Market trading, trading and clearing systems for the Stock Connect and a corporate Enterprise Resource Planning system. The Group has adequate resources to fund its capital expenditure commitments.

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

To support its future development needs and product expansion plan, a subsidiary, OTC Clear, will raise additional capital in 2015 by issuing 1,680 new shares at \$210,000 per share (the Pre-emption Shares), comprising initially 1,260 ordinary shares to be issued to HKEx and 420 non-voting ordinary shares to be issued to external shareholders.

In October 2014, the Board approved the subscription for the 1,260 ordinary shares being its pro rata entitlement in OTC Clear at a consideration of \$265 million in the first quarter of 2015. It has also approved the take up of any Pre-emption Shares not subscribed by the external shareholders in the second quarter of 2015, at a maximum consideration of \$88 million.

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

(D) Accounts Receivable, Prepayments and Deposits and Accounts Payable, Accruals and Other Liabilities

	At 31 Dec 2014 \$m	At 31 Dec 2013 \$m	Change
CNS money obligations receivable	20,410	9,867	107%
Settlement Reserve Fund and Settlement Guarantee			
Fund held by ChinaClear	611	–	N/A
Other receivables from Participants	831	609	36%
Other accounts receivable, prepayments and deposits	753	628	20%
Less: provision for impairment losses of receivables	(82)	(158)	(48%)
Total accounts receivable, prepayments and deposits	22,523	10,946	106%
CNS money obligations payable	21,029	9,867	113%
Other payables to Participants	508	1,644	(69%)
Stamp duty payable to the Collector of Stamp Revenue	338	231	46%
Other accounts payable, accruals and other liabilities	974	1,092	(11%)
Total accounts payable, accruals and other liabilities	22,849	12,834	78%

The Group's accounts receivable, prepayments and deposits and accounts payable, accruals and other liabilities at 31 December 2014 mainly comprised CNS money obligations receivable and payable and other receivables from and payables to EPs and CPs. Following the launch of Stock Connect, certain security deposits have been placed by HKSCC with ChinaClear to satisfy its obligations as a CP of ChinaClear.

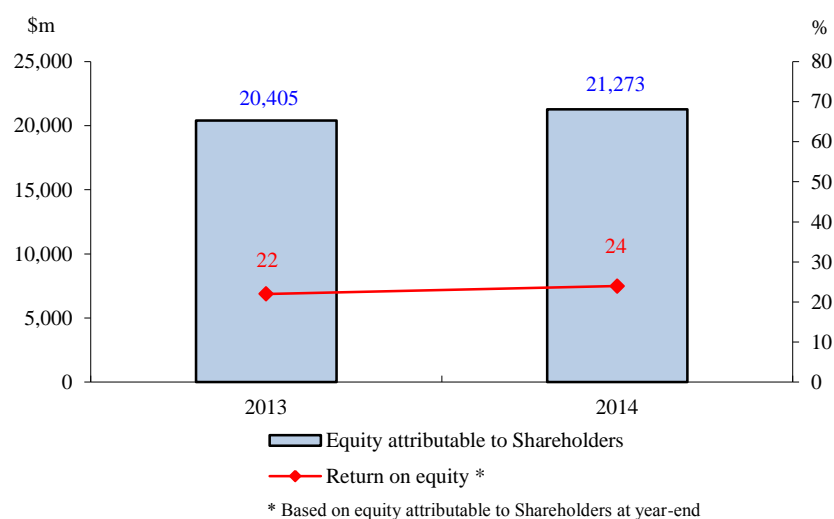
The increase in CNS money obligations receivable and payable was mainly due to higher market turnover of the Stock Exchange at the end of December 2014.

Other payables to Participants dropped due to the payment of \$1.3 billion to LBSA's liquidators relating to dividends withheld from LBSA's clients.

(E) Equity attributable to Shareholders and Return on Equity

Equity attributable to Shareholders increased to \$21,273 million at 31 December 2014 from \$20,405 million at 31 December 2013 mainly due to \$874 million of shares issued in lieu of cash dividends, and a \$1,057 million increase in retained earnings (before transfers to designated reserves which also form part of shareholders' equity), but partly offset by a decrease in the exchange reserve of \$815 million, and the purchase of shares for Share Award Scheme of \$405 million.

Equity attributable to Shareholders and Return on Equity



Return on equity rose by 2 per cent due to the increase of profit attributable to shareholders in 2014.

Liquidity, Financial Resources and Gearing

Working capital rose by \$2,016 million to \$9,624 million at 31 December 2014 (31 December 2013: \$7,608 million). The increase was mainly due to profit attributable to shareholders of \$5,165 million, which was partly offset by the 2013 final dividend and 2014 interim dividend, net of scrip dividend, of \$3,255 million.

At 31 December 2014, the Group had floating rate borrowings of \$1,585 million from a bank (31 December 2013: \$2,326 million) that will mature within 7 years (31 December 2013: 9 years), 2 fixed rate notes issued totalling \$1,515 million (31 December 2013: \$770 million) with an average annual coupon of 2.8 per cent that will mature in 2018 and 2019, and \$3,701 million from convertible bonds (31 December 2013: \$3,607 million) with an annual coupon of 0.5 per cent that will mature in 2017. All of these debts are denominated in USD and were used to fund part of the consideration for the acquisition of the LME Group. The Group also had a financial liability of \$225 million (31 December 2013: \$218 million) in relation to a put option granted to the non-controlling interests.

At 31 December 2014, the Group had a net gearing ratio (ie, net debt divided by adjusted capital) of zero per cent (31 December 2013: 2 per cent). For this purpose, net debt is defined as total borrowings less cash and cash equivalents of Corporate Funds (and will be zero when the amount of cash and cash equivalents of Corporate Funds is higher than total borrowings), and adjusted capital as all components of equity attributable to Shareholders other than designated reserves.

Apart from the borrowings used to fund the acquisition of the LME Group, banking facilities have been put in place for contingency purposes. In 2014, the Group secured additional committed facilities, bringing the total committed banking facilities for its daily operations at 31 December 2014 to \$10,000 million (31 December 2013: \$8,000 million). Together with \$7,000 million of repurchase facilities (31 December 2013: \$7,000 million), the Group's total available banking facilities for its daily operations at 31 December 2014 amounted to \$17,012 million (31 December 2013: \$15,012 million).

The Group also put in place foreign exchange facilities for the RMB Equity Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 31 December 2014, the total amount of the facilities was RMB17,000 million (31 December 2013: RMB17,000 million). In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million for settling payment obligations to ChinaClear at times when there are events that disrupt normal settlement arrangements, eg, natural disasters or extreme weather conditions in Hong Kong.

At 31 December 2014, 93 per cent (31 December 2013: 94 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances, time deposits, reverse repurchase investments and government bonds within 3 months of maturity when acquired) were denominated in HKD or USD.

Charges on Assets

One of the Group's subsidiaries, LME Clear, receives debt securities as non-cash collateral for margins posted by its CPs. It also holds debt securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$10,251 million (HK\$79,495 million) at 31 December 2014 (31 December 2013: HK\$Nil).

This non-cash collateral, which was not recorded on the consolidated statement of financial position of the Group at 31 December 2014, together with certain short-term government bonds accounted for as cash and cash equivalents amounting to US\$590 million (HK\$4,575 million) at 31 December 2014 (31 December 2013: HK\$Nil), 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 floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

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 and foreign currency bank deposits have been used to hedge the currency exposure of the Group's non-HKD securities and liabilities to mitigate risks arising from fluctuations in exchange rates.

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

The functional currencies of LME and LME Clear were previously GBP as the primary economic environment in which the companies operate are in the UK. The LME Group was exposed to foreign exchange risk arising from operating activities and investments denominated in foreign currencies (mainly USD and EUR). Its risk management policy in the normal course of events was to convert non-GBP currencies into GBP as soon as deemed appropriate. However, some were held to hedge other GBP/USD exposures within the Group. Forward foreign exchange contracts were also be used to hedge the currency exposure resulting from its USD revenue against GBP.

In 2014, as a result of the revised trading tariff announced by LME where the majority of LME income will be denominated in USD, the functional currency of LME has changed from GBP to USD. LME Clear has also changed its functional currency from GBP to USD as, since its launch in September 2014, it has charged clearing fees in USD. After the change in functional currencies of the two entities, the LME Group is exposed to foreign currency risk arising from expenditure (predominantly in GBP) and investments and bank deposits denominated in foreign currencies (mainly GBP and EUR). Its risk management policy is to forecast and monitor the amount of future GBP payments and to retain some GBP bank deposits or convert from USD to GBP as soon as deemed appropriate. Forward foreign exchange contracts may also be used to hedge the currency exposure resulting from its USD revenue against GBP payments.

For LME Clear, investments of Margin Funds will generally take place in the currency in which cash was received.

The remaining aggregate net open foreign currency positions at 31 December 2014 amounted to HK\$1,441 million, of which HK\$764 million were non-USD exposures (31 December 2013: HK\$1,821 million, of which HK\$413 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$1,042 million (31 December 2013: HK\$1,120 million). All forward foreign exchange contracts would mature within 3 months (31 December 2013: 3 months).

Contingent Liabilities

At 31 December 2014, the Group's material contingent liabilities were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding \$71 million (31 December 2013: \$71 million). Up to 31 December 2014, 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 500 trading Participants covered by the indemnity at 31 December 2014 (31 December 2013: 504) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$100 million (31 December 2013: \$101 million).

(c) US Litigation

Since August 2013, 26 class actions have been filed against the LME in the US alleging anti-competitive and monopolistic behaviour in the warehousing industry in connection with aluminium prices. In March 2014, 24 of the class actions were consolidated into 3 complaints (the “first level” purchasers of primary aluminium complaints, the consumer end-users of aluminium complaints and the commercial end-users of aluminium complaints), with 2 complaints remaining unconsolidated. HKEx was named as a defendant only in the “first level” purchasers of primary aluminium complaints; LMEH was named as a defendant in all 3 of the consolidated complaints, and the LME was named in all 5 of the complaints.

At the end of August 2014, the US District Court for the Southern District of New York (US District Court) dismissed all 5 complaints brought against the LME on the ground of sovereign immunity. The US District Court also dismissed all the claims brought against HKEx and LMEH.

In September 2014, the plaintiffs of the dismissed consumer end-users and commercial end-users of aluminium complaints filed appeals before the US Court of Appeals for the Second Circuit. The appeals are currently stayed.

The plaintiffs in the dismissed “first level” purchasers of primary aluminium complaints moved for reconsideration of the US District Court’s decision to dismiss the LME on sovereign immunity grounds. The court denied that motion in November 2014.

The plaintiffs of the “first level” purchasers of primary aluminium complaints also filed a motion for leave to amend their complaints in October 2014, again naming the LME, LMEH, and HKEx as defendants (the Amended First Level Purchasers Complaints). After filing their opposition motions and further replies against the amendment of the complaints in December 2014 and January 2015, HKEx and LMEH are waiting for the US District Court’s decision on whether to permit the amendment.

On 3 March 2015, the US District Court issued a judgment dismissing the complaints against, inter alia, HKEx and LMEH on the basis that the court lacked personal jurisdiction over these defendants.

Since May 2014, 3 class actions have been filed against the LME, LMEH, and HKEx in the US alleging anti-competitive and monopolistic behaviour in the warehousing market in connection with zinc prices. On 22 September 2014, the US District Court ordered that all the zinc cases be stayed until after it has made a decision on the Amended First Level Purchasers Complaints.

The LME and HKEx management continue to take the view that all the lawsuits are without merit, and each of the LME, LMEH and HKEx will contest them vigorously.

As it is not yet clear how any appeals in the US proceedings will be dealt with, the Group does not currently have sufficient information to estimate the financial effect (if any) relating to the lawsuits, the timing of the ultimate resolution of the proceedings, or what the eventual outcomes might be.

(d) UK litigation

In December 2013, the LME was named as a defendant in a judicial review claim filed by United Company RUSAL Plc (Rusal) in the English High Court to challenge the LME's decision to introduce rule changes to the delivery out rates of LME approved warehouses. This case has now been resolved, all claims against the LME have been dismissed and Rusal was ordered to pay the LME's costs. A settlement of approximately \$15 million has been agreed and payment of this amount was made by Rusal to the LME on 11 February 2015. The settlement is recognised as a receivable in the consolidated statement of financial position and the amount offset against legal costs incurred.

- (e) HKEx had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within 1 year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs of winding up.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014 \$m	2013 \$m
Trading fees and trading tariff		3,760	3,509
Stock Exchange listing fees		1,102	1,016
Clearing and settlement fees		1,998	1,631
Depository, custody and nominee services fees		725	629
Market data fees		769	737
Other revenue	3	773	609
REVENUE AND TURNOVER		9,127	8,131
Investment income		713	585
Interest rebates to Participants		(6)	(4)
Net investment income	4	707	581
Sundry income		15	11
REVENUE AND OTHER INCOME	2	9,849	8,723
OPERATING EXPENSES			
Staff costs and related expenses		(1,716)	(1,495)
IT and computer maintenance expenses		(510)	(549)
Premises expenses		(294)	(302)
Product marketing and promotion expenses		(53)	(29)
Legal and professional fees		(175)	(146)
Other operating expenses:			
Reversal of provision for impairment losses arising from Participants' default on market contracts	5(a)	77	—
Others	5(b)	(287)	(256)
		(2,958)	(2,777)
EBITDA		6,891	5,946
Depreciation and amortisation		(647)	(507)
OPERATING PROFIT		6,244	5,439
Finance costs	6	(196)	(183)
Share of loss of a joint venture		(10)	(10)
PROFIT BEFORE TAXATION	2	6,038	5,246
TAXATION	7	(900)	(700)
PROFIT FOR THE YEAR		5,138	4,546
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEx		5,165	4,552
- Non-controlling interests		(27)	(6)
PROFIT FOR THE YEAR		5,138	4,546
Basic earnings per share	8(a)	\$4.44	\$3.95
Diluted earnings per share	8(b)	\$4.43	\$3.94
DIVIDENDS	9	4,638	4,092

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014**

	2014 \$m	2013 \$m
PROFIT FOR THE YEAR	5,138	4,546
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	(815)	379
OTHER COMPREHENSIVE INCOME	(815)	379
TOTAL COMPREHENSIVE INCOME	4,323	4,925
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEx	4,350	4,931
- Non-controlling interests	(27)	(6)
TOTAL COMPREHENSIVE INCOME	4,323	4,925

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014**

		At 31 Dec 2014			At 31 Dec 2013		
	Note	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	10	136,778	–	136,778	41,452	–	41,452
Financial assets measured at fair value through profit or loss	10	62,686	–	62,686	3,761	141	3,902
Financial assets measured at amortised cost	10	10,199	57	10,256	8,986	60	9,046
Accounts receivable, prepayments and deposits	11	22,517	6	22,523	10,940	6	10,946
Taxation recoverable		8	–	8	7	–	7
Interest in a joint venture		–	77	77	–	87	87
Goodwill and other intangible assets		–	17,901	17,901	–	18,680	18,680
Fixed assets		–	1,603	1,603	–	1,753	1,753
Lease premium for land		–	23	23	–	23	23
Deferred tax assets		–	5	5	–	47	47
Total assets		232,188	19,672	251,860	65,146	20,797	85,943
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities at fair value through profit or loss		59,680	–	59,680	6	–	6
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	10	129,484	–	129,484	39,793	–	39,793
Accounts payable, accruals and other liabilities	12	22,835	14	22,849	12,815	19	12,834
Deferred revenue		646	–	646	593	–	593
Taxation payable		348	–	348	379	–	379
Other financial liabilities		84	–	84	21	–	21
Participants’ contributions to Clearing House Funds	10	9,426	–	9,426	3,884	–	3,884
Borrowings	13	–	7,026	7,026	–	6,921	6,921
Provisions		61	58	119	47	47	94
Deferred tax liabilities		–	839	839	–	900	900
Total liabilities		222,564	7,937	230,501	57,538	7,887	65,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 31 DECEMBER 2014

	Note	At 31 Dec 2014			At 31 Dec 2013		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Equity							
Share capital	14			12,225			1,161
Share premium	14			—			10,167
Shares held for Share Award Scheme				(482)			(174)
Employee share-based compensation reserve				142			105
Exchange reserve				(247)			568
Convertible bond reserve				409			409
Designated reserves				643			586
Reserve relating to written put options to non-controlling interests				(217)			(217)
Retained earnings	15			8,800			7,800
Equity attributable to shareholders of HKEx				21,273			20,405
Non-controlling interests				86			113
Total equity				21,359			20,518
Total liabilities and equity				251,860			85,943
Net current assets				9,624			7,608
Total assets less current liabilities				29,296			28,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These consolidated financial statements have been prepared in accordance with HKFRSs, which include all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and interpretations issued by the HKICPA.

Adoption of new/revised HKFRSs

In 2014, the Group has adopted the following new/revised HKFRSs which were effective for accounting periods beginning on or after 1 January 2014:

HK (IFRIC) Interpretation 21	Levies
Amendments to HKAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Annual Improvements to HKFRSs 2010 – 2012 Cycle:

Amendments to HKFRS 2	Share-Based Payment – Definition of Vesting Condition
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HK (IFRIC) Interpretation 21 sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material. The Group has applied the amendments retrospectively.

Amendments to HKAS 32 clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The adoption of the amendments to HKAS 32 does not have any financial impact to the Group as it already complies with the requirements of the amendments.

The Annual Improvements to HKFRSs 2010 – 2012 Cycle include a number of amendments to various HKFRSs. Of these, the amendments to HKFRS 2 Share-Based Payment – Definition of Vesting Condition are effective for share-based payment transactions for which the grant date is on or after 1 July 2014. The amendments clarify the definition of a “vesting condition” and separately define “performance condition” and “service condition”. The adoption of the amendments to HKFRS 2 does not have any financial impact to the Group as it already complies with the requirements of the amendments.

New/revised HKFRSs issued before 31 December 2014 but not yet effective and not early adopted

The Group has not applied the following new/revised HKFRSs which were issued before 31 December 2014 and are pertinent to its operations but not yet effective:

Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ³
Annual Improvements to HKFRSs 2010 – 2012 Cycle:	
Amendments to HKFRS 8	Operating Segments – Aggregation of Operating Segments, and Reconciliation of the Total Reportable Segment Assets to the Entity’s Total Assets ⁴
Amendments to HKAS 24	Related Party Disclosures – Key Management Personnel ⁴

¹ Effective for accounting periods beginning on or after 1 January 2016

² Effective for accounting periods beginning on or after 1 January 2018

³ Effective for accounting periods beginning on or after 1 January 2017

⁴ Effective for accounting periods beginning on or after 1 July 2014

The adoption of the amendments to HKAS 27 and the two amendments under the Annual Improvements to HKFRSs 2010 – 2012 Cycle is not expected to have any material impact on the Group as it already complies with the requirements of the amendments. The Group is in the process of making an assessment on the impact of HKFRS 9 (2014) and HKFRS 15.

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.

The Group has 5 reportable segments (“Corporate Items” is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different IT systems and marketing strategies. The operations in each of the Group’s reportable segments are as follows:

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

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

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

The **Clearing** segment refers to the operations of the 5 clearing houses, namely HKSCC, SEOCH, HKCC, OTC Clear and LME Clear, which are responsible for clearing, settlement and custodian activities of the Stock Exchange, the Futures Exchange and the SSE through the Stock Connect, clearing and settlement of OTC derivatives contracts, and clearing and settlement of base metals futures and options contracts traded on LME. Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on Margin Funds and Clearing House Funds.

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

Central income (mainly net investment income of Corporate Funds) and central costs (mainly costs of central support functions that provide services to all of the operating segments, finance costs and other costs not directly related to any of the operating segments) are included as “Corporate Items”.

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

2014

	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Clearing \$m	Platform and Infrastructure \$m	Corporate Items \$m	Group \$m
Revenue from external customers	2,761	1,666	1,274	2,956	465	5	9,127
Net investment income	–	–	–	532	–	175	707
Sundry income	–	–	–	15	–	–	15
Revenue and other income	2,761	1,666	1,274	3,503	465	180	9,849
Operating expenses	(461)	(400)	(568)	(586)	(152)	(791)	(2,958)
Reportable segment EBITDA	2,300	1,266	706	2,917	313	(611)	6,891
Depreciation and amortisation	(89)	(64)	(322)	(98)	(46)	(28)	(647)
Finance costs	–	–	–	–	–	(196)	(196)
Share of loss of a joint venture	–	(10)	–	–	–	–	(10)
Reportable segment profit before taxation	2,211	1,192	384	2,819	267	(835)	6,038
Interest income	–	–	–	517	–	77	594
Interest rebates to Participants	–	–	–	(6)	–	–	(6)
Other material non-cash items:							
Forfeiture of unclaimed cash dividends held by HKSN	–	–	–	15	–	–	15
Employee share-based compensation expenses	(21)	(16)	(14)	(29)	(2)	(55)	(137)
Reversal of provision for/(provision for) impairment losses	1	–	(2)	77	–	–	76

2013

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

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

(b) Geographical information

(i) Revenue

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

	2014 \$m	2013 \$m
Hong Kong (place of domicile)	7,644	6,921
United Kingdom	1,483	1,210
	9,127	8,131

(ii) Non-current assets

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

	At 31 Dec 2014 \$m	At 31 Dec 2013 \$m
Hong Kong (place of domicile)	2,140	2,168
United Kingdom	17,465	18,375
China	5	6
	19,610	20,549

(c) Information about major customers

In 2014 and 2013, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

3. Other Revenue

	2014 \$m	2013 \$m
Network, terminal user, dataline and software sub-license fees	356	262
Commodities stock levies and warehouse listing fees	117	127
Hosting services fees	98	75
Participants' subscription and application fees	69	65
Brokerage on direct IPO allotments	34	9
Trading booth user fees	11	11
Accommodation income (note (a))	28	3
Sales of Trading Rights	6	8
Miscellaneous revenue	54	49
	773	609

- (a) Accommodation income mainly comprises income from Participants on securities deposited as alternatives to cash deposits of Margin Funds and interest shortfall collected from LME Clear Participants on cash collateral as the return of such collateral is below the benchmarked interest rates stipulated in the clearing rules of LME Clear.

4. Net Investment Income

	2014 \$m	2013 \$m
Interest income from financial assets measured at amortised cost		
- bank deposits	593	402
- unlisted securities	1	1
Gross interest income	594	403
Interest rebates to Participants	(6)	(4)
Net interest income	588	399
Net fair value gains including interest income on financial assets mandatorily measured at fair value through profit or loss		
- listed securities	77	45
- unlisted securities	54	149
- exchange differences	(22)	(9)
	109	185
Others	10	(3)
Net investment income	707	581

5. Other Operating Expenses

- (a) In prior years, the Group lodged claims with the liquidators of LBSA in respect of the losses of approximately \$160 million previously recognised in the Group's results. In May and December 2014, the liquidators declared interim dividends and such amounts have been recognised in the Group's consolidated income statement for the year ended 31 December 2014. The amounts relating to the reversal of the provision for closing-out losses amounted to \$77 million, of which \$54 million was appropriated to the HKSCC Guarantee Fund reserve from retained earnings under the clearing house rules during 2014, and \$23 million was appropriated to the HKSCC Guarantee Fund reserve from retained earnings in January 2015 upon receipt of the dividend.

No further adjustment in respect of the claims has been made in these results, as the Group is unable to estimate with any degree of accuracy the outcome of further distributions, if any, from the liquidators of LBSA.

- (b) Others

	2014 \$m	2013 \$m
Insurance	9	9
Financial data subscription fees	21	16
Custodian and fund management fees	13	6
Bank charges	36	32
Repairs and maintenance expenses	45	27
License fees	20	21
Communication expenses	16	15
Travel expenses	34	40
Security expenses	14	10
Premises cleaning expenses	7	8
Contribution to Financial Reporting Council	5	5
Other miscellaneous expenses	67	67
	287	256

6. Finance Costs

	2014 \$m	2013 \$m
Interest expenses:		
- Bank borrowings wholly repaid during 2014	22	70
- Bank borrowings not wholly repayable within 5 years	11	—
- Convertible bonds wholly repayable within 5 years	113	110
- Notes wholly repayable within 5 years	42	1
- Written put option to non-controlling interests	7	1
Net foreign exchange losses on financing activities	1	1
	196	183

7. Taxation

Taxation charge in the consolidated income statement represented:

	2014 \$m	2013 \$m
Current tax – Hong Kong Profits Tax		
- Provision for the year	885	759
- Overprovision in respect of prior years	—	(2)
	885	757
Current tax – Overseas Tax		
- Provision for the year	3	115
- (Overprovision)/underprovision in respect of prior years	(11)	14
	(8)	129
Total current tax	877	886
Deferred tax		
- Origination/(reversal) of temporary differences	23	(78)
- Impact of changes in UK Corporation Tax rates (note (b))	—	(108)
Total deferred tax	23	(186)
Taxation charge	900	700

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2013: 16.5 per cent) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit at the rates of taxation prevailing in the countries in which the Group operates.
- (b) The corporation tax rates applicable to the subsidiaries in the UK were 24 per cent effective from 1 April 2012 and 23 per cent effective from 1 April 2013. Through the enactment of the 2013 Finance Act in July 2013, the UK Corporation Tax rate was further reduced to 21 per cent effective from 1 April 2014 and will drop to 20 per cent effective from 1 April 2015. As a result of the reduction in UK Corporation Tax rates, the Group's net deferred tax liabilities decreased by approximately \$108 million, with a corresponding deferred tax credit recognised in the consolidated income statement in 2013.

8. Earnings Per Share

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

(a) Basic earnings per share

	2014	2013
Profit attributable to shareholders (\$m)	5,165	4,552
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,163,712	1,152,061
Basic earnings per share (\$)	4.44	3.95

(b) Diluted earnings per share

	2014	2013
Profit attributable to shareholders (\$m)	5,165	4,552
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,163,712	1,152,061
Effect of employee share options (in '000)	350	719
Effect of Awarded Shares (in '000)	1,286	2,059
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,165,348	1,154,839
Diluted earnings per share (\$)	4.43	3.94

- (i) The effect of the outstanding convertible bonds was not included in the computation of diluted earnings per share for 2014 and 2013 as it was anti-dilutive.

9. Dividends

	2014 \$m	2013 \$m
Interim dividend paid:		
\$1.83 (2013: \$1.82) per share	2,136	2,101
Less: Dividend for shares held by Share Award Scheme (note (a))	(3)	(4)
	2,133	2,097
Final dividend proposed (note (b)):		
\$2.15 (2013: \$1.72) per share based on issued share capital at 31 Dec	2,511	1,998
Less: Dividend for shares held by Share Award Scheme at 31 Dec (note (a))	(6)	(3)
	2,505	1,995
	4,638	4,092

- (a) The results and net assets of Share Award Scheme are included in the Group's financial statements. Therefore, dividends for shares held by Share Award Scheme were deducted from the total dividends.
- (b) The final dividend proposed after 31 December is not recognised as a liability at 31 December. The 2013 final dividend paid was \$1,996 million, as \$1 million was paid for shares issued for employee share options exercised after 31 December 2013.
- (c) The 2014 final dividend will be payable in cash with a scrip dividend alternative subject to the permission of the SFC of the listing of and permission to deal in the new shares to be issued.

10. Financial Assets

As part of its day to day operations, the Group receives cash prepayments for A shares, margin deposits, Mainland security and settlement deposits, cash collateral from CPs, and Participants' contributions to Clearing House Funds. LME Clear, which acts as a CCP to the contracts traded on the LME, records the fair value of certain outstanding base metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32 as financial assets. The Group classifies the corresponding assets into the following categories:

Margin Funds - the Margin Funds are established by cash received or receivable from the CPs in respect of margin deposits, Mainland security and settlement deposits, and cash collateral of the 5 clearing houses (ie, HKSCC, HKCC, SEOCH, OTC Clear and LME Clear) to cover their open positions. Part of the Mainland security and settlement deposits is used by HKSCC to satisfy its obligations as CP of ChinaClear in respect of trades transacted through the Stock Connect. These funds are held for segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities.

Clearing House Funds - The Clearing House Funds are established under the Clearing House Rules. Assets contributed by the CPs and the Group are held by the respective clearing houses (ie, HKSCC, HKCC, SEOCH, OTC Clear and LME Clear) (together with the accumulated income less related expenses for the clearing houses in Hong Kong) expressly for the purpose of ensuring that the respective clearing houses are able to fulfil their counterparty obligations in the event that one or more of the CPs fail to meet their obligations to the clearing houses. The HKSCC Guarantee Fund also provides resources to enable HKSCC to discharge its liabilities and obligations when defaulting CPs deposit defective securities into CCASS. From April 2014 onwards, the amount previously earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear was also included in Clearing House Funds for presentation purpose. These funds are held for segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities.

Base metals derivatives contracts include the fair value of the outstanding base metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32, where LME Clear is acting in its capacity as a CCP to the contracts traded on the LME.

Cash prepayments for A shares represent cash received by HKSCC from its CPs for releasing their allocated A shares for same day settlement. Such prepayments will be used to settle HKSCC's CNS obligations payable on the next business day.

Financial assets belonging to the Group, which are funded by share capital and funds generated from operations (other than base metals derivatives contracts, amounts received by the Margin Funds and the Clearing House Funds, and amounts received for cash prepayments for A shares), are classified as Corporate Funds.

The Margin Funds, Clearing House Funds, base metals derivatives contracts, cash prepayments for A shares and Corporate Funds are allocated into cash and cash equivalents, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost, details of which are as follows:

	At 31 Dec 2014 \$m	At 31 Dec 2013 \$m
<u>Clearing House Funds (note (a))</u>		
Cash and cash equivalents	10,189	4,271
Financial assets measured at amortised cost	100	200
	10,289	4,471
<u>Margin Funds</u>		
Cash and cash equivalents	117,903	30,650
Financial assets measured at fair value through profit or loss	895	1,802
Financial assets measured at amortised cost	10,071	7,335
	128,869	39,787
<u>Cash prepayments for A shares</u>		
Cash and cash equivalents	619	–
<u>Base metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss	59,679	–
<u>Corporate Funds (note (a))</u>		
Cash and cash equivalents	8,067	6,531
Financial assets measured at fair value through profit or loss	2,112	2,100
Financial assets measured at amortised cost	85	1,511
	10,264	10,142
	209,720	54,400

The expected maturity dates of the financial assets are analysed as follows:

	At 31 Dec 2014						At 31 Dec 2013			
	Clearing House Funds \$m	Margin Funds \$m	Cash prepayments for A shares \$m	Base metals derivatives contracts \$m	Corporate Funds \$m	Total \$m	Clearing House Funds \$m	Margin Funds \$m	Corporate Funds \$m	Total \$m
Within 12 months	10,289	128,869	619	59,679	10,207	209,663	4,471	39,787	9,941	54,199
Over 12 months	–	–	–	–	57	57	–	–	201	201
	10,289	128,869	619	59,679	10,264	209,720	4,471	39,787	10,142	54,400

- (a) Amounts of Clearing House Funds included \$157 million (31 December 2013: \$Nil) for contribution to the Rates and FX Guarantee Resources of OTC Clear. At 31 December 2013, \$156 million had been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear and held within the Group's Corporate Funds. This has now been transferred to separately designated and managed accounts and included in Clearing House Funds for presentation purpose.

11. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's CNS money obligations under T+2 settlement, which accounted for 91 per cent (31 December 2013: 90 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within 2 days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

12. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's CNS money obligations payable under T+2 settlement cycle, which accounted for 92 per cent (31 December 2013: 77 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within 3 months.

13. Borrowings

	At 31 Dec 2014 \$m	At 31 Dec 2013 \$m
Bank borrowings (note (a))	1,585	2,326
Convertible bonds (note (b))	3,701	3,607
Notes (note (c))	1,515	770
Written put options to non-controlling interests	225	218
Total borrowings	7,026	6,921

(a) Bank borrowings

In January 2014, US\$95 million (HK\$737 million) of the bank borrowings was refinanced with the issuance of an equivalent amount of fixed rate notes (note (c)). In July 2014, the Group refinanced the remaining bank borrowings with a new bank loan of US\$205 million (HK\$1,589 million) at a lower interest rate.

(b) Convertible bonds

In 2014, none of the convertible bonds were redeemed or converted. With effect from 26 April 2014, the conversion price of the convertible bonds was adjusted from HK\$160 per share to HK\$157.62 per share.

(c) Notes

On 24 January 2014, HKEx issued US\$95 million (HK\$737 million) fixed rate senior notes to independent third parties with a maturity of 5 years due on 24 January 2019. The notes bear a coupon of 2.85 per cent per annum payable semi-annually in arrears.

The proceeds were used to refinance part of the floating rate bank borrowings (note (a)).

14. Share Capital and Share Premium

On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (new CO) came into effect. It abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. All amounts received for issuing equity shares of a company on or after 3 March 2014 will be recorded as share capital. Pursuant to the adoption of the new CO, the balance of share premium was transferred to share capital.

15. Retained Earnings (Including Proposed Dividend)

	2014 \$m	2013 \$m
At 1 Jan	7,800	6,881
Profit attributable to shareholders	5,165	4,552
Transfer (to)/from Clearing House Funds reserves	(57)	1
Dividends:		
2013/2012 final dividend	(1,996)	(1,675)
2014/2013 interim dividend	(2,133)	(2,097)
Unclaimed HKEx dividends forfeited	29	15
Vesting of shares of Share Award Scheme	(8)	(10)
Sale of interest in a subsidiary to non-controlling interests	–	133
At 31 Dec	8,800	7,800
Representing:		
Retained earnings	6,295	5,805
Proposed dividend	2,505	1,995
At 31 Dec	8,800	7,800

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's external auditor, PricewaterhouseCoopers Hong Kong (PwC), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

REVIEW OF 2014 CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (AC) reviewed the 2014 Consolidated Financial Statements in conjunction with HKEx's external and internal auditors. Based on this review and discussions with management, the AC was satisfied that the Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended 31 December 2014.

DISTRIBUTABLE RESERVES

HKEx's distributable reserves as at 31 December 2014, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and with reference to the "Guidance on the Determination of Realised Profits and Losses in the Context of Distributions under the Hong Kong Companies Ordinance" issued by the HKICPA, amounted to \$7.0 billion (31 December 2013: \$8.3 billion).

FINAL DIVIDEND

The Board recommends the payment of a final dividend of \$2.15 per share (2013: \$1.72 per share) to Shareholders whose names appear on the ROM on 7 May 2015, and the retention of the remaining profit for the year. The proposed final dividend together with the interim dividend payment amounts to a total of about \$4.6 billion (2013: \$4.1 billion), which represents a payout ratio of 90 per cent (2013: 90 per cent) of the profit attributable to shareholders for the year ended 31 December 2014 and includes dividends of about \$9 million (2013: \$7 million) for shares held in trust under the Share Award Scheme. The Board also proposes to offer a scrip dividend alternative to allow Shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.

SCRIP DIVIDEND ALTERNATIVE

Subject to Shareholders' approval at the 2015 AGM of the proposed final dividend and a general mandate to issue shares, the final dividend will be payable in cash with a scrip dividend alternative. The scrip dividend alternative is also conditional upon the SFC's granting the listing of, and permission to deal in, new shares of HKEx to be issued pursuant thereto.

A circular containing details of the scrip dividend alternative, where available, together with an election form (where applicable) is expected to be despatched to Shareholders on or about Wednesday, 13 May 2015. Definitive share certificates in respect of the scrip dividend and dividend warrants are expected to be despatched to Shareholders on Friday, 5 June 2015.

CLOSURE OF ROM

For the purposes of determining Shareholders' eligibility to attend, speak and vote at the 2015 AGM, and entitlement to the final dividend, the ROM will be closed as set out below:

- | | |
|--|--|
| (i) For determining Shareholders' eligibility to attend, speak and vote at 2015 AGM: | |
| Latest time to lodge transfer documents for registration with
HKE _x 's registrar | At 4:30 pm on 24 April 2015 |
| Closure of ROM | 27 April 2015 to 29 April 2015
(both dates inclusive) |
| Record date | 29 April 2015 |
| (ii) For determining Shareholders' entitlement to final dividend: | |
| Ex-dividend date | 4 May 2015 |
| Latest time to lodge transfer documents for registration with
HKE _x 's registrar | At 4:30 pm on 5 May 2015 |
| Closure of ROM | 6 May 2015 to 7 May 2015
(both dates inclusive) |
| Record date | 7 May 2015 |

During the above closure periods, no transfer of shares will be registered. To be eligible to attend, speak and vote at the 2015 AGM, and to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKE_x's registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The 2015 AGM will be held on Wednesday, 29 April 2015. The Notice of the 2015 AGM, which constitutes part of the circular to Shareholders, will be sent together with the 2014 Annual Report. The Notice of the 2015 AGM and the proxy form will be available under the About HKE_x (Investor Relations) section of the HKE_x website.

All Shareholders are encouraged to attend the 2015 AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting, and will have an opportunity to meet with Directors and the management after the conclusion of the meeting.

Apart from usual business at the 2015 AGM, the Board has proposed general mandates for the buy-back of HKE_x shares and the issue of HKE_x shares, and adjustment of the Non-executive Directors' remuneration. Further details of business to be conducted at the 2015 AGM will be set out in the circular to Shareholders to be sent together with the 2014 Annual Report and posted on the About HKE_x (Investor Relations) section of the HKE_x website. The poll results of each of the proposed resolutions will be published on the HKE_x website shortly after the 2015 AGM is held.

APPOINTMENT AND ELECTION OF DIRECTORS

The service terms of 4 Government Appointed Directors, namely, Messrs John Harrison, Stephen Hui and Michael Lee and Mrs Margaret Leung, and 2 Elected Directors, namely Messrs T C Chan and John Williamson, will expire at the conclusion of the 2015 AGM. Dr Fred Hu shall retire at the 2015 AGM. Pursuant to Articles 88(6), 90 and 91(2) of HKE_x's Articles, they are all eligible for re-appointment.

On 5 March 2015, the Nomination Committee, after having reviewed the Board's composition, nominated Mr T C Chan, Dr Fred Hu and Mr John Williamson to the Board for it to recommend them to stand for election by Shareholders at the 2015 AGM. The nominations were made in accordance with the Nomination Policy and the objective criteria (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity, as set out in the Board Diversity Policy which is available under the About HKE_x (Corporate Governance) section of the HKE_x website.

On 5 March 2015, the Committee's nominations were accepted by the Board. As a good governance practice, Mr Chan, Dr Hu and Mr Williamson each abstained from voting at the Committee meeting and/or Board meeting on their nominations for election by Shareholders. Mr Chan, Dr Hu and Mr Williamson do not have any service contracts with any member of the Group that are not determinable by the Group within 1 year without compensation (other than statutory compensation). Their particulars will be set out in the circular to Shareholders to be sent together with the 2014 Annual Report and posted on the About HKE_x (Investor Relations) section of the HKE_x website.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2014, HKE_x 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 HKE_x's Chief Executive in his capacity as a Director is, pursuant to Article 88(5) of HKE_x's Articles, coterminous with his employment with HKE_x, and he is not subject to retirement by rotation.

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

CORPORATE SOCIAL RESPONSIBILITY

The Board has delegated the day-to-day responsibility for all ESG-related matters to the ESG Committee. The ESG Committee comprises 5 Board members, including HKE_x's Chairman, who acts as the ESG Committee's chairman, and HKE_x's Chief Executive. The ESG Committee's terms of reference are available under the About HKE_x (Organisation) section of the HKE_x website.

On 10 February 2015, the ESG Committee reviewed the training and continual professional development of the Directors and Senior Management. It also approved the 2014 Corporate Governance Report, which has improved the disclosure of the Group's internal control and risk management, for inclusion in the 2014 Annual Report, and approved the 2014 Corporate Social Responsibility Report which will be available on the HKE_x website before 25 March 2015.

As at 31 December 2014, the Group had 1,361 permanent employees and 59 temporary employees. A performance development process is in place to ensure that employees' performance objectives are defined, their performance progress is tracked and their training and development opportunities are identified. Employee training details are set out in the 2014 Corporate Social Responsibility Report. Details of HKE_x's remuneration policy and structure are available under the About HKE_x (Corporate Governance) section of the HKE_x website.

PURCHASE, SALE OR REDEMPTION OF HKE_x'S LISTED SECURITIES

During 2014, neither HKE_x 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 Stock Exchange a total of 2,298,700 HKE_x shares at a total consideration of about \$405 million.

PUBLICATION OF 2014 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the HKExnews website at www.hkexnews.hk and the HKE_x website at www.hkex.com.hk/eng/exchange/invest/results/2015Results.htm. The 2014 Annual Report will be available on the HKExnews and HKE_x websites, and despatched to Shareholders on or about Wednesday, 25 March 2015.

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

Hong Kong, 5 March 2015

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

GLOSSARY

2015 AGM	HKEx's annual general meeting to be held on 29 April 2015
ADT	Average daily turnover value
AHFT	After-Hours Futures Trading
AMS	Automatic Order Matching and Execution System
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEx's board of directors
CAS	Closing Auction Session
Cash Market	HKEx's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CCASS	Central Clearing and Settlement System
CCP(s)	Central counterparty(ies)
CES 120	CES China 120 Index
CES 280	CES China 280 Index
CESC	China Exchanges Services Company Limited
CES SCHK100	CES Stock Connect Hong Kong Select 100 Index
CES SHSC300	CES Shanghai-Hong Kong Stock Connect 300 Index
CFTC	Commodity Futures Trading Commission
ChinaClear	China Securities Depository and Clearing Corporation Limited
CNH	RMB traded in Hong Kong
CNS	Continuous Net Settlement
Corporate Governance Code and Corporate Governance Report	Refer to Appendix 14 to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
Derivatives Market	HKEx's derivatives related business including stock options
Director(s)	HKEx's director(s)
DWs	Derivative warrants
Elected Directors	Directors elected by the Shareholders at general meetings
EMIR	European Market Infrastructure Regulation
EP(s) or Participant(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ETF(s)	Exchange Traded Fund(s)
EUR	The official currency of the Eurozone
FATCA	Foreign Account Tax Compliance Act
FIC	Fixed income and currency
Financial Secretary	Financial Secretary of the HKSAR
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GEM	Growth Enterprise Market
GEM Listing Rules	Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
Government	HKSAR Government
Government Appointed Directors	Directors appointed by the Financial Secretary pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKEx's Articles	HKEx's Articles of Association
HKFRSs	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSAR	Hong Kong Special Administrative Region of the PRC
HKSCC	Hong Kong Securities Clearing Company Limited

HKSN	HKSCC Nominees 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
LBSA	Lehman Brothers Securities Asia Limited
Listing Committees	Listing Committee and GEM Listing Committee
Listing Rule(s) or Rule(s)	Main Board Listing Rules and GEM Listing Rules
LME	The London Metal Exchange
LME Clear	LME Clear Limited
LME Group	LMEH, the LME and LME Clear
LMEH	LME Holdings Limited
LMeselect	The electronic platform for the trading of all LME contracts
London Metal Mini Futures	London Aluminium Mini Futures, London Zinc Mini Futures and London Copper Mini Futures
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MMDH	Mainland Market Data Hub
MOI	Market open interest
MOU	Memorandum of Understanding
MWS	Multi-workstation System
NASAAC	LME North American Special Aluminium Alloy Contract
NSTD	New Securities Trading Device
OCG	HKEx Orion Central Gateway
OMD	HKEx Orion Market Data Platform
OMD-D	OMD for the Derivatives Market
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
PFMI	“Principles for financial market infrastructures” published by the Committee on Payment and Settlement Systems (now known as the Committee on Payments and Market Infrastructures) and the International Organization of Securities Commissions
PRC	People’s Republic of China
RMB	Renminbi
ROM	HKEx’s Register of Members
Senior Management	Refers to the Group’s senior executives as set out in the 2014 Annual Report
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai-Hong Kong Stock Connect, or Stock Connect	A pilot programme that links the stock markets in Shanghai and Hong Kong. Under the programme, investors in Hong Kong and the mainland of China can trade and settle shares listed on the other market via the exchange and clearing house in their home market
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, 13 May 2010 and 17 December 2013
SSE	Shanghai Stock Exchange
Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
UK	United Kingdom
US	United States of America
US\$/USD	United States dollar
VCM	Volatility Control Mechanism
WVR	Weighted voting right(s)

HKE_x 香港交易所

\$/HK\$/HKD

Hong Kong dollar

\$bn/bn

Hong Kong dollar in billion/billion

\$m/m

Hong Kong dollar in million/million

£/GBP

Pound sterling