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香港交易及結算所有限公司
HONG KONG EXCHANGES AND CLEARING LIMITED

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

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

**2018 FINAL RESULTS,
DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board is pleased to submit the Group's consolidated results for the year ended 31 December 2018.

Commenting on the results, Charles Li, Chief Executive said, "This was an excellent year for the Company. Record volumes in our Cash Market, record volumes in our Derivatives Market and a world-leading IPO market that welcomed 218 companies, including 7 under our new listing chapters, resulted in a 26 per cent uplift in profit for the year.

The market outlook for 2019 looks set to be more challenging, but we are confident that HKEX is very well placed to continue to be the financial gateway to and from China, that our business is strongly positioned to capitalise on growth opportunities and that we will continue to be globally attractive and competitive."

FINANCIAL HIGHLIGHTS

	2018 \$m	2017 \$m	Change
Revenue and other income	15,867	13,180	20%
Operating expenses	4,110	3,566	15%
EBITDA ¹	11,757	9,614	22%
Profit attributable to shareholders	9,312	7,404	26%
Basic earnings per share	\$7.50	\$6.03	24%
First interim dividend per share	\$3.64	\$2.55	43%
Second interim dividend per share	\$3.07	-	N/A
Final dividend per share	-	\$2.85	(100%)
	\$6.71	\$5.40	24%
Dividend payout ratio	90%	90%	-

Key messages

- 2018 was a record year for HKEX, reporting the highest ever revenue and other income and profit.
- Revenue and other income for 2018 was up 20 per cent against 2017, driven by:
 - An increase in trading and clearing fees as a result of record highs in Cash Market turnover and Derivatives Market trading volume; and
 - Record listing fees, from both an increase in the number of listed companies, and record highs in newly listed DWs and CBBCs.
- Operating expenses grew by 15 per cent against the prior year, attributable to increases in staff costs, IT costs and premises expenses.
- EBITDA margin was 74 per cent, 1 per cent higher than 2017.
- Profit attributable to shareholders rose by 26 per cent, to a record high of \$9,312 million.

	2018	2017	Change
KEY MARKET STATISTICS			
ADT of equity products traded on the Stock Exchange (\$bn)	84.2*	71.2	18%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	23.2	17.0	36%
ADT traded on the Stock Exchange (Headline ADT) (\$bn)	107.4*	88.2	22%
ADV of derivatives contracts traded on the Futures Exchange	686,602*	441,320	56%
ADV of stock options contracts traded on the Stock Exchange	517,395*	428,499	21%
Chargeable ADV of metals contracts traded on the LME (lots)	629,556	601,067	5%

* New record highs in 2018

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 ventures.

CHAIRMAN'S STATEMENT

In 2018, the HKEX Group strengthened its momentum and saw tangible results from a number of initiatives under our Strategic Plan 2016-2018. The results of which were a record-breaking reported financial performance and we are pleased to share with our shareholders this year an all-time-high dividend. Our accomplishments in 2018 and the progress that we have made in a number of strategic areas to strengthen our business have not only consolidated HKEX's position as the leading global exchange group connecting China with the world, but also laid a solid foundation to support our future growth ambitions and enhance the Group's global competitiveness.

Our Performance

Global economic uncertainty, particularly the trade tensions between the US and China, has cast a shadow over international financial markets since mid-2018. Gains in the Hong Kong securities and derivatives markets in the first half were diluted in part by reduced trading activity in the latter part of the year, though market performance on average was strong and set a number of new records. Trading activities through Stock Connect gained further momentum following the expansion of the daily quota in May 2018; and the inclusion of A shares in MSCI Indices in June.

Metals trading volumes on the London Metal Exchange (LME) also improved in part due to fee discounts introduced in the fourth quarter of 2017 as well as the impact from macroeconomic and geopolitical factors.

Market highlights in 2018

- Hong Kong securities market ranked first globally for IPO fundraising, with total IPO funds reaching \$288 billion.
- Securities market turnover set a new record-high at \$26,423 billion with the turnover of securitised derivatives (DWs and CBBs) remaining the world's highest for the 12th consecutive year.
- The ADT of Northbound and Southbound Trading through Stock Connect increased by 113 per cent and 30 per cent respectively from 2017.
- Derivatives market turnover also booked a new record-high at 296,183,076 futures and options contracts.
- Turnover of RMB Currency Futures - USD/CNH Futures reached another milestone at 1,755,130 contracts.
- Chargeable ADV of contracts traded on the LME increased 5 per cent year-on-year.

Given the robust turnover growth in our securities and derivatives markets, the Group's total revenue and other income for the year ended 31 December 2018 reached \$15.9 billion, up 20 per cent from 2017, resulting in a record-high profit attributable to shareholders of \$9,312 million, up 26 per cent.

Dividend

To expedite the payment of dividends to shareholders, the Board declared payment of a second interim dividend in lieu of the final dividend of \$3.07 per share which, together with the first interim dividend of \$3.64 per share paid in September 2018, set a record-high with a full-year dividend of \$6.71 per share.

Strategic Accomplishments and Plans

We made significant progress in enhancing our market competitiveness and global relevance in 2018. The greatest change to Hong Kong's listing regime in 25 years was implemented in April, launching an exciting new era for our capital markets. The change opened HKEX markets to companies with Weighted Voting Rights (WVR) structures and pre-revenue biotech companies, bringing a new exciting opportunity to Hong Kong's capital markets. We diversified our market further by broadening our derivatives product portfolio, providing more tools and flexibility for investment and risk management. We also implemented enhancements to Stock Connect by expanding the daily quota, rolling out the investor identification model for Northbound Trading, and reaching a consensus with the Shanghai and Shenzhen stock exchanges over the inclusion of companies with WVR structure in Stock Connect.

In London, the LME continued to make good progress on its Strategic Pathway initiatives by introducing implied pricing for base metals on its electronic trading platform which, together with other initiatives, will increase user choice and market participation. In Qianhai, our spot commodities trading platform, the Qianhai Mercantile Exchange, successfully commenced trading with a pilot product launch in October.

Specific details of the Group's performance and achievements in 2018 are set out in the Chief Executive's Review and Business Review sections of this announcement.

Technological transformation is a key focus for the Group. We were pleased to launch the HKEX Innovation Lab in August 2018, expanding our IT insight and capabilities and leveraging new technologies to support our business growth. The potential for technology to enhance our global competitiveness is a key theme of our Strategic Plan 2019-2021, which details our plans to invest in technology to drive product and market innovation. In particular, our ability to attract and meet the long-term needs of a diverse range of issuers and investors and enhance our value proposition as a gateway to China by improving our Connect programme, developing our FIC capabilities and increasing our international relevance, will all be supported by driving our technology programme.

Quality Market

Market quality and efficiency are essential to maintaining and enhancing investor confidence and to HKEX achieving robust organic growth. In 2018, we announced important enhancements to the Corporate Governance Code and the Listing Rules in relation to capital raisings and delistings. And post year-end we announced consultation conclusions to further strengthen the governance within the Exchange's structure for reviewing Listing Committee decisions, with plans to introduce setting up a new independent Listing Review Committee to replace the existing Listing (Review) Committee and the Listing (Disciplinary Review) Committee later this year. We also issued market consultations on proposals to address market concerns about backdoor listings, shell activities and issuers publishing financial statements with disclaimer or adverse audit opinion. The conclusions of these consultations will be published after a thorough analysis of market feedback.

A joint market consultation paper with the SFC and Federation of Share Registrars Limited was issued in January 2019 on the proposed operating model for an uncertificated securities market in Hong Kong. The proposed model preserves the settlement efficiency and funding effectiveness of the existing clearing and settlement arrangement while achieving the paperless objective with minimal market impact.

Following the introduction of a new securities trading system in early 2018, HKEX is undertaking a multi-year project, Next Generation Programme, to comprehensively upgrade our post-trade infrastructure across all post-trade business processes and systems.

As part of the LME's Strategic Pathway initiatives, we introduced new technology to improve the quality of pricing on the LME. A new membership category, Registered Intermediating Brokers, was added to facilitate access by a wider group of market participants. Enhancements were also made to warrants as collateral, facilitating market users to maximise their collateral. The LME also published a position paper to seek market feedback on proposed requirements for listed brands regarding the responsible sourcing of metals in alignment with the OECD principles.

HKEX is committed to the long term vibrancy and health of the markets we operate. Stakeholder engagement and support is key to our shared continued success and we look forward to continuing to work with all those involved to further enhance our product offering and markets in the year ahead.

Our market standards and infrastructure remain competitive and progressive, and continue to meet the needs of our broad and varied stakeholder group.

Corporate Responsibility

HKEX plays a unique role in the markets in which it operates and the communities those serve. As one of Asia's premier financial institutions, we have long been a champion of corporate sustainability, prioritising strong corporate governance, community engagement, environmental considerations, transparent ESG reporting and employee programmes to build a better and more successful business. Fundamental to this is our belief that excellence in this field is not a "nice to do" but is business-critical. We continually seek to better our performance in this area, leading by example and ensuring that CSR is central to achieving our future strategic goals.

This year, a comprehensive review of the roles and responsibilities of all our Board Committees was conducted to strengthen their ability to oversee our corporate governance and bring them in line with the best international practices. The Board also conducted an internal Board evaluation in 2018 following an evaluation in 2017, which was led by an external consultant. The 2018 evaluation assessed the effectiveness of improvements made since 2017 and identified other areas that still require attention. Our objective is to ensure that we achieve a world-class standard of governance, leading our markets by example and supporting the evolving business needs of the Group.

To underscore our continuing commitment to diversity, we updated our Board Diversity Policy with the long term aim of bringing the Board to gender parity. To bring fresh perspectives and skills to the Board, we reduced the maximum tenure for Non-executive Directors to be eligible for nomination by the Board to be elected by Shareholders from 12 consecutive years to nine years. Apart from working on the Board's succession, the Nomination and Governance Committee is also mandated to give full consideration to senior management succession planning and leadership training.

In light of the increasingly competitive and complex global environment, we recently announced the establishment of the International Advisory Council, which comprises leading financial and economic experts with global perspectives. The Council acts as an advisory body to the Board, giving recommendations on the Group's development of global markets, strategic direction and major business initiatives.

We also joined as a Partner Exchange of the United Nations Sustainable Stock Exchanges Initiative in June 2018 to further our commitment to promoting sustainable and transparent capital markets. And operationally we created a dedicated CSR team within the organisation, charged with coordinating our sustainability activities across markets and geography.

Details of our efforts to promote sustainability in our marketplace, workplace, community and environment are set out in our 2018 CSR Report, which will be available on the HKEX Group website together with the 2018 Annual Report.

Outlook

We are entering 2019 with more geopolitical and economic uncertainty than has been the case for many years. Trade tensions between the US and China, uncertainties surrounding Brexit, slowing economic growth in a number of key markets and political fragility in pockets around the world all conspire to impact on our markets. The resulting volatility could potentially lead to a further deterioration in investor sentiment and, ultimately, a global economic slowdown. Despite this, I am confident that we have a strongly positioned robust business with clear strategic goals; an excellent and focused management team; a committed and talented workforce; and many opportunities in the future. We are well placed to remain competitive and relevant, and we are confident that our new Strategic Plan will ensure that HKEX remains increasingly well-positioned as Asia's premier exchange group.

Acknowledgements

I would like to take this opportunity to express my gratitude to my predecessor, Sir CK Chow under whose leadership a solid foundation was laid for the Group's further development. My gratitude is also extended to my fellow Board members for their steadfast support during my first year as the Chairman of HKEX. On behalf of the Board, I would like to thank Mrs Margaret Leung, who will retire after the conclusion of the 2019 AGM, for her dedicated support and valuable contributions during her past six years of service. I would also like to welcome members of the International Advisory Council and look forward to their wise counsel and guidance to help develop the Group as a globally important exchange.

Last but not least, my heartfelt thanks are extended to our Shareholders and other stakeholders for their unwavering support, and to all staff for their hard work and dedication in making 2018 another successful year for HKEX Group.

Laura M CHA
Chairman

CHIEF EXECUTIVE'S REVIEW

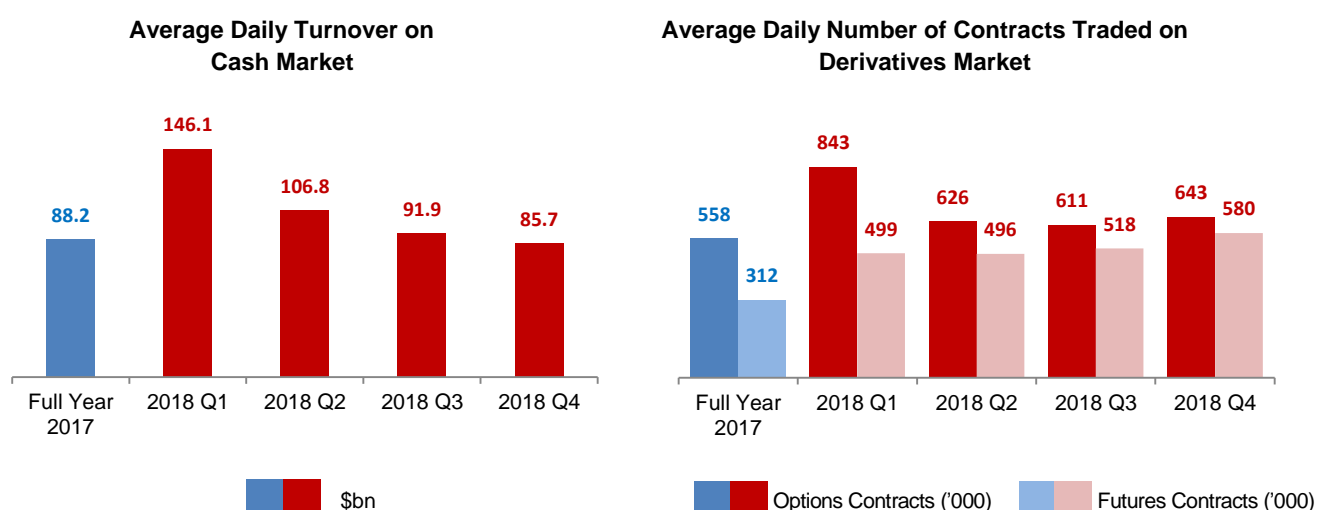
This was a record-breaking year for HKEX. A clear set of well-delivered focus priorities, supported by a robust market contributed to exceptional financial performance for the Group. Our achievements were set against a backdrop of increasing geopolitical tensions, a deceleration in global growth, and general market uncertainty that impacted financial markets across the globe. While we faced macro headwinds and weakening sentiment, our changes to the listing regime – the most significant in a quarter century – and our robust fundraising market accelerated HKEX to first place in the global IPO rankings. With our continued focus on Fixed Income, Commodities and Currency (FICC) as well as innovative technologies, we successfully concluded our Strategic Plan 2016-2018 with a set of major achievements, putting us in an excellent position to embark on the next phase of our journey.

Outstanding Market Performance

Considering the challenges in global market sentiment in 2018, particularly in Q4¹, our primary market delivered exceptional performance. HKEX ranked first globally in IPO funds raised with a record high of 218² companies listing, raising \$288 billion in total - a 124 per cent increase on 2017. Seven companies are Weighted Voting Rights (WVR) or biotech companies listed under the New Chapters³, with IPO funds raised of \$94 billion. Our existing listed companies also raised \$256.1 billion, a decrease of 43 per cent over 2017. Total funds raised reached \$544.1 billion.

Our secondary market was also strong in 2018, with record high securities market turnover. The full-year 2018 ADT for the Cash Market reached \$107.4 billion, a 22 per cent increase compared with 2017. Total equity turnover reached a record high of \$19,461 billion, exceeding the previous record of \$17,482.2 billion set in 2015. The market capitalisation of the securities market reached a record high of \$37,715.7 billion on 26 January 2018.

Derivatives turnover saw another record year with total turnover of 296,183,076 contracts, an increase of 38 per cent compared with 2017. A number of new records were set in 2018, including total futures turnover, which reached a record high of 128,847,222 contracts, an increase of 53 per cent over the previous record set in 2016. Total options turnover reached a record high of 167,335,854 contracts, an increase of 21 per cent from previous high in 2017. Our Mini HSI and HSCEI derivatives and stock options set new open interest records during the year. Open interest of total futures and options at year-end was 10,594,737 contracts, down from 11,155,770 at the previous year-end.



1 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, 1H = first half, 2H = second half

2 Includes transfers of listing from GEM to the Main Board

3 Refers to the Main Board Listing Rules Chapters 8A, 18A and 19C

Business Development Review

Enhancing Market Structure and Quality

We have continued to enhance the diversity of companies on our primary market and to raise market quality through a number of key initiatives and programmes. To address feedback we received about prolonged trading suspensions, HKEX amended the Listing Rules and implemented a new delisting framework in August 2018. Listing Rule amendments were also introduced to address concerns regarding capital raising activities and enhance corporate governance practices, which became effective in July 2018 and January 2019 respectively. Two consultations were launched and concluded, namely, the proposal on a new listing regime for companies from emerging and innovative sectors and proposed changes to the review structure in relation to Listing Committee decisions. HKEX is currently reviewing responses to another two consultations launched in 2018, including proposals to tighten the reverse takeover (RTO) Rules and continuing listing criteria to address concerns about backdoor listings and shell activities, as well as a proposal relating to listed issuers with disclaimer or adverse audit opinion on financial statements. We intend to publish the conclusions in the second half of 2019. In addition, following the implementation of Listing Rules that permit companies with WVR structures in April, HKEX has been consulting with stakeholders on the development of a proposal to expand the new regime to include corporate entities as WVR beneficiaries.

In the secondary market, we continued to upgrade our infrastructure and undertake major market microstructure improvements for both the Hong Kong market and Stock Connect. In February 2018, HKEX introduced a new securities trading system for the Hong Kong market, the Orion Trading Platform – Securities Market (OTP-C), replacing the previous Automatic Order Matching and Execution System (AMS/3.8). Development of the OTP-China Stock Connect was completed in Q4 2018 and is expected to replace the legacy proprietary hardware currently supporting Northbound Trading in 1H 2019. An upgrade of derivatives platforms continued throughout 2018, with the Hong Kong Futures Automated Trading System (HKATS) and the Derivatives Clearing and Settlement System (DCASS) scheduled for rollout by Q2 2019.

We continue to actively engage with market participants to ensure that our markets in Hong Kong and London remain internationally attractive and competitive.

Catalyst of Index Inclusion – Mutual Market Access

Stock Connect

November 2018 marked the 4th anniversary of Shanghai-Hong Kong Stock Connect. It, along with Shenzhen-Hong Kong Stock Connect, have both played a pivotal role in enabling the inclusion of China's A shares into global indices in 2018. The MSCI Emerging Markets Index was the first to include A shares in June, with the MSCI All Country Index adding them in September. Inclusion momentum will continue in 2019, with FTSE Russell expecting to include A shares into its global benchmark indices in June and S&P Dow Jones to follow in September. Both Northbound and Southbound Trading in Stock Connect demonstrated strong growth in 2018, with A share inclusion a catalyst for Northbound Trading. Total Northbound turnover reached RMB4,674 billion, an increase of 106 per cent and Southbound Turnover reached \$2,834 billion, an increase of 25 per cent from 2017. As of the end of 2018, net capital inflow into the Mainland and into Hong Kong reached RMB641.7 billion and \$808.9 billion respectively since launch.

HKEX was pleased to reach a consensus with the two Mainland exchanges on the arrangements for including WVR companies in Southbound Trading in Stock Connect, with new rules to be implemented in mid-2019.

To enhance cross-border market surveillance and facilitate further development of mutual market access, an investor identification model for Northbound Trading (NB Investor ID Model) was successfully implemented in September 2018. On a reciprocal basis, the investor identification regime for Southbound Trading will be implemented as soon as practicable.

Bond Connect and FIC

As with the inclusion of A shares into international benchmark indices, Bond Connect also facilitated the inclusion of Chinese bonds into global indices in the fixed income space. Post year end, Bloomberg also announced that it would include Chinese onshore government and policy bank bonds into the Bloomberg Barclays Global Aggregate Index beginning April 2019. Market participation in Bond Connect has been growing steadily, with ADT reaching RMB3.6 billion in 2018, while overall foreign holdings in China's interbank bond market reached RMB1,730 billion by 31 December 2018, more than double the size from the launch of Bond Connect in July 2017. To further facilitate international participation in China bond market, HKEX welcomed Bloomberg LP as the second international trading platform to operate on Bond Connect in November 2018, with Bond Connect investors able to trade with this new platform from 17 January 2019. As of the end of December 2018, there were 503 registered institutional investors across 24 jurisdictions. The addition of a new international trading platform was among several measures announced in July 2018 by the People's Bank of China to support the sustainable development of the Bond Connect programme.

The RMB experienced an increase in volatility amid the escalation in trade tensions during the year. As demand for RMB risk management grew, HKEX's RMB derivatives products continued to set several records. The trading volume of USD/CNH Futures reached 1,755,130 contracts in 2018, surpassing the previous highest annual trading record in 2017 (732,569 contracts) since their launch in September 2012. USD/CNH Options also set a new record in open interest with 10,827 contracts on 14 September.

Clearing volume of OTC Clear reached US\$120.4 billion, up 210 per cent compared to 2017. Our product scope continued to expand with clearing of USD-HKD Cross Currency Swaps and Deliverable Foreign Exchange (DFX) denominated in USD/CNH and USD/HKD introduced during the year.

A New Chapter in Commodities

Trading volumes of LME metal contracts returned to growth in 2018, due partly to macroeconomic and geopolitical factors. Chargeable ADV of contracts traded on the LME was 629,556 lots⁴, 5 per cent higher than 2017. Key products including LME Aluminium, Copper, Zinc, Nickel and Lead recorded ADV growth of 10 to 25 per cent compared to 2017, while year-end LME futures market open interest was 2 million lots, down 11 per cent year-on-year. Growth in trading volumes was also partly a result of short and medium-dated carry discounts, which were introduced in October 2017 and extended indefinitely in September 2018. The new Financial OTC booking fee was implemented in June 2018 following a market consultation. To further build liquidity, the LME is introducing the new Registered Intermediating Broker (RIB) membership, ready for service launch in Q1 2019. LME also published its Responsible Sourcing position paper in Q4 2018, signalling its commitment to the long term health of the global metals market.

After several years of preparation, HKEX's subsidiary, the Qianhai Mercantile Exchange, was officially launched with a pilot product in October 2018 in Shenzhen. The QME is offering spot trading and settlement services for alumina. Since launch, total volumes recorded 77,000 tonnes in 2018, representing a trading value of RMB244.2 million and physical delivery of 75,000 tonnes. We are confident that the QME will help to create a credible price benchmark for alumina in the Mainland market.

Incubating Technology and Business Innovation

Apart from upgrading our core systems in Hong Kong and London, efforts to modernise our technology platforms continued in 2018 with a focus on the multi-year Next Generation Post Trade Programme and blockchain applications for improving efficiency and client experience. HKEX actively explored emerging technologies and its applications for our business through the newly established the HKEX Innovation Lab, which leverages on in-house development capabilities as well as external partnerships. The Lab is off to a good start; one project prototype is a blockchain-powered platform for post-trade allocation and processing for Stock Connect, which was built by

⁴ Excludes non-fee generating administrative trades

the Lab in 2018. HKEX also co-hosted large scale fintech events in Hong Kong to connect innovators, entrepreneurs and investors in the innovation space.

Strategic Outlook

Our previous three 3-year strategic plans set out a bold vision for connecting international investors and our market with that of the Mainland and diversifying into new asset classes. In pursuing this vision, we have transformed HKEX from the premier offshore capital formation centre for China into both a destination and an access market that facilitates inbound and outbound securities investment in equities and fixed income via the Stock Connect and Bond Connect schemes. Further, we have become a leading player in international commodities trading through the acquisition and commercialisation of the LME. We also recently undertook the most significant reforms to our listing regime in 25 years with the launch of three New Chapters of our Listing Rules to better cater to the needs of new economy issuers. This has laid a firm foundation for the next chapter in HKEX's development, where we intend to transform ourselves from being a leading global exchange not only by virtue of our size, but also in terms of our product range, reach, global relevance, regulatory standards, market efficiency and technological innovation.

Building upon the successes of our Strategic Plan 2016-2018, we aim to further increase our international relevance to China and Asia, and our Asia relevance to the global markets, serving as the venue of choice for investors and issuers in the Asian time zone.

Appreciation

It has been a strong year for HKEX overall, and I would like to express my greatest appreciation to the HKEX Group staff for their dedication and hard work. I would also like to take this opportunity to thank the senior executives who retired in 2018, including Trevor Spanner (Former Group Chief Information Officer and Group Risk Officer), Henry Law (Former Chief Communications Officer)⁵ and Roger Lee (Former Joint-Chief Operating Officer and Head of Markets), for their long service and contributions to HKEX Group. We have welcomed a number of new senior executives to the Group in the year, who collectively bring deep institutional and market knowledge, international and local insight, and together with the existing management team will strengthen the diversity of thought and leadership that we need for the next stage in our growth journey.

I must also thank the Hong Kong SFC, the Hong Kong Monetary Authority, our other regulators, market participants and other stakeholders for their ongoing engagement: we are part of a wider ecosystem and we very much value your partnership, expertise and support. We look forward to continuing to work with you.

Last but not least, I would like to thank my fellow members of the Board for their tremendous support and guidance. It is our great privilege to welcome Mrs Laura Cha's return to HKEX as the first woman to chair our Board in the history of HKEX. Laura's vision, international experience and exceptional background will add significant value to HKEX. I am personally indebted to the Board for its trust in keeping me at the helm of the ship for the next three years and I will continue to do my utmost to serve the Company.

LI Xiaojia, Charles

Director and Chief Executive

⁵ Mr Law is serving as advisor until 28 February 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

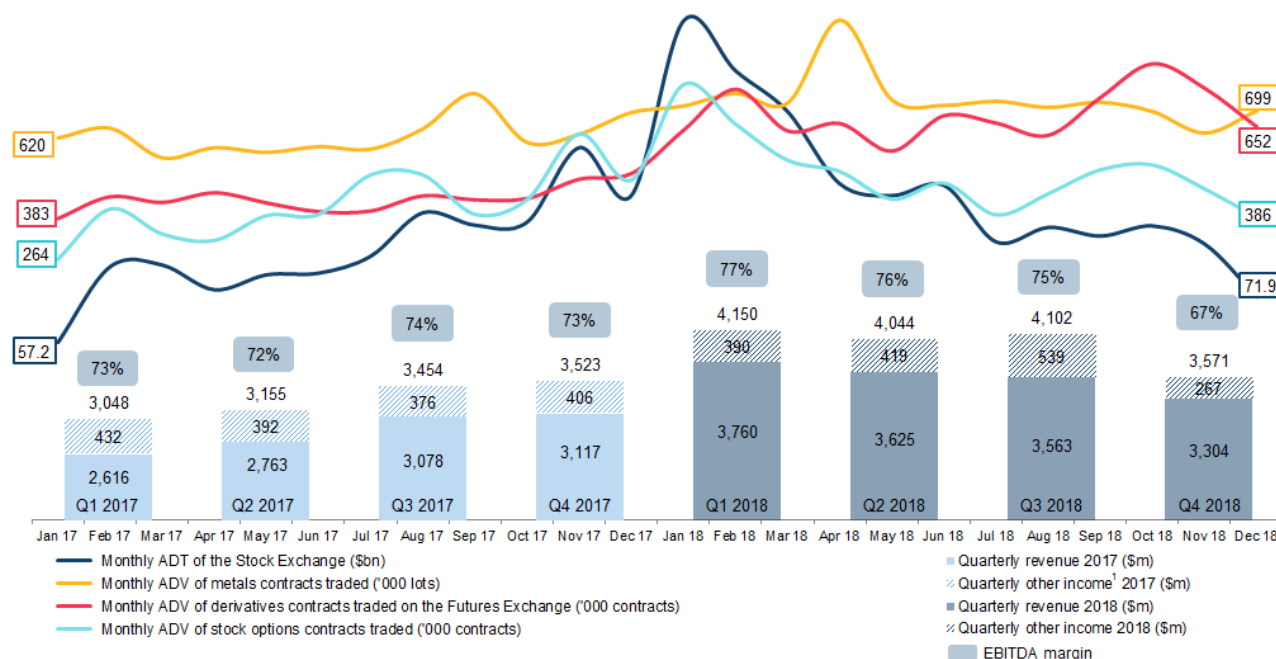


Fig. 1 – Market activity and Group's revenue and other income

2018 was a great year for both trading volumes and IPOs. The market started strongly in Q1 2018², with the benchmark HSI achieving a historic intraday high of 33,484 points in January. However, market sentiment started to weaken in 2H 2018 due to increased concerns over the US/China trade tensions and a weakening economic outlook in China. Notwithstanding this, benefiting from a strong 1H 2018, Cash Market trading achieved a record high headline ADT³ of \$107.4 billion in 2018, 22 per cent above 2017.

Stock Connect trading volumes also reached record highs with Northbound and Southbound ADT being 113 per cent and 30 per cent higher respectively than in 2017. Increased volatility in our Derivatives Market helps deliver record high trading volumes, with increases in ADV of HKFE contracts and stock options traded of 56 per cent and 21 per cent respectively against 2017. The IPO market saw a record 218 listings⁴ in 2018, including seven companies that listed under New Chapters⁵, and the number of newly listed DWs and CBBCs also reached record highs. As a result, revenue and other income reached a record of \$15,867 million in 2018.

Operating expenses in 2018 increased by 15 per cent compared with 2017. This primarily reflects higher staff costs due to increased headcount, annual payroll adjustments and higher variable pay, higher premises and relocation expenses for consolidation of offices, and increased maintenance expenses for new IT systems and upgraded networks.

In view of the current macroeconomic backdrop, the Group continues to maintain a prudent approach to cost management whilst pursuing key strategic initiatives for future growth.

1 Includes net investment income and sundry income

2 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, 1H = first half, 2H = second half

3 ADT of equity products, DWs, CBBCs and warrants traded on the Stock Exchange

4 Includes transfers of listing from GEM to the Main Board

5 Refers to the Main Board Listing Rules Chapters 8A, 18A and 19C

Cash Segment

Key Market Indicators

	2018	2017	Change
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	84.2⁴	71.2	18%
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	11.6⁴	5.6	107%
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	8.8⁴	4.0	120%
ADT of Bond Connect (RMBbn)	3.6⁴	2.2	64%
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2}	1,224,697⁴	1,034,651	18%
Number of newly listed companies on Main Board ³	143⁴	94	52%
Number of newly listed companies on GEM	75	80	(6%)
Number of companies listed on Main Board at 31 Dec	1,926	1,794	7%
Number of companies listed on GEM at 31 Dec	389	324	20%
Total	2,315	2,118	9%
Market capitalisation of companies listed on Main Board at 31 Dec (\$bn)	29,723	33,718	(12%)
Market capitalisation of companies listed on GEM at 31 Dec (\$bn)	186	281	(34%)

1 Excludes DWs, CBBs and warrants (which are included under the Equity and Financial Derivatives segment) and includes \$8.2 billion⁴ (2017: \$7.5 billion) of ADT of Southbound Trading under Shanghai-Hong Kong Stock Connect and \$4.5 billion⁴ (2017: \$2.3 billion) under Shenzhen-Hong Kong Stock Connect

2 Includes buy and sell trades under Stock Connect

3 Includes 10 transfers from GEM (2017: 13)

4 New record highs in 2018

	2018 \$bn	2017 \$bn	Change
Total equity funds raised on Main Board			
– IPOs	282.9	122.6	131%
– Post-IPO	250.3	444.8	(44%)
Total equity funds raised on GEM			
– IPOs	5.1	5.9	(14%)
– Post-IPO	5.8	8.1	(28%)
Total	544.1	581.4	(6%)

Stock Connect – New Record Highs in 2018

	2018	2017	Change
Northbound Trading value (RMBbn)	4,674	2,266	106%
Southbound Trading value (\$bn)	2,834	2,259	25%
Total revenue and other income ¹ (\$m)	678	412	65%

1 \$418 million of which arose from trading and clearing activities (2017: \$238 million)

Analysis of Results

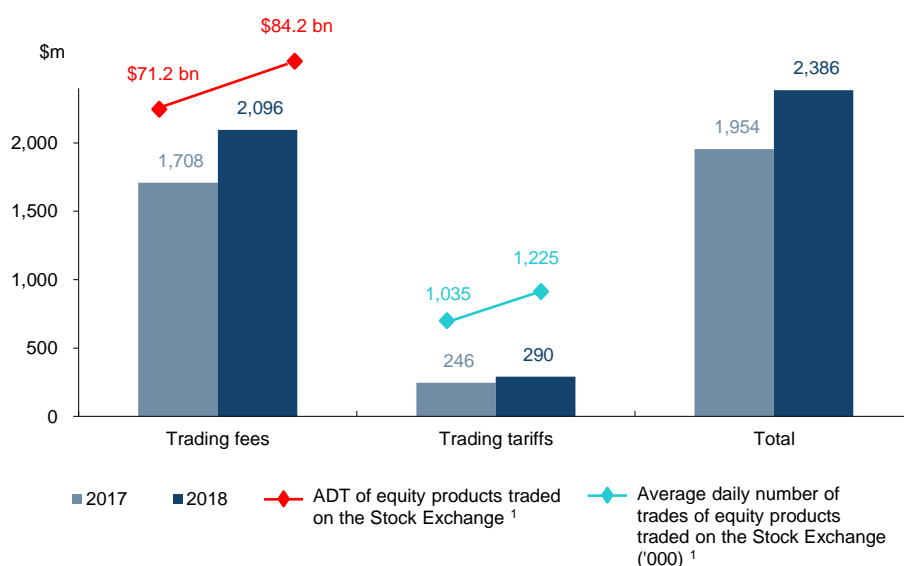
Summary

	2018 \$m	2017 \$m	Change
Trading fees and trading tariffs ¹	2,386	1,954	22%
Stock Exchange listing fees ¹	899	828	9%
Market data fees ¹	496	490	1%
Other revenue	74	91	(19%)
Total revenue	3,855	3,363	15%
Operating expenses ²	(584)	(581)	1%
EBITDA	3,271	2,782	18%
EBITDA margin	85%	83%	2%

1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment)

2 Includes Listing Division costs relating to equity products traded on the Stock Exchange

Trading Fees and Trading Tariffs

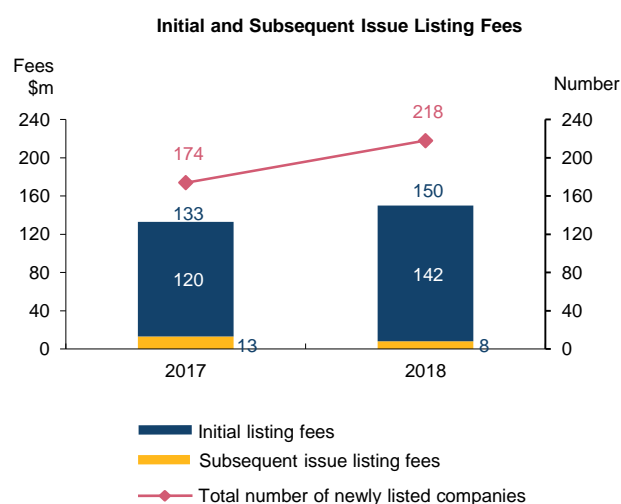
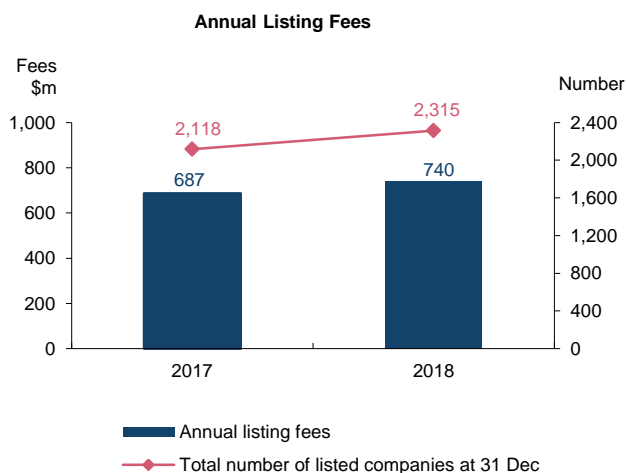


Trading fees increased by \$388 million (23 per cent), outpacing the 18 per cent rise in equity products ADT. This was primarily due to higher Stock Connect trading, higher fees from new equities funds raised, and an improvement in product mix - with a drop in the proportion of ETF trades (of which approximately 50 per cent were conducted by market makers who are exempted for trading fees). Trading tariffs rose by 18 per cent, in line with the increase in number of trades of equity products.

1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment)

Stock Exchange Listing Fees

	2018 \$m	2017 \$m	Change
Annual listing fees	740	687	8%
Initial and subsequent issue listing fees	150	133	13%
Others	9	8	13%
Total	899	828	9%



Annual listing fees increased in line with the rise in the total number of listed companies.

Initial and subsequent issue listing fees increased by 13 per cent due to the higher number of newly listed companies and an increase in forfeitures and withdrawals. As a result of the adoption of new accounting standard HKFRS15, initial listing fees are recognised over the years when the services are provided.

EBITDA

Operating expenses increased by \$3 million, or 1 per cent, due to higher staff costs from increased headcount and higher variable pay, and increased IT maintenance expenses for Stock Connect, partly offset by cost savings associated with the conversion of the former HKEX trading hall into a multi-purpose function space - the HKEX Connect Hall, operating costs of which are now recorded under Corporate Items. The increase in EBITDA margin from 83 per cent to 85 per cent reflects the increase in revenue.

Business Update

2018 was a record year for HKEX. The year started strongly and Q1 saw a record level of trading activities, stock market performance and market capitalisation. The benchmark HSI achieved a historic intraday high of 33,484 points on 29 January 2018. Market capitalisation also reached a record high of \$37,715.7 billion on 26 January 2018. Market sentiment and level of trading activities nonetheless moderated since Q2, reflecting investors' concerns about US/China trade tensions and the weakening macroeconomic environment, but headline ADT reached a record yearly high of \$107.4 billion.

Stock Connect

Stock Connect achieved record turnover in a second consecutive year. The doubling of Northbound trading volume can be partly attributed to the A shares inclusion in MSCI Emerging Markets Index and All Country Index (MSCI Indices) effective in June and September 2018.

Key Highlights of Stock Connect during 2018

- Over 4,500 new Special Segregated Accounts (SPSA) were opened in 2018, with total SPSA now reported at over 7,000 accounts as at 31 December 2018
 - Expansion of daily quota under Stock Connect to RMB52 billion for each of Shanghai Connect and Shenzhen Connect in Northbound Trading and to RMB42 billion for Southbound Trading came into effect on 1 May 2018
 - Real-time delivery-versus-payment settlement facility, which was introduced in late 2017, saw an average of 14 per cent usage in 2018 compared with less than 1 per cent for the Hong Kong Market
 - China Connect Clearing Participants (CCEPs) are allowed to use USD or HKD as collateral on trading days for the early release of China Connect Securities that are securities-on-hold from May 2018
 - Successful inclusion of A shares into MSCI Indices effective in June and September 2018, which partly contributed to the growth of Northbound Trading volume. An investor identification regime for Northbound Trading, aiming at facilitating market surveillance and monitoring, was launched on 26 September 2018
 - HKEX, together with Digital Asset Holdings, LLC and key market participants, completed a Distributed Ledger Technology (DLT) prototype platform for Northbound Trading of Stock Connect post-trade allocation processing to enable real time synchronisation of post-trade status among multiple market players and HKEX
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Key Initiatives of Stock Connect to be effective in 2019

- In July 2018, HKEX, the Shanghai Stock Exchange and the Shenzhen Stock Exchange agreed on adjusting the inclusion arrangements for eligible securities under Stock Connect's Southbound Trading. An initial Special Stability Trading Period (SSTP) will be required for Hong Kong listed weighted voting rights (WVR) companies. A consensus was reached in December 2018, and it is expected that the new rules will be implemented in mid-2019
 - The SFC and the China Securities Regulatory Commission (CSRC) jointly announced the implementation of an investor identification regime for Southbound Trading, targeting the end of Q1 2019. Meanwhile, HKEX has enhanced its SMARTS trade surveillance system to prepare for the launch
 - In September 2018, MSCI announced the launch of a consultation on the further addition of A shares in its Emerging Markets Index with inclusion factor of up to 20 per cent in 2019; and FTSE Russell also announced first time inclusion of A shares in its global indices starting June 2019, up to a 15 per cent inclusion factor by September 2019
 - In December 2018, S&P Dow Jones Indices LLC announced its plan to debut A shares (specifically eligible A shares under Stock Connect's Northbound Trading) in its indices on 23 September 2019 with a 25 per cent inclusion factor
 - HKEX is planning to take the DLT prototype forward by engaging a wider base of market participants to gather requirements for a possible production deployment
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Issuer Business

Hong Kong was again No. 1 market worldwide for IPOs in 2018, welcoming 218⁶ new companies to this market, raising a total of \$288 billion. With the recent transformative changes to the listing regime, seven companies are WVR or biotech companies listed under the New Chapters⁷ of the Main Board Listing Rules, with IPO funds raised of \$94 billion.

During the year, HKEX sought to proactively engage the market about our new listing regime in the Mainland, Hong Kong, and overseas. HKEX's flagship event, HKEX Biotech Summit, gathered around 600 delegates, connecting senior biotech industry leaders with sell-side advisors and research analysts in the biotech community to share industry insights and trends.

Apart from establishing a biotech ecosystem in Hong Kong public market, HKEX this year has focused on expanding its reach and engagement overseas. We participated in "Venture", an inaugural conference that brought venture capitalists together with entrepreneurs to discuss the latest developments and investment opportunities in technology. The event was well attended by more than 350 guests and 250 tech entrepreneurs.

Looking forward, HKEX will continue to focus on promoting Hong Kong as the premier listing platform for high growth and innovative companies across the globe.

ETF Market Development

HKEX continues to expand its regional marketing presence through a number of events including Inside ETF Asia 2018, ETF Global Markets Roundtable and Asia ETF Forum, a series of roadshows in Hong Kong, South Korea, Taiwan, Japan, Singapore and Thailand, targeting institutions and intermediaries.

As of 31 December 2018, HKEX's Exchange Traded Products (ETP) (which comprises ETF and Leveraged and Inverse Products (L&I Products)) accounted for total market capitalisation of \$557 billion (31 December 2017: \$636 billion), and ADT for 2018 of \$4.5 billion (2017: \$4.7 billion).

⁶ Includes transfers of listing from GEM to the Main Board

⁷ Refers to the Main Board Listing Rules Chapters 8A, 18A and 19C

Closing Auction Session

The quarterly MSCI rebalancing on 31 May 2018 increased on a net basis index weightings of Hong Kong-listed stocks. \$96.2 billion, or 47 per cent of HKEX's total securities market turnover of \$205.7 billion on that day, was transacted in the Closing Auction Session (CAS), the highest CAS turnover since its launch in 2016. Such a high level of CAS activities demonstrates investors' increasing confidence in using this relatively new mechanism for meeting their needs to execute at closing price.

Bond Connect

Market participation in Bond Connect grew steadily throughout the year, with ADT reaching RMB3.6 billion in 2018, an increase of 64 per cent compared with 2017. In addition, the number of approved overseas institutional investors participating in Bond Connect continued to increase. As at 31 December 2018, there were 503 approved investors across 24 jurisdictions, compared with 247 as of 31 December 2017. Meanwhile, overall foreign holdings in China's interbank bond market reached RMB1,730 billion at the end of December 2018, more than double the size since the launch of Bond Connect.

In addition, China's bonds will be, for the first time, included in the Bloomberg Barclays Global Aggregate Index from April 2019 by phases. We expect this move to drive global allocation to China's bond market and demand for the Bond Connect scheme.

In August 2018, Bond Connect upgraded its settlement system to fully implement real-time delivery-versus-payment, which will further enhance the efficiency and security of Bond Connect's settlement services. In the same month, Bond Connect also launched a block trade allocation service, which allows asset managers to allocate block trades to multiple client accounts prior to trading. These developments are expected to accelerate the participation in Bond Connect by global asset managers and investors.

Market Data Business

The Mainland market data business continues to grow, with more than 70 real-time Mainland information vendors as at 31 December 2018, compared with 22 at the launch of Stock Connect. To further promote market transparency of Stock Connect trading, HKEX extended its existing market data programmes until the end of 2020 to continue to increase the visibility and penetration of securities market data in the Mainland. In conjunction with future development, the Mainland Market Data Hub (MMDH) in Shanghai will be upgraded with lower latency datafeed and premium content. MMDH is HKEX's first market data infrastructure footprint in Mainland China, strengthening connectivity by enabling Mainland investors to access HKEX's market data through reliable and cost-effective infrastructure. This upgrade aims to further enhance the services for brokers to receive higher quality data for Southbound Trading. HKEX will also continue to enhance the scope and service level of its reference data products to promote more interaction between the two markets.

Listing Regulation

In 2018, the Stock Exchange issued 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 2018 as well as the proposals under review in 2019 will be set out in the 2018 Listing Committee Report.

Proposals and Conclusions in 2018

	Consultation paper ¹	Consultation conclusions ¹	Effective date of changes (if any)
• Delisting and Other Rule Amendments	Sep 2017	May 2018	1 Aug 2018
• Capital Raisings by Listed Issuers	Sep 2017	May 2018	3 Jul 2018
• Proposed Changes to Documentary Requirements relating to Listed Issuers and Other Minor Rule Amendments	Nov 2017	Feb 2019	1 Mar 2019
• Review of the Corporate Governance Code and Related Listing Rules	Nov 2017	Jul 2018	1 Jan 2019
• Proposed Exemption for Aircraft Leasing Activities	Nov 2017	Aug 2018	15 Oct 2018
• A Listing Regime for Companies from Emerging and Innovative Sectors	Feb 2018	Apr 2018	30 Apr 2018
• Backdoor Listing, Continuing Listing Criteria and Other Rule Amendments	Jun 2018	2H 2019 (tentative)	-
• Review Structure in relation to Listing Committee Decisions	Aug 2018	Jan 2019	Mid-2019 ²
• Proposal relating to Listed Issuers with Disclaimer or Adverse Audit Opinion on Financial Statements	Sep 2018	2H 2019 (tentative)	-

1 All the consultation papers and conclusions are available under the News (Market Consultations) section of the HKEX Market website.

2 The revised Rules will take effect around mid-2019 (subject to the establishment of the Listing Review Committee). The effective date will be announced later.

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

- Issued series of listing decisions on interpretation of the Listing Rules, including reasons for rejection and return of new applications and sufficiency of operations or assets
- Published new/updated guidance materials on (i) implementing a new regime for companies from emerging and innovative sectors; (ii) the Stock Exchange's approach to listing applicants in the internet technology sector or that have internet-based business models; (iii) IPO vetting and suitability for listing; (iv) pricing flexibility for IPOs; (v) reallocation of shares from placing tranche to the public subscription tranche in an IPO; (vi) suitability for continued listing; (vii) rule changes regarding delisting and capital raising; (viii) streamlining of listing guidance materials; (ix) Guidance for Boards and Directors; and (x) How to prepare an ESG report?
- Published reports on review of listed issuers' (i) disclosure in annual reports; (ii) financial statements; (iii) corporate governance practices; and (iv) Environmental, Social and Governance reports
- Introduced the first e-training for directors of companies listed on the Stock Exchange to understand the new corporate governance requirements that took effect on 1 January 2019
- Published a guide on listing new structured products to structured products issuers to facilitate a more efficient introduction of new products to give investors more product choices

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.

Stock Exchange's IPO Work

	2018	2017
• Number of listing applications vetted ¹	511	412
• Number of applications brought to the Listing Committee (or their delegates) for decisions ²	250	194
– within 120 calendar days	85	60
– between 121 to 180 calendar days	71	66
– after more than 180 calendar days	94	68
• Number of applications for which approval was granted in principle ³	245	216
• Number of requests for guidance from listing applicants or their advisers seeking clarifications of listing matters	238	158
– Average response time (in business days)	10	9
• Number of listing applications for transfer of listing from GEM to Main Board accepted	21	22
• Applications listed ⁴	234	197
• New listing applications rejected ⁵	25	8
• New listing applications withdrawn	14	14
• New listing applications returned	-	5
• Application in process at year-end	167	139

1 Comprises 372 (2017: 310) new applications and 139 (2017: 102) existing applications brought forward from previous year

2 Refers to listing applications heard by the Listing Committee (or their delegates) for the first time and excludes Chapter 20 listing applications

3 At the end of 2018, 35 (2017: 33) approved applications had not yet been listed, and 7 (2017: 6) approved applications had lapsed during the year.

4 Includes 16 investment vehicles listed on Main Board and deemed new listings (2017: 23)

5 In 2018, no rejection decisions (2017: 2) were subsequently reversed by the Listing (Review) Committee/Listing Appeals Committee upon review.

Number of Compliance and Monitoring Actions

	2018	2017
• Announcements of issuers vetted	59,861	57,498
• Circulars of issuers vetted	2,083	1,841
• Share price and trading volume monitoring actions undertaken ¹	7,945	6,461
• Complaints handled	404	568
• Cases (including complaints) referred to Listing Enforcement Team for investigation ²	81	40

1 In 2018, monitoring actions undertaken included 794 enquiries (2017: 603) on unusual share price and trading volume movements, and the actions undertaken led to 24 resumption announcements (2017: 32) on trading suspensions.

2 The increase in the number of case referrals is mainly due to refinements of referral thresholds for consideration of investigation.

Long Suspension

Status of Long Suspended Companies (at year-end)	Main Board		GEM	
	2018	2017	2018	2017
Resumption of trading of securities during the year	10	14	2	1
Cancellation/withdrawal of listing during the year	4	3	-	2
Companies in the third stage of delisting	16	14	N/A	N/A
Companies notified of the Stock Exchange's intention to cancel their listing ¹	-	1	3	2
Companies suspended for 3 months or more	71	53	11	3

1 For GEM, the figures represent companies that 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 three stages for Main Board).

Listing Enforcement

The enforcement statistics set out below represent a high-level overview of the enforcement work undertaken in 2018 by the Stock Exchange.

Further details and information relating to enforcement work (including the Stock Exchange's general approach, disciplinary procedures and recent cases) can be found at the HKEX Market website, the bi-annual "Enforcement Newsletter" and will be set out in the 2018 Listing Committee Report.

Enforcement Statistics

	2018	2017
Investigations ^{1, 2, 3}	111	86
Public sanctions ⁴	21	9
Warning/caution letters ⁵	14	9

1 Figures cover all cases which were investigated in 2018 (both concluded cases and ongoing investigations at year-end).

2 At the end of 2018, there were 35 ongoing investigations as compared to 28 ongoing investigations at the end of 2017.

3 In 2018, 3 enforcement cases (2017: 4) originating from complaints were subject to enforcement investigation, and might give rise to disciplinary proceedings.

4 The number of investigation cases that resulted in a public sanction. Actions taken at a lower level in the same case, eg, private reprimand, are not included.

5 The warning and caution letters were issued in circumstances where disciplinary proceedings before the Listing Committee were not considered appropriate. These are recorded as part of the compliance history for the relevant party.

Costs of Listing Function

The costs of the front line regulation of listed issuers, performed by the Listing Committee and the Listing Division, are absorbed by the Cash and Equity and Financial Derivatives segments in proportion to the listing fee income of the two segments.

Equity and Financial Derivatives Segment

Key Market Indicators

	2018	2017	Change
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	23.2	17.0	36%
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange	372,095 ²	205,518	81%
ADV of derivatives contracts traded on the Futures Exchange ¹	685,126 ²	440,563	56%
ADV of stock options contracts traded on the Stock Exchange	517,395 ²	428,499	21%
Number of newly listed DWs	11,794 ²	7,989	48%
Number of newly listed CBBCs	26,678 ²	13,235	102%
ADV of contracts traded during After-Hours Trading ¹	89,338 ²	30,148	196%
	At 31 Dec 2018	At 31 Dec 2017	Change
Open interest of futures and options ¹	10,593,376	11,154,897	(5%)

1 Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

2 New record highs in 2018

Analysis of Results

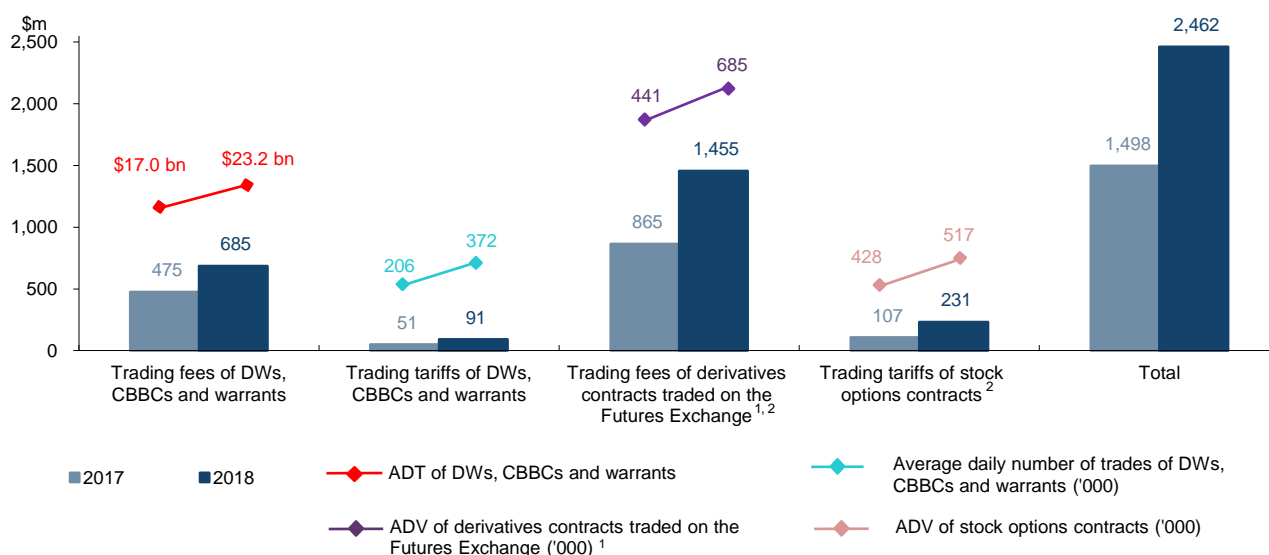
Summary

	2018 \$m	2017 \$m	Change
Trading fees and trading tariffs ¹	2,462	1,498	64%
Stock Exchange listing fees	822	505	63%
Market data fees ¹	210	186	13%
Other revenue	9	6	50%
Total revenue	3,503	2,195	60%
Operating expenses ²	(573)	(477)	20%
EBITDA	2,930	1,718	71%
EBITDA margin	84%	78%	6%

¹ Excludes cash equities (which are included under the Cash segment)

² Includes Listing Division costs apportioned to DWs, CBBCs and warrants traded on the Stock Exchange

Trading Fees and Trading Tariffs



¹ Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

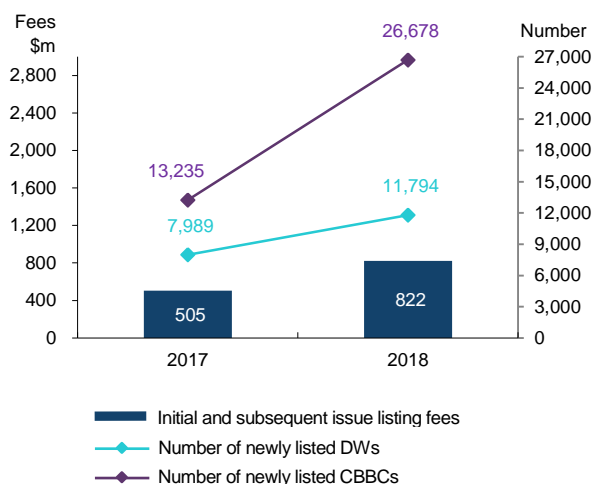
² Excludes trading fees and trading tariffs allocated to the Clearing segment (Derivatives contracts traded on the Futures Exchange – 2018: \$338 million; 2017: \$218 million; stock options contracts – 2018: \$84 million; 2017: \$70 million)

Trading fees and trading tariffs for the segment are generated from the 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 tariffs for futures and options contracts is 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 tariffs.

Trading fees and trading tariffs from trading of DWs, CBBCs and warrants rose by \$250 million or 48 per cent, reflecting the 36 per cent increase in ADT, higher fees from new issues of DWs and CBBCs, and a decrease in average transaction size which led to a higher increase in trading tariff income.

Driven by increased volatility in 2018, ADV of derivatives contracts traded on the Futures Exchange and stock options contracts both reached record highs. As a result, derivatives trading fees of the Futures Exchange and trading tariffs for stock options contracts rose by 68 per cent and 116 per cent respectively compared with 2017. Average fee per derivatives contract traded on the Futures Exchange increased, due to a higher proportion of derivatives contracts being higher fee contracts (including HSI products), compared with 2017; and average fee per stock option contract rose as various stock options traded moved to a higher fee tier in 2018.

Stock Exchange Listing Fees



Stock Exchange listing fees are mainly derived from initial and subsequent issue listing fees for DWs and CBBCs. The fees increased by \$317 million or 63 per cent, reflecting the record number of newly listed DWs and CBBCs during 2018.

EBITDA

Operating expenses increased by 20 per cent due to higher allocated costs of the Listing Division, arising from the proportionately higher increase in listing fees from DWs and CBBCs compared with equities, and higher index licence fees attributable to increased volume of derivatives contracts traded. As the percentage increase in revenue is more than the percentage increase in operating expenses, the EBITDA margin rose from 78 per cent to 84 per cent.

Business Update

The turbulent and more uncertain macroeconomic environment has seen investors increasingly utilise derivatives contracts on HKEX to manage risks, resulting in the following records being achieved in 2018:

New Record Highs – Full Year Trading Volume

	2018 Number of contracts	Pre-2018 record Number of contracts	
Total Futures and Options ¹	295,820,120	214,658,273	(2017)
HSI Futures	57,668,346	32,313,994	(2016)
Mini HSI Futures	24,664,381	12,477,552	(2016)
HSCEI Futures	37,451,281	33,379,310	(2015)
HSI Options	12,716,495	10,667,426	(2011)
Mini HSI Options	2,461,296	1,640,881	(2017)
HSCEI Options	24,258,084	19,777,920	(2017)
Mini HSCEI Options	583,549	377,243	(2017)
Stock Futures	863,027	729,013	(2015)
Stock Options	127,279,101	105,839,179	(2017)
RMB Currency Futures – USD/CNH Futures	1,755,130	732,569	(2017)

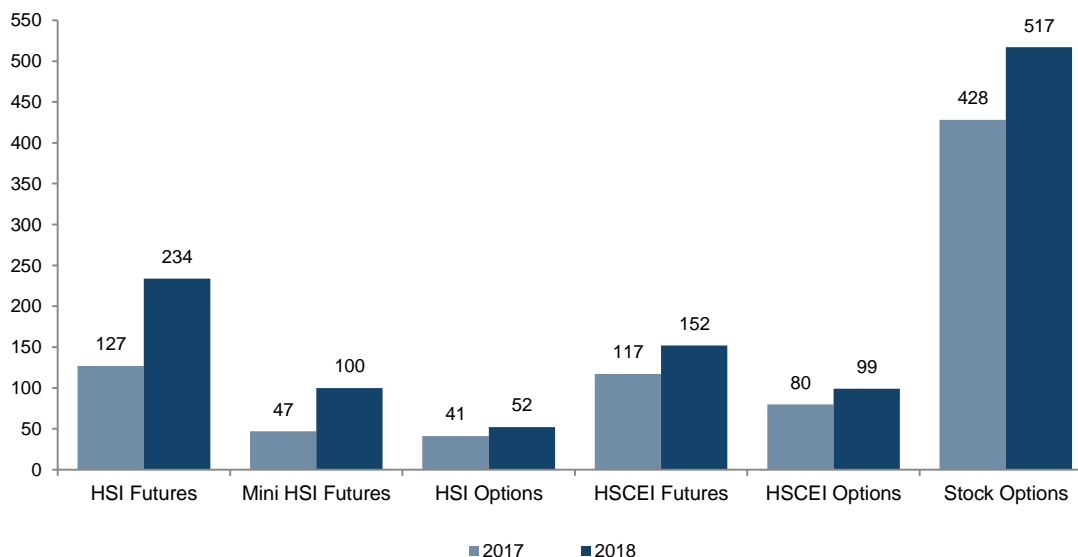
¹ Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

New Record Highs – Single-day Trading Volume and Open Interest

	Single-day Trading Volume		Open interest	
	Date (2018)	Number of contracts	Date (2018)	Number of contracts
HSI Futures	26 Oct	422,450	N/A	N/A
Mini HSI Futures	7 Feb	215,927	26 Oct	22,321
HSCEI Futures	N/A	N/A	27 Dec	635,051
Mini HSCEI Futures	6 Feb	76,471	N/A	N/A
HSI Options	23 Jan	130,998	N/A	N/A
Mini HSI Options	2 Nov	25,534	28 Nov	48,450
HSCEI Options	9 Feb	232,994	28 Nov	3,749,790
Mini HSCEI Options	9 Feb	11,728	29 Oct	29,525
Stock Options	N/A	N/A	27 Mar	13,725,731
RMB Currency Futures – USD/CNH Futures	6 Aug	22,105	N/A	N/A
RMB Currency Options – USD/CNH Options	28 Aug	1,529	14 Sep	10,827

Average Daily Volume of Major Futures and Options Contracts

Number of contracts '000



After-hours Trading Enhancements

With positive market feedback after the implementation of the first phase of the After-hours Trading enhancements to 1 am in November 2017, HKEX implemented its second phase (the inclusion of equity index options) on 14 May 2018. In response to initial market feedback on liquidity provision, HKEX actively recruited new market makers and implemented new initiatives, including providing additional incentives to market makers, to maintain market quality in the After-Hours Trading (T+1) Session. Trading volume of equity index derivatives in the T+1 Session grew significantly, and ADV reached 87,200 contracts in 2018, a 196 per cent increase as compared to 2017. Equity index options ADV in the T+1 Session also increased to 10,536 in Q4 2018 from 1,753 in Q2 2018 and the volume reached a historic high of 22,924 contracts on 11 October 2018. Subject to regulatory approval and market readiness, the third phase of the enhancements (extension of trading hours to 3 am) is targeted for implementation in mid-2019.

Equity Futures and Options Market Development

Record high trading volume was achieved in the equity derivatives market with strong volume growth in index futures and options products, driven by active trading and hedging activities amid uncertain market conditions in 2018. The total trading volume of all equity derivatives was 294 million contracts in 2018, a 37 per cent increase compared to 2017. HKEX pursued further extensions in flagship product suites and expansion of new product offering as follows:

Key products introduced and product initiatives during 2018

- Narrowed strike intervals for stock index options on 22 January 2018
 - Extended contract month for HSI/HSCEI Futures and Options up to 5.5 years on 5 March 2018
 - Introduced MSCI All Country Asia ex Japan Net Total Return Index Futures on 11 June 2018
 - Introduced stock futures market enhancements including implementation of a three-tier trading fee model, a liquidity provider programme, and revision of the final settlement price determination method on 3 July 2018
 - Introduced HSI/HSCEI Total Return Index Futures on 5 November 2018
 - Introduced 16 new stock futures and 13 new stock options (including stock futures and stock options on two listed WVR companies (Meituan Dianping and Xiaomi Corporation))
 - Enhanced existing Futures and Options Mobile app to improve user experience
-

Fixed Income and Currency (FIC) Development

New full-year and single-day records for trading volume and open interest were set for HKEX currency products in 2018 (see tables under New Record Highs sections). The total trading volume of USD/CNH Futures was 1.76 million contracts in 2018, 140 per cent increase against the previous record set in 2017. Such strong trading results during the highly volatile periods seen during summer in 2018 demonstrated strong market demand for capital efficient RMB risk management tools.

HKEX continues to work on further enhancements to existing products to meet market demand. On 19 June 2018, additional contract month and additional calendar spreads of the USD/CNH Futures were introduced to facilitate long-term RMB hedging and calendar rolling activities of market participants.

On 12 June 2018, HKEX hosted its fifth annual RMB FIC Conference, attracting over 700 industry experts and business leaders, discussing key regulatory and business issues with a special focus on the current phase of RMB internationalisation and the progress of Bond Connect.

Stock Option Position Limits

In 2018, HKEX enhanced its Large Open Position (LOP) surveillance systems to support the introduction of new products including new stock futures on Tracker Fund of Hong Kong and Hang Seng China Enterprises Index ETF, MSCI All Country Asia ex Japan Net Total Return Index Futures (MSCI AC Asia ex Japan NTR Index Futures), HSI Total Return Index Futures and HSCEI Total Return Index Futures.

Risk Management

As part of HKEX's continuous effort to engage market participants and to promote a strong compliance culture, HKEX launched quarterly compliance roundtables with different groups of market participants in 2018. HKEX also completed the 2018 Annual Attestation and Inspection Programme and announced the findings to the market on 25 February 2019.

With the rapidly changing trading landscape and increasing participation of algorithmic trading in its Derivatives Market, HKEX is mindful that there could be self-execution risk for EPs to trade against themselves, especially for market makers, liquidity providers and proprietary desks. This in turn could lead to potential regulatory and compliance risk management considerations. To assist EPs in avoiding self-trade, HKEX plans to introduce a self-trade prevention function, after a stabilisation period following the upgrade of the derivatives platforms (see details in the Platform and Infrastructure segment). The self-trade prevention mechanism would help to cater for further market growth while aiding in maintaining a fair and orderly market.

Commodities Segment

Key Market Indicators

	2018	2017	Change
ADV of metals contracts traded on the LME (lots)			
Aluminium	272,016	217,412	25%
Copper	159,386	141,602	13%
Zinc	135,743	123,037	10%
Nickel	97,332	87,279	12%
Lead	53,949	44,136	22%
Ferrous	2,131	1,476	44%
Precious	3,481	2,917	19%
Others	6,460	6,621	(2%)
Total	730,498	624,480	17%
Less: Admin Trades	(100,942)	(23,413)	331%
Total chargeable ADV	629,556	601,067	5%

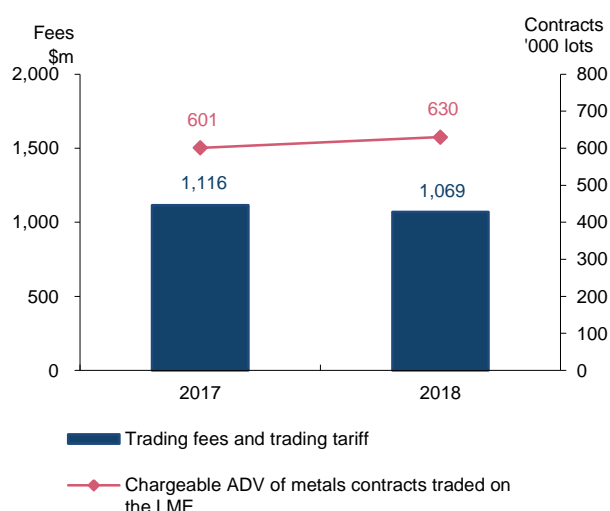
	At 31 Dec 2018	At 31 Dec 2017	Change
Total futures Market Open Interest (lots)	1,997,911	2,253,477	(11%)

Analysis of Results

Summary

	2018 \$m	2017 \$m	Change
Trading fees and trading tariffs	1,069	1,116	(4%)
Market data fees	193	181	7%
Other revenue:			
Commodities stock levies and warehouse listing fees	66	77	(14%)
Financial OTC booking fees	27	-	N/A
Others	60	62	(3%)
Total revenue	1,415	1,436	(1%)
Operating expenses	(717)	(659)	9%
EBITDA	698	777	(10%)
EBITDA margin	49%	54%	(5%)

Trading Fees and Trading Tariffs



Excluding non-fee generating administrative trades introduced in June 2017 to meet new requirements resulting from MiFID II (Admin Trades), ADV of metals contracts traded was 5 per cent higher compared with 2017. However, trading fees fell by \$47 million (4 per cent) due to the fee reductions for short- and medium-dated carry trades introduced as a result of LME's Strategic Pathway.

EBITDA

Operating expenses rose by \$58 million (9 per cent). Excluding the one-off insurance recovery of \$23 million in 2017 (relating to the costs of warehouse litigation in the US incurred in prior years), operating expenses rose by 5 per cent. The increase was mainly attributable to higher staff costs from increased headcount and annual payroll adjustments, and higher legal and professional fees for strategic initiatives, partly offset by a drop in operating expenses of QME from reduced staff costs. As a result of the lower revenue and the increase in operating expenses, EBITDA margin dropped from 54 per cent in 2017 to 49 per cent in 2018.

Business Update

LME

The LME has continued to deliver its Strategic Pathway initiatives, as outlined in 2017. The short- and medium-dated carry fee reductions originally introduced in Q4 2017 were made indefinite in September 2018. Since the introduction of the medium-dated carry discount on 1 November 2017, volumes for medium-dated carries have continued to grow and the ADV in 2018 was up 20 per cent against the first ten months of 2017.

Other Strategic Pathway deliveries include the Financial OTC booking fee, introduced in June 2018, which delivered \$27 million in 2018. The Registered Intermediating Broker (RIB) membership category, designed to give greater market access to less liquid LME contracts, is ready for service launch in Q1 2019, and implied pricing was piloted and launched in July 2018. Further, enhancements to the warrants-as-collateral service, which allows members to pledge LME warrants against their margin requirements, were successfully launched in November 2018.

LME Gold recorded a record trading day on 21 February 2018, with 14,801 lots of gold traded. In total, 148,566 lots (23,105 tonnes) of silver and 732,188 lots (2,277 tonnes) of gold were traded in 2018. Contract liquidity remains strong and has increased since the successful foundation laid in 2017. Following demand from market participants, the LME also launched an Asian hours' liquidity provision programme on 1 June 2018.

The LME continues to work on all the initiatives outlined in the Strategic Pathway and deliveries will continue throughout 2019, starting with the launch of seven new cash settled products (comprising two regional ferrous, two regional aluminium premiums, alumina, molybdenum, and cobalt contracts), likely in Q1 2019.

In October 2018 the LME published its position paper on responsible sourcing of brands listed for good delivery on the LME, which laid out the LME's proposed pathway for ensuring that its listed brands appropriately embody the responsible sourcing standards expected by downstream consumers. The feedback period ended on 30 November 2018 and the LME aims to publish its response to such feedback, as well as its next steps, in 1H 2019.

In light of the continuing uncertainty concerning the terms on which the UK will leave the European Union (EU), Brexit⁸ contingency planning has been a central priority for both the LME and LME Clear throughout 2018. The LME and LME Clear have been putting in place a broad set of contingency plans based on a number of potential outcomes, with a view to such plans being operationally ready at the currently expected date of Brexit (29 March 2019). The contingency planning comprises three key priorities including continued access to LME trading systems, continued provision of clearing services through LME Clear, and operational readiness that may be required in order to manage the additional regulatory obligations that would arise were there to be an interim period without the UK being granted trading venue equivalence.

Other Commodities Product Development

In August 2018, HKEX's USD Gold Futures became the first HKEX commodities contract to receive regulatory approval to be traded by investors in Taiwan. In 2018, a total of 25,006 contracts of CNH Gold Futures, and 326,700 contracts of USD Gold Futures were traded, with 205 kilograms of gold bars physically delivered against futures contracts.

Research and market consultations are in progress for the enhancement of the existing London Metal Mini Futures and Iron Ore Futures and for the potential launch of other metal derivatives products and metals indices.

LME Week

The annual LME Asia Week 2018 event, held in Hong Kong from 15 to 18 May 2018, attracted over 1,900 metals professionals, as well as local and international media. Six additional events were hosted throughout the week as well as the traditional Chairman's Cocktails, LME Asia Metals Seminar and LME Asia Dinner, in order to provide more opportunities for the industry to share information and exchange ideas.

The annual LME Week was held during the week of 8 October 2018. The LME seminar on Monday, 8 October saw record attendance with over 1,000 delegates debating key issues affecting the global metals markets, including ongoing geopolitical tensions and innovations in the metals industry. The LME dinner, held on the evening of 9 October, also saw a record 1,950 attendees. HKEX also hosted a China Reception on 8 October in London, welcoming over 300 metal market participants.

QME

QME officially launched on 19 October 2018 as scheduled and received positive attention from the industry in the Mainland. The first product traded on QME was Alumina. As of 31 December 2018, the number of participants and Alumina trading volumes had achieved stable growth, and the price of Alumina traded on QME has attracted increasing recognition from the key industry players. QME will continue to expand its network of client coverage and product portfolio, and enhance services provided to participants.

⁸ In a referendum held on 23 June 2016, the UK voted to exit the EU.

Clearing Segment

Key Market Indicators

	2018	2017	Change
ADT on the Stock Exchange (\$bn)	107.4	88.2	22%
Average daily number of Stock Exchange trades	1,596,792	1,240,169	29%
Average value per trade (\$)	67,266	71,159	(5%)
Average daily value of Settlement Instructions (SIs) settled by CCASS (\$bn)	266.2	220.5	21%
Average daily number of SIs	103,033	92,459	11%
Average value per SI (\$)	2,584,067	2,385,005	8%
Chargeable ADV of metals contracts traded on the LME (lots)	629,556	601,067	5%

Analysis of Results

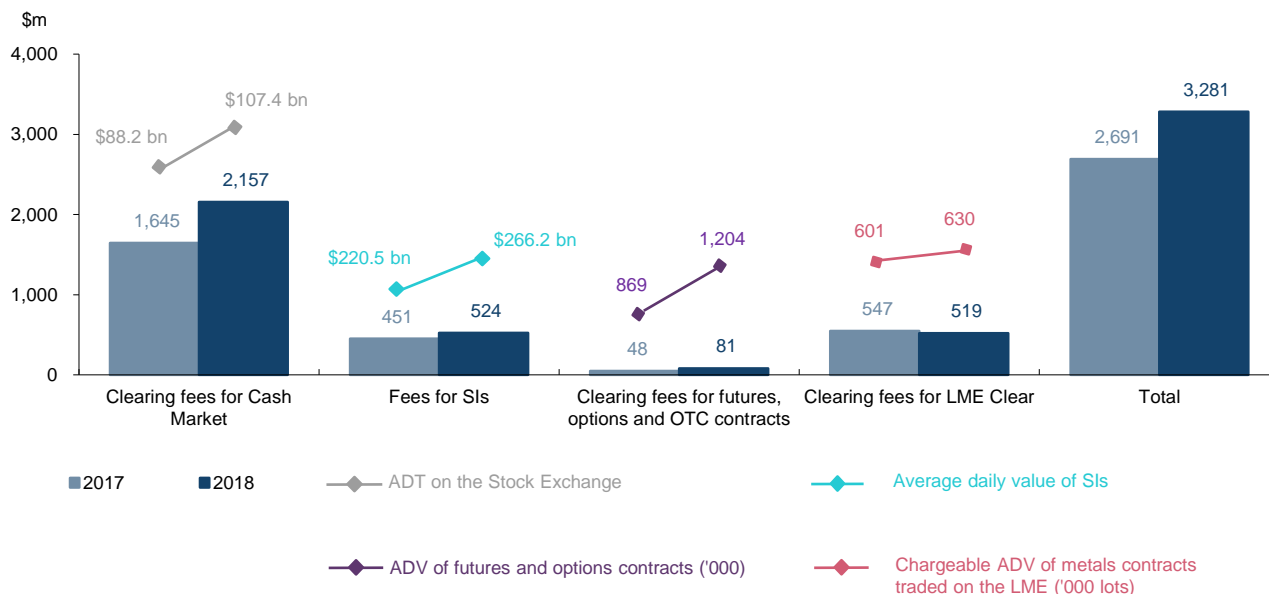
Summary

	2018 \$m	2017 \$m	Change
Trading fees and trading tariffs – allocated from Equity and Financial Derivatives segment	422	288	47%
Clearing and settlement fees	3,281	2,691	22%
Depository, custody and nominee services fees	979	892	10%
Other revenue and sundry income	109	145	(25%)
	4,791	4,016	19%
Net investment income	1,377	809	70%
Total revenue and other income	6,168	4,825	28%
Operating expenses	(812)	(752)	8%
EBITDA	5,356	4,073	32%
EBITDA margin	87%	84%	3%

Trading Fees and Trading Tariffs

Trading fees and trading tariffs allocated from the Equity and Financial Derivatives segment for clearing derivatives products rose by 47 per cent, due to a 56 per cent increase in ADV of derivatives contracts traded on the Futures Exchange and 21 per cent increase in ADV of stock options traded (see commentary in the Equity and Financial Derivatives segment).

Clearing and Settlement Fees



Clearing and settlement fees for Cash Market and SIs increased by 31 per cent and 16 per cent respectively compared with 2017. The increase was primarily driven by a higher number of transactions, and a 2 per cent and a 4 per cent higher average fee per Cash Market trade, and per SI transaction, respectively.

Despite a 5 per cent increase in chargeable ADV of metals contracts traded, clearing fees for LME Clear dropped by \$28 million or 5 per cent due to fee reductions for short- and medium-dated carry trades.

Depository, Custody and Nominee Services Fees

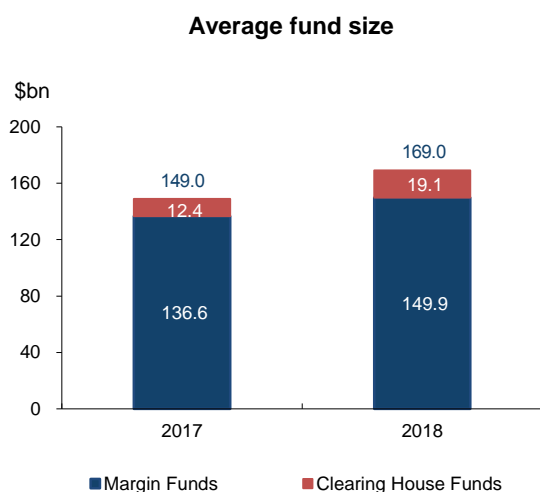
Depository, custody and nominee services fees are not directly impacted by changes in market activity. They rose by \$87 million or 10 per cent due to higher portfolio fees from an increase in the overall portfolio value held under Stock Connect, and higher electronic IPO service fees and corporate action fees, from increased numbers of stocks and structured products listed.

Other Revenue and Sundry Income

Other revenue dropped by \$36 million due to a one-off post-liquidation interest payment of \$55 million received from Lehman's liquidators in March 2017, partly offset by an increase in accommodation income⁹.

⁹ Accommodation income mainly comprises income from CPs on depositing securities as alternatives to cash deposits of Margin Funds, or depositing currencies if the relevant bank deposit rates are negative, and interest shortfall collected from LME Clear CPs on cash collateral where the investment return on the collateral is below the benchmarked interest rates stipulated in the clearing rules of LME Clear.

Net Investment Income



The increase in the average size of Margin Funds during the year arose from higher margin requirements per contract cleared through HKCC and SEOCH due to increased volatility and higher open interest, but partly offset by lower average Margin Fund size of LME Clear attributable to lower open interest and market prices compared to 2017.

The analysis of net investment income is as follows:

	2018			2017		
	Margin Funds \$m	Clearing House Funds \$m	Total \$m	Margin Funds \$m	Clearing House Funds \$m	Total \$m
Net investment income						
Cash and bank deposits	1,257	58	1,315	746	24	770
Debt securities	60	-	60	36	-	36
Exchange gains	2	-	2	3	-	3
Total net investment income	1,319	58	1,377	785	24	809
Net investment return	0.88%	0.31%	0.81%	0.57%	0.19%	0.54%

The higher net investment income on Margin Funds in 2018 arose from higher interest income on cash and bank deposits, attributable to both higher average fund size and higher bank deposit rates in Hong Kong.

EBITDA

Operating expenses rose by \$60 million (8 per cent) over 2017, as a result of higher staff costs including annual payroll adjustments and higher variable pay, increased premises costs, higher IT support and maintenance costs and new regulatory fees imposed on LME Clear, partly offset by savings in legal and professional fees. As the percentage increase in revenue and other income was higher than the percentage increase in operating expenses, EBITDA margin increased from 84 per cent in 2017 to 87 per cent in 2018.

Business Update

Cash and Derivatives Clearing

Northbound portfolio value of A shares reached a record high of RMB719 billion in September 2018 and stood at RMB668 billion at 31 December 2018 (31 December 2017: RMB530 billion). The increase reflects the continuous interest in accessing the A share market through Stock Connect.

In 2018, HKEX continued to improve market quality and to achieve a higher level of compliance with international regulatory requirements, including:

- (i) HKSCC, HKCC, SEOCH and OTC Clear introduced a number of enhancements to the recovery plan. Notably, HKSCC, HKCC and SEOCH introduced close-out netting provisions in their respective rules, which substantially reduce the capital costs of bank-based participants clearing through our clearing houses;
- (ii) HKEX increased its risk capital support in HKSCC, HKCC and SEOCH by increasing the clearing houses' contribution to their respective default fund to 10 per cent of the default fund size instead of using a fixed amount;
- (iii) HKCC's Contingent Advance Capital facility (previously provided by HKCC to relieve 50 per cent of CPs' default fund contribution requirements) was removed and each HKCC CP is granted a \$1 million dynamic default fund credit; and
- (iv) HKSCC, HKCC and SEOCH increased the Tier 1 capital requirement of settlement banks and General CPs (that are Registered Institutions) to a minimum of \$390 million.

OTC Clear

Total notional amount cleared in 2018 was US\$120.4 billion, up 210 per cent compared with 2017. Clearing volume of both Cross Currency Swaps (CCS) and Interest Rate Swaps from Mainland banks increased substantially following the addition of seven new clearing members in 2017, and a further two in 2018. The OTC clearing service continues to expand with the addition of CCS denominated in USD/HKD and Deliverable Foreign Exchange (DFX) denominated in USD/CNH and USD/HKD.

LME Clear

LME Clear is considering changing the initial margining approach for its contracts and is working closely with the market and regulators to define and develop a model that ensures a conservative measure of risk and which also reflects the inherent characteristics of the LME products. This market engagement will continue through 2019 to the intended implementation in 2020.

Platform and Infrastructure Segment

Analysis of Results

Summary

	2018 \$m	2017 \$m	Change
Network, terminal user, dataline and software sub-license fees	515	413	25%
Hosting services fees	162	143	13%
Others	1	4	(75%)
Total revenue	678	560	21%
Operating expenses	(170)	(151)	13%
EBITDA	508	409	24%
EBITDA margin	75%	73%	2%

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

Network fees rose by \$102 million (25 per cent) due to increased sales of throttles, driven in turn by the MSCI inclusion, as well as new EPs and CCEPs migrating from Open Gateway to the new China Connect Central Gateway (CCCCG).

Hosting Services Fees

Hosting services fees increased due to organic growth from both new customer subscriptions and increased usage by existing customers. At the end of December 2018, 116 EPs were using HKEX's Hosting Services. These EPs generated, in aggregate, approximately 49 per cent of the Cash Market turnover and 63 per cent of the trading volume of the Derivatives Market.

EBITDA

Operating expenses increased mainly due to higher IT costs directly consumed by participants. As the percentage increase in revenue was higher than the percentage increase in operating expenses, EBITDA margin improved from 73 per cent in 2017 to 75 per cent in 2018.

Business Update

During 2018, all major trading, clearing, settlement, and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform reliably.

The new securities trading system for Hong Kong Cash Market, the Orion Trading Platform - Securities Market (OTP-C), was launched successfully on 5 February 2018 and has been running smoothly despite its launch coinciding with a period of record turnover during 1H 2018. It is a scalable high performance system based on open technology architecture that gives it flexibility to support a variety of new functionalities. The system is designed to initially support up to 60,000 orders per second, double the previous AMS/3.8 system, with scope for further increases. The OTP-C is expected to meet capacity requirements in the next decade.

Software development for the Orion Trading Platform - China Stock Connect (OTP-CSC) was completed in Q4 2018. Market readiness activities will be carried out in 1H 2019. The OTP-CSC will replace the legacy proprietary hardware currently supporting Northbound Trading of Stock Connect.

Development work continues on the upgrade of the derivatives platforms, HKATS and DCASS, are tentatively scheduled for rollout by Q2 2019. The upgrade will enhance stability and reliability of the Derivatives Market infrastructure, facilitate swift adaptation to future market developments, with a reduction of the hardware footprint required at participants' premises. Along with the upgrade, a new web-based front-end will be provided to EPs for emergency purposes and reporting of block trades.

The first phase of the Next Generation Post Trade Programme is set to roll out in Q1 2019 beginning with Client Connect. Client Connect is a single platform to unify all client access to HKEX services to improve customer experience. The majority of the current paper-based services will be digitised to enhance operational efficiency on Client Connect, and the platform will integrate with other Next Generation Post Trade applications.

Since it was established in Q3 2018, HKEX's Innovation Lab has launched several projects to enhance the efficiency and effectiveness of HKEX's business operations by applying emerging technologies, including knowledge graph, secure computation, machine learning, natural language processing, robotic process automation and distributed ledger technology. It also continues to explore, incubate and invest in innovative opportunities that support the growth of HKEX's business and maintain its leadership in the global capital markets.

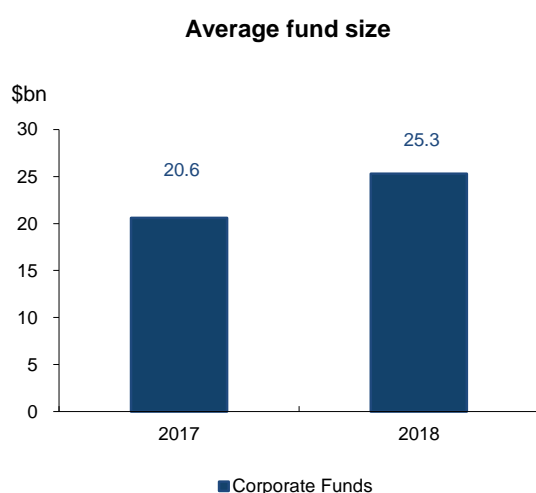
Corporate Items

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

Summary

	2018 \$m	2017 \$m	Change
Net investment income	207	790	(74%)
Others	41	11	273%
Total revenue and other income	248	801	(69%)
Operating expenses	1,254	946	33%

Net Investment Income



Average fund size increased principally due to cash generated and retained by the business after payment of cash dividends.

The analysis of net investment income is as follows:

	2018 \$m	2017 \$m
Net investment income/(loss) from:		
Cash and bank deposits	328	142
Collective investment schemes	(106)	632
Equity securities	-	14
Debt securities	1	-
Exchange (losses)/gains	(16)	2
Total net investment income	207	790
Net investment return	0.82%	3.83%

Net investment income of Corporate Funds decreased by \$583 million compared with 2017 principally due to fair value losses on collective investment schemes held under the external portfolio, as opposed to the fair value gains in 2017, partly offset by higher interest income earned on cash and bank deposits from increased fund size and higher deposit rates.

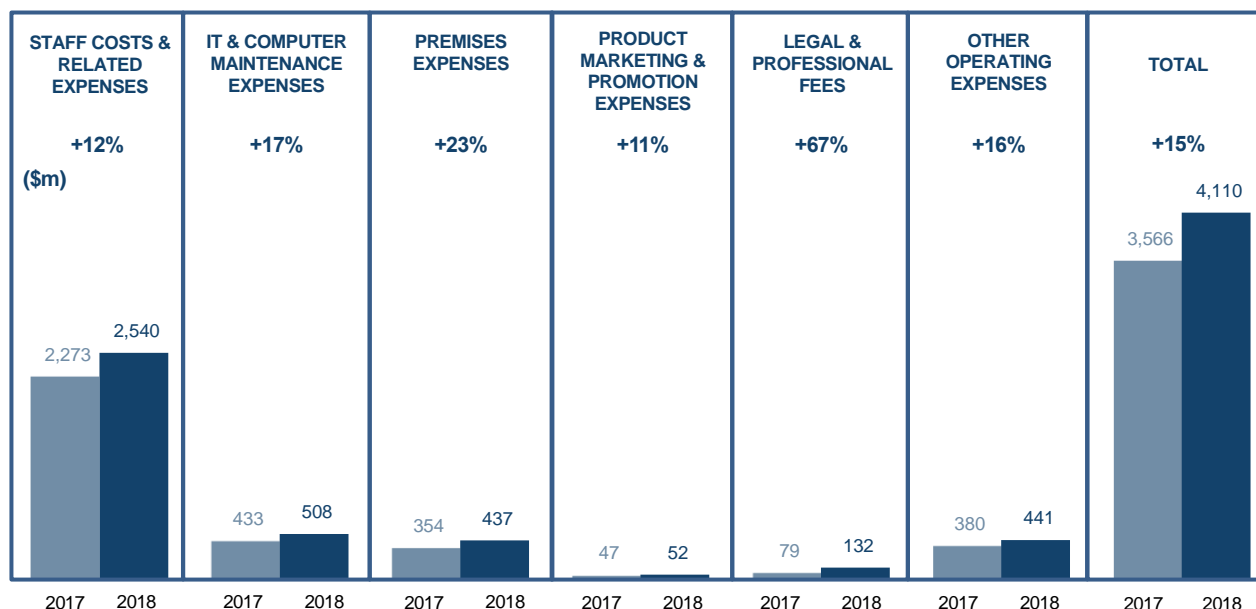
As the valuation of investments reflect movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold or redeemed.

Operating Expenses

Operating expenses increased by 33 per cent over 2017 mainly due to increased staff costs from annual payroll adjustments and higher variable pay, and higher premises costs and relocation expenses for new offices and the new HKEX Connect Hall.

Expenses, Other Costs and Taxation

Operating Expenses



Staff costs and related expenses increased by \$267 million or 12 per cent mainly due to annual payroll adjustments, increase in performance-related variable pay, and increased headcount for strategic initiatives.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by participants of \$88 million (2017: \$73 million), were \$420 million (2017: \$360 million). The increase in maintenance expenses was mainly attributable to new IT systems and upgraded networks.

Premises expenses increased by \$83 million or 23 per cent due to the new offices taken up at Exchange Square in Hong Kong and overlap from the prior location.

Legal and professional fees increased by \$53 million (67 per cent). Excluding the one-off insurance recovery of \$23 million relating to the warehouse litigation in the US in 2017, legal and professional fees increased by \$30 million due to higher professional fees incurred for strategic initiatives.

Other operating expenses increased by \$61 million or 16 per cent due to higher relocation expenses for consolidation of offices, and higher index licence fees attributable to increased volumes of derivatives contracts traded.

Depreciation and Amortisation

	2018 \$m	2017 \$m	Change
Depreciation and amortisation	762	858	(11%)

Depreciation and amortisation dropped by \$96 million or 11 per cent, as certain IT systems were fully amortised in Q4 2017 and 2018.

Finance Costs

	2018 \$m	2017 \$m	Change
Finance costs	114	134	(15%)

The decrease in finance costs was due to the repayment of all bank borrowings in 2017.

Taxation

	2018 \$m	2017 \$m	Change
Taxation	1,592	1,255	27%

Taxation increased due to higher profit before taxation in 2018.

FINANCIAL REVIEW

Changes to Key Items in Consolidated Statement of Financial Position

(A) Financial Assets and Financial Liabilities

	At 31 Dec 2018 \$m	At 31 Dec 2017 \$m	Change
Financial assets			
Cash and cash equivalents	121,196	155,660	(22%)
Financial assets measured at fair value through profit or loss	61,004	95,037	(36%)
Financial assets measured at fair value through other comprehensive income	3,755	-	N/A
Financial assets measured at amortised cost	31,885	30,817	3%
Total	217,840	281,514	(23%)

The Group's financial assets comprised financial assets of Corporate Funds, Margin Funds, Clearing House Funds, base and precious metals derivatives contracts, and cash prepayments and collateral for A shares traded under Stock Connect, as follows:

	At 31 Dec 2018 \$m	At 31 Dec 2017 \$m	Change
Financial assets			
Corporate Funds ^{1,2}	24,833	21,464	16%
Margin Funds ³	120,573	155,384	(22%)
Clearing House Funds	15,505	17,642	(12%)
Base and precious metals derivatives contracts cleared through LME Clear	53,915	85,335	(37%)
Cash prepayments and collateral for A shares	3,014	1,689	78%
Total	217,840	281,514	(23%)

1 Includes \$724 million (31 December 2017: \$Nil) solely used for supporting contributions to default funds and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund

2 Excludes prepayments for and receivables from collective investment schemes of \$384 million (31 December 2017: \$Nil)

3 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear and margin receivable from CPs of \$3,155 million (31 December 2017: \$2,430 million), which are included in accounts receivable, prepayments and other deposits

	At 31 Dec 2018 \$m	At 31 Dec 2017 \$m	Change
Financial liabilities			
Base and precious metals derivatives contracts cleared through LME Clear	53,915	85,335	(37%)
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	123,728	157,814	(22%)
CPs' contributions to Clearing House Funds	14,787	16,626	(11%)
Total	192,430	259,775	(26%)

The 22 per cent decrease in financial assets and financial liabilities of Margin Funds at 31 December 2018 against those at 31 December 2017 was mainly attributable to decreased contributions from members of LME Clear in response to a drop in open positions on metals contracts and lower metals contracts prices.

The decrease in financial assets and financial liabilities of Clearing House Funds was mainly attributable to lower contributions required from members of LME Clear and CPs of SEOCH in response to changes in risk exposures.

After adjusting the prepayments for and receivables from collective investment schemes (footnote 2 above), Corporate Funds at 31 December 2018 increased by \$3,753 million as compared to those at 31 December 2017 due to the retention of cash generated by the business over the past year partly offset by the cash paid for the 2017 final dividend and 2018 first interim dividend.

(B) Fixed Assets, Intangible Assets and Capital Commitments

The total net book value of the Group's fixed assets and intangible assets rose by \$250 million from \$19,394 million at 31 December 2017 to \$19,644 million at 31 December 2018. The increase was mainly due to additions of \$988 million, but was partly offset by depreciation and amortisation of \$762 million. Additions during the year mainly related to the development and upgrade of various trading and clearing systems and Stock Connect technology infrastructure, and renovation of new offices and the HKEX Connect Hall.

The Group's capital expenditure commitments at 31 December 2018, including those authorised by the Board but not yet contracted for, amounted to \$935 million (31 December 2017: \$1,433 million). These related mainly to the development and upgrade of various IT systems including the cash, derivatives and commodities trading and clearing systems, and Stock Connect technology infrastructure.

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

During the year, the Company subscribed for 6,327 ordinary shares in OTC Clear, a non wholly-owned subsidiary, at a total consideration of \$307 million, and the non-controlling interests have subscribed for 1,921 non-voting ordinary shares at a total consideration of \$93 million. As a result, the shareholding in OTC Clear held by the Company increased from 75 per cent to 76 per cent.

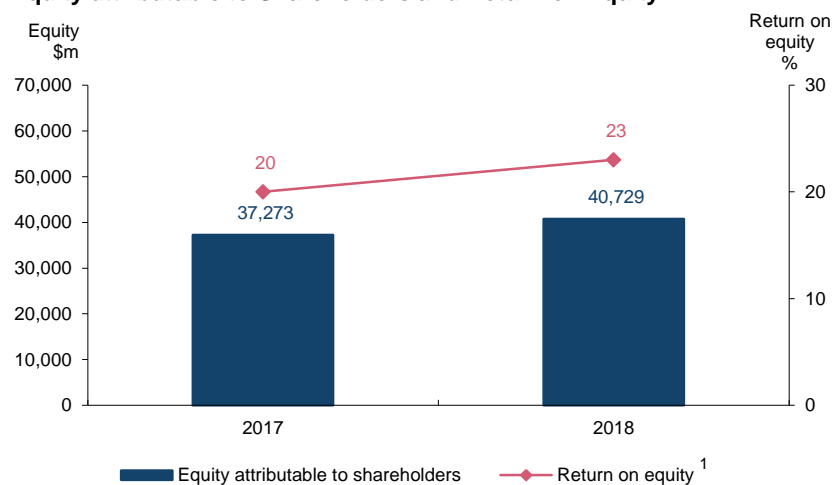
On 20 February 2019, the Group signed a letter of intent to acquire a 51 per cent stake in Shenzhen Ronghui Tongjin Technology Co. Ltd., a subsidiary of Shenzhen Kingdom Sci-Tech Co. Ltd., which is a technology services provider that specialises in financial exchanges, regulation technologies and data applications. The transaction is subject to the signing of binding agreements and is expected to complete in the second quarter of 2019.

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

(D) Equity attributable to Shareholders and Return on Equity

Equity attributable to shareholders increased by \$3,456 million to \$40,729 million at 31 December 2018 from \$37,273 million at 31 December 2017. This arose principally from the \$2,587 million shares issued in lieu of cash dividends and an increase in retained earnings (excluding transfer from designated reserves) of \$990 million mainly attributable to profit for the year less dividends declared or paid.

Equity attributable to Shareholders and Return on Equity



Return on equity increased by 3 per cent due to the increase in profit attributable to shareholders in 2018.

¹ Based on equity attributable to shareholders at year-end

Liquidity, Financial Resources and Gearing

Working capital rose by \$2,750 million to \$22,202 million at 31 December 2018 (31 December 2017: \$19,452 million) mainly due to profit attributable to shareholders of \$9,312 million and reclassification of deferred revenue of \$418 million as non-current liabilities following the adoption of the new accounting standard, HKFRS 15. The increase was partly offset by the 2017 final dividend and 2018 first interim dividend (net of scrip dividends) of \$5,465 million, reclassification of borrowings of \$743 million from non-current liabilities to current liabilities as they became repayable within twelve months, the net payments for non-current financial assets of \$338 million and net increase in fixed assets and intangible assets of \$250 million.

At 31 December 2018, the Group had the following outstanding borrowings:

	At 31 Dec 2018		At 31 Dec 2017	
	Carrying value \$m	Maturity	Carrying value \$m	Maturity
USD fixed rate notes with coupon of 2.85 per cent (2017: average coupon of 2.8 per cent)	753	Jan 2019	1,533	Dec 2018 & Jan 2019
Written put options to non-controlling interests	413	N/A	327	N/A
	1,166		1,860	

At 31 December 2018, the Group had a gross gearing ratio (ie, gross debt divided by adjusted capital) of 3 per cent (31 December 2017: 5 per cent), and a net gearing ratio (ie, net debt divided by adjusted capital) of zero per cent (31 December 2017: zero per cent). For this purpose, gross debt is defined as total borrowings and net debt¹⁰ is defined as total borrowings less cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds), 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. At 31 December 2018, the Group's total available banking facilities for its daily operations amounted to \$20,024 million (31 December 2017: \$18,963 million), which included \$13,523 million (31 December 2017: \$11,954 million) of committed banking facilities and \$6,500 million (31 December 2017: \$7,000 million) of repurchase facilities.

The Group has also put in place foreign exchange facilities for its daily clearing operations and for the RMB Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 31 December 2018, the total amount of the facilities was RMB21,500 million (31 December 2017: RMB21,500 million).

In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (31 December 2017: RMB13,000 million) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect, eg, natural disasters or extreme weather conditions in Hong Kong.

At 31 December 2018, 83 per cent (31 December 2017: 88 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

Pledges of Assets

LME Clear receives securities, gold bullion and warrants as collateral for margins posted by its CPs. The total fair value of this collateral was US\$1,490 million (HK\$11,666 million) at 31 December 2018 (31 December 2017: US\$1,319 million (HK\$10,311 million)). LME Clear is obliged to return this non-cash collateral upon request when the CPs' collateral obligations have been substituted with cash collateral or otherwise discharged.

LME Clear also holds 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\$7,650 million (HK\$59,895 million) at 31 December 2018 (31 December 2017: US\$11,462 million (HK\$89,602 million)).

The above non-cash collateral, which LME Clear is permitted to sell or repledge in the absence of default by the counterparties, was not recorded on the consolidated statement of financial position of the Group at 31 December 2018. Such non-cash collateral, together with certain financial assets amounting to US\$420 million (HK\$3,288 million) at 31 December 2018 (31 December 2017: US\$471 million (HK\$3,686 million)), have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

¹⁰ Net debt will be zero when the amount of cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds) is greater than total borrowings.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The functional currency of the Hong Kong and PRC entities are HKD and RMB respectively and the functional currency of LME entities is USD. Foreign exchange risks arise mainly from the Group's investment and bank deposits in currencies other than HKD and USD and its GBP expenditure for the LME entities.

Forward foreign exchange contracts and foreign currency bank deposits may be used to hedge the currency exposure of the Group's non-HKD and non-USD assets and liabilities and highly probable forecast transactions to mitigate risks arising from fluctuations in exchange rates. In particular, the LME Group designates certain GBP bank balances as cash flow hedges for hedging the foreign exchange risk of certain operating expenses.

Foreign currency margin deposits received by the Group in Hong Kong are mainly hedged by investments in the same currencies, and unhedged investments in USD may not exceed 20 per cent of the Margin Funds. For LME Clear, investments of Margin Funds and Default Fund will generally be in the currency in which cash was received.

The aggregate net open foreign currency positions (excluding collective investment schemes) at 31 December 2018 amounted to \$3,235 million, of which \$584 million were non-USD exposures (31 December 2017: \$1,035 million, of which \$200 million were non-USD exposures).

Contingent Liabilities

At 31 December 2018, 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 repealed Securities Ordinance up to an amount not exceeding \$71 million (31 December 2017: \$71 million). Up to 31 December 2018, 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 640 trading Participants (31 December 2017: 622) covered by the indemnity at 31 December 2018 defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$128 million (31 December 2017: \$124 million).
- (c) HKEX has given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 \$m	2017 \$m
Trading fees and trading tariffs		6,339	4,856
Stock Exchange listing fees		1,721	1,333
Clearing and settlement fees		3,281	2,691
Depository, custody and nominee services fees		979	892
Market data fees		899	857
Other revenue	3	1,033	945
REVENUE		14,252	11,574
Investment income		2,655	2,171
Interest rebates to Participants		(1,071)	(572)
Net investment income	4	1,584	1,599
Sundry income		31	7
REVENUE AND OTHER INCOME		15,867	13,180
OPERATING EXPENSES			
Staff costs and related expenses		(2,540)	(2,273)
Information technology and computer maintenance expenses		(508)	(433)
Premises expenses		(437)	(354)
Product marketing and promotion expenses		(52)	(47)
Legal and professional fees		(132)	(79)
Other operating expenses	5	(441)	(380)
		(4,110)	(3,566)
EBITDA		11,757	9,614
Depreciation and amortisation		(762)	(858)
OPERATING PROFIT		10,995	8,756
Finance costs	6	(114)	(134)
Share of profits less losses of joint ventures		2	(12)
PROFIT BEFORE TAXATION		10,883	8,610
TAXATION	7	(1,592)	(1,255)
PROFIT FOR THE YEAR		9,291	7,355
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of HKEX		9,312	7,404
Non-controlling interests		(21)	(49)
PROFIT FOR THE YEAR		9,291	7,355
Basic earnings per share	8(a)	\$7.50	\$6.03
Diluted earnings per share	8(b)	\$7.48	\$6.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 \$m	2017 \$m
PROFIT FOR THE YEAR	9,291	7,355
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	21	156
Cash flow hedges	(1)	1
Changes in fair value of financial assets measured at fair value through other comprehensive income	(2)	-
OTHER COMPREHENSIVE INCOME	18	157
TOTAL COMPREHENSIVE INCOME	9,309	7,512
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Shareholders of HKEX	9,329	7,561
Non-controlling interests	(20)	(49)
TOTAL COMPREHENSIVE INCOME	9,309	7,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	At 31 Dec 2018			At 31 Dec 2017		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	10	121,196	-	121,196	155,660	-	155,660
Financial assets measured at fair value through profit or loss	10	61,004	-	61,004	95,037	-	95,037
Financial assets measured at fair value through other comprehensive income	10	3,755	-	3,755	-	-	-
Financial assets measured at amortised cost	10	31,487	398	31,885	30,757	60	30,817
Accounts receivable, prepayments and deposits	10,11	18,341	21	18,362	16,564	21	16,585
Interests in joint ventures		-	63	63	-	61	61
Goodwill and other intangible assets		-	18,019	18,019	-	17,925	17,925
Fixed assets		-	1,625	1,625	-	1,469	1,469
Lease premium for land		-	20	20	-	20	20
Deferred tax assets		-	19	19	-	30	30
Total assets		235,783	20,165	255,948	298,018	19,586	317,604
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities at fair value through profit or loss		53,915	-	53,915	85,335	-	85,335
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs		123,728	-	123,728	157,814	-	157,814
Accounts payable, accruals and other liabilities	12	18,316	53	18,369	16,159	51	16,210
Deferred revenue		1,000	418	1,418	957	-	957
Taxation payable		678	-	678	505	-	505
Other financial liabilities		59	-	59	58	-	58
CPs' contributions to Clearing House Funds		14,787	-	14,787	16,626	-	16,626
Borrowings	13	1,005	161	1,166	1,027	833	1,860
Provisions		93	89	182	85	68	153
Deferred tax liabilities		-	743	743	-	711	711
Total liabilities		213,581	1,464	215,045	278,566	1,663	280,229
Equity							
Share capital				27,750			25,141
Shares held for Share Award Scheme				(682)			(606)
Employee share-based compensation reserve				218			222
Hedging and revaluation reserves				(6)			1
Exchange reserve				(84)			(104)
Designated reserves				523			822
Reserve relating to written put options to non-controlling interests				(369)			(293)
Retained earnings	14			13,379			12,090
Equity attributable to shareholders of HKEX				40,729			37,273
Non-controlling interests				174			102
Total equity				40,903			37,375
Total liabilities and equity				255,948			317,604
Net current assets				22,202			19,452

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.

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results 2018 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(a) Adoption of new/revised HKFRSs

In 2018, the Group has adopted the following new standards and interpretation to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2018:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

(i) Adoption of HKFRS 9 (2014)

HKFRS 9 (2014) affects the classification of debt securities held for Margin Funds and recognition of impairment provisions.

Prior to the adoption of HKFRS 9 (2014), debt securities held for Margin Funds amounting to \$3,059 million as at 31 December 2017 were classified as financial assets measured at fair value through profit or loss. They are held by the Group in a separate portfolio to provide interest income, but may be sold to meet liquidity requirements arising in the normal course of business. The Group considers that these securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling the securities. These assets have therefore been classified as financial assets measured at fair value through other comprehensive income under HKFRS 9 (2014). Accordingly, the related cumulative fair value losses of \$4 million were transferred from retained earnings to the revaluation reserve on 1 January 2018. During the year ended 31 December 2018, net fair value losses of \$2 million relating to these investments, which would otherwise have been charged to the consolidated income statement under HKFRS 9 (2009), were taken to revaluation reserve.

The new impairment model under HKFRS 9 (2014) requires the recognition of provision for impairment losses based on expected credit losses rather than incurred credit losses. There was no material change in the amount of provision for impairment losses required under the expected credit loss model compared with the incurred credit loss model, and there was no financial impact on such change at 1 January 2018, 31 December 2018, and for the year ended 31 December 2018.

The Group applied HKFRS 9 (2014) retrospectively from 1 January 2018. As permitted by the transitional provisions of the standard, comparatives for 2017 were not restated.

(ii) Adoption of HKFRS 15

HKFRS 15 is based on the principle that revenue is recognised when control of goods or services is transferred to customers. The adoption of HKFRS 15 resulted in changes in accounting policies for certain upfront fees and initial listing fees charged by the Group.

Upfront fees

Prior to the adoption of HKFRS 15, certain upfront fees charged by the Group were recognised upon receipt. Under HKFRS 15, upfront fees are recognised over time when the services are provided. The financial impact of the change in recognition policy for upfront fees was as follows:

- During the year ended 31 December 2018, the amount of upfront fees recognised under HKFRS 15 was \$20 million, as compared to \$18 million before the adoption of HKFRS 15.
- Cumulative financial impact of previously recognised upfront fees of \$62 million was deducted from retained earnings and transferred to deferred revenue on 1 January 2018.

The revised accounting policy on upfront fees is consistent with that adopted and disclosed in the Quarterly Results Announcement for the three months ended 31 March 2018, the Interim Report for the six months ended 30 June 2018 and the Quarterly Results Announcement for the nine months ended 30 September 2018.

Initial listing fees

Prior to the adoption of HKFRS 15, initial listing fees for IPOs were recognised upon the listing of an applicant, cancellation of the application or six months after submission of the application, whichever was earlier, while initial listing fees for DWs, CBBCs and other securities were recognised upon the listing of the securities.

Based on the Group's previous assessment of HKFRS 15 as disclosed in the Quarterly Results Announcement for the three months ended 31 March 2018, the Interim Report for the six months ended 30 June 2018 and the Quarterly Results Announcement for the nine months ended 30 September 2018, initial listing fees were recognised over time when the listed companies or issuers of DWs, CBBCs and other securities received the listing services, which approximate the amount of vetting work performed, and the timing differences of recognising initial listing fees upon the adoption of HKFRS 15 were insignificant. As a result, there was no financial impact on initial listing fees on adoption of HKFRS 15.

In January 2019, the IFRS Interpretations Committee of the International Accounting Standards Board published a final agenda decision (the final decision) on how a stock exchange should recognise its initial listing fees and concluded that the performance of admission activities (eg, vetting services) does not transfer a service to the customers. Therefore, initial listing fees are considered as advance payments for future services, and should be recognised as revenue when those future services are provided (ie, throughout the periods the companies are listed). Accordingly, the Group has revised its accounting policy to adopt the final decision retrospectively from 1 January 2018. The financial impact of adopting HKFRS 15 on initial listing fees was as follows:

- During the year ended 31 December 2018, the amount of initial and subsequent issue listing fees recognised under HKFRS 15 was \$972 million, as compared to \$1,006 million before the final decision.
- Cumulative financial impact of previously recognised initial listing fees of \$274 million was deducted from retained earnings and transferred to deferred revenue on 1 January 2018.

Tax impact

The related tax impact of adopting HKFRS 15 was as follows:

- During the year ended 31 December 2018, the amount of taxation charge under HKFRS 15 was \$1,592 million, as compared to \$1,597 million before adoption of HKFRS 15.
- Cumulative financial impact of taxation of \$55 million was credited to retained earnings on 1 January 2018, with a corresponding reduction in taxation payable.

The Group applied HKFRS 15 retrospectively from 1 January 2018. As permitted by the transitional provisions of the standard, comparatives for 2017 were not restated.

(iii) Adoption of HK(IFRIC) Interpretation 22

The Interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income is the date on which the Group initially pays or receives the advance consideration. The adoption did not have any financial impact on the Group.

(b) New/revised HKFRSs issued before 31 December 2018 but not yet effective and not early adopted

The Group has not applied the following new standard and interpretation to HKFRSs which were issued before 31 December 2018 and are pertinent to its operations but not yet effective:

HKFRS 16	Leases ¹
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments ¹

¹Effective for accounting periods beginning on or after 1 January 2019

HKFRS 16 will primarily affect the accounting for the Group's operating leases. Upon adoption of HKFRS 16 the majority of operating leases will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities will be measured at the present value of the remaining lease payments and will subsequently be measured at amortised cost. The right-of-use assets will be measured at cost (which comprises the initial measurement of lease liabilities, initial direct costs, reinstatement costs, any payments made at or before the commencement date less any lease incentives received) and depreciated on a straight-line basis during the lease term. The Group will adopt the simplified transition approach and will not restate comparatives amounts for the year prior to its first adoption.

Upon adoption of HKFRS 16 on 1 January 2019, the Group recognised right-of-use assets under fixed assets of \$2,419 million and current and non-current lease liabilities amounting to \$235 million and \$2,277 million respectively, and de-recognised provision for lease incentives included under current and non-current liabilities of \$32 million and \$53 million, with the net difference of \$8 million being recognised as a reduction in retained earnings. In addition, reinstatement costs of \$36 million, which were previously included under leasehold improvements, were reclassified to right-of-use assets. As a result, the Group's net current assets and its shareholders' equity will decrease by \$203 million and \$8 million respectively.

The adoption of HK(IFRIC) Interpretation 23 would not have any financial impact on the Group.

There are no other new/revised HKFRSs not yet effective that are expected to have any impact on the Group.

2. Operating Segments

The Group has five reportable segments ("Corporate Items" is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different 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, the Shanghai Stock Exchange and the Shenzhen Stock Exchange through Stock Connect, sales of market data relating to these products and other related activities. The major sources of revenue of the segment are trading fees, trading tariffs, listing fees of equity products and market data fees.

The **Equity and Financial Derivatives** segment refers to derivatives products traded on the Stock Exchange and the Futures 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 related market data. The major sources of revenue are trading fees, trading tariffs, listing fees of derivatives products and market data fees.

The **Commodities** segment refers to the operations of the LME, which operates an exchange in the UK for the trading of base and precious metals futures and options contracts, and the operations of QME, the new commodity trading platform in the Mainland. It also covers the Asia Commodities contracts and gold and iron ore futures contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees of commodity products, commodity market data fees and fees from ancillary operations.

The **Clearing** segment refers to the operations of the five clearing houses, which are responsible for clearing, settlement and custodian activities of the exchanges of the Group and Northbound trades under Stock Connect, and clearing and settlement of over-the-counter derivatives contracts. Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the 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 and hosting services fees.

Central income (including net investment income of Corporate Funds) and central costs (costs of central support functions that provide services to all operating segments and other costs not directly related to any operating segment) are included as "Corporate Items".

(a) Geographical information

The Group's revenue from external customers is derived from its operations in Hong Kong and the UK. Such information and the Group's non-current assets (excluding financial assets and deferred tax assets) by geographical location are detailed below:

	Revenue		Non-current assets	
	2018 \$m	2017 \$m	At 31 Dec 2018 \$m	At 31 Dec 2017 \$m
Hong Kong (place of domicile)	12,241	9,544	2,438	2,067
United Kingdom	2,011	2,030	17,232	17,351
Mainland China	-	-	78	78
	14,252	11,574	19,748	19,496

(b) Information about major customers

In 2018 and 2017, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

3. Other Revenue

	2018 \$m	2017 \$m
Network, terminal user, dataline and software sub-license fees	515	413
Hosting services fees	162	143
Commodities stock levies and warehouse listing fees	66	77
Participants' subscription and application fees	90	84
Accommodation income (note (a))	59	48
Sales of Trading Rights	20	41
LME Financial OTC booking fee	27	-
Post-liquidation interest arising from a Participant's default on market contracts (note (b))	-	55
Miscellaneous revenue	94	84
	1,033	945

(a) Accommodation income mainly comprises income from CPs on securities deposited as alternatives to cash deposits of Margin Funds, income from CPs on foreign currencies deposited if the relevant bank deposit rates are negative, and interest shortfall collected from LME Clear CPs on cash collateral where the investment return on the collateral is below the benchmarked interest rates stipulated in the clearing rules of LME Clear.

(b) In 2017, the liquidators of Lehman paid post-liquidation interest of \$55 million on Lehman's debts arising from its default on market contracts, and an equal amount was appropriated to the HKSCC Guarantee Fund reserve from retained earnings during the year ended 31 December 2017.

4. Net Investment Income

	2018 \$m	2017 \$m
Gross interest income from financial assets measured at amortised cost	2,715	1,484
Gross interest income from financial assets measured at fair value through other comprehensive income	60	-
Interest rebates to Participants	(1,071)	(572)
Net interest income	1,704	912
Net (losses)/gains including interest income on financial assets mandatorily measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	(106)	682
Others	(14)	5
Net investment income	1,584	1,599

5. Other Operating Expenses

	2018 \$m	2017 \$m
Bank charges	25	19
Communication expenses	16	14
Contribution to Financial Reporting Council	8	8
Custodian and fund management related fees	27	27
Financial data subscription fees	38	28
Insurance	12	11
License fees	44	31
Office demolition and relocation expenses	30	8
Repairs and maintenance expenses	62	61
Security expenses	19	18
Travel expenses	44	54
Other miscellaneous expenses	116	101
	441	380

6. Finance Costs

	2018 \$m	2017 \$m
Interest for financial liabilities not at fair value through profit or loss	52	80
Banking facility commitment fees	45	41
Negative interest on Euro and Japanese Yen deposits	17	13
	114	134

7. Taxation

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

	2018 \$m	2017 \$m
Current tax – Hong Kong Profits Tax		
- Provision for the year	1,421	1,047
- Over provision in respect of prior years	-	(4)
	1,421	1,043
Current tax – Overseas Tax		
- Provision for the year	182	229
- Over provision in respect of prior years	(52)	(4)
	130	225
Total current tax (note (a))	1,551	1,268
Deferred tax		
- Provision for/(reversal of) temporary differences	41	(13)
Taxation charge	1,592	1,255

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2017: 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, with the average corporation tax rate applicable to the subsidiaries in the UK being 19 per cent (2017: 19.25 per cent).

8. Earnings Per Share

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

- (a) Basic earnings per share

	2018	2017
Profit attributable to shareholders (\$m)	9,312	7,404
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,242,059	1,227,674
Basic earnings per share (\$)	7.50	6.03

- (b) Diluted earnings per share

	2018	2017
Profit attributable to shareholders (\$m)	9,312	7,404
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,242,059	1,227,674
Effect of Awarded Shares (in '000)	2,759	3,124
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,244,818	1,230,798
Diluted earnings per share (\$)	7.48	6.02

9. Dividends

	2018 \$m	2017 \$m
First interim dividend paid:		
\$3.64 (2017: \$2.55) per share	4,537	3,141
Less: Dividend for shares held by Share Award Scheme (note (a))	(10)	(8)
	4,527	3,133
Second interim dividend declared (notes (b) and (c)):		
\$3.07 (2017: \$Nil) per share based on issued share capital at 31 Dec 2018	3,839	-
Less: Dividend for shares held by Share Award Scheme at 31 Dec 2018 (note (a))	(9)	-
	3,830	-
Final dividend proposed (note (b)):		
\$2.85 per share based on issued share capital at 31 Dec 2017	-	3,533
Less: Dividend for shares held by Share Award Scheme at 31 Dec 2017 (note (a))	-	(8)
	-	3,525
	8,357	6,658

- (a) The results and net assets of the Share Award Scheme are included in HKEX's financial statements. Therefore, dividends for shares held by the Share Award Scheme were deducted from the total dividends.
- (b) The dividend proposed/declared after 31 December was not recognised as a liability at 31 December as it had not been approved by the shareholders/the Board.
- (c) The 2018 second interim 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

The Group classifies the financial assets into the following categories:

Cash for A shares includes:

- (a) RMB cash prepayments received by HKSCC from its CPs for releasing their allocated A shares on the trade day. Such prepayments will be used to settle HKSCC's CNS obligations payable on the next business day; and
- (b) HKD/USD cash collateral received by HKSCC from its CPs for releasing their allocated A shares on the trade day. Such collateral will be refunded to the CPs when they settle their RMB CNS obligations on the next business day.

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 five clearing houses to cover their open positions. Part of the Mainland security and settlement deposits is used by HKSCC to satisfy its obligations as a clearing participant of ChinaClear in respect of trades transacted through Stock Connect. These funds are held in 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, or default funds, are established under the Clearing House Rules. Assets contributed by the CPs and the Group are held by the respective clearing houses (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 if defaulting CPs deposit defective securities into CCASS. The amounts earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear and its accumulated investment income was also included in Clearing House Funds for presentation purpose. These funds are held in segregated accounts of the respective clearing houses for this specified purpose and cannot be used by the Group to finance any other activities. From 1 June 2018 onwards, contributions by HKSCC, HKCC and SEOCH to their respective default funds (Skin-in-the-Game) are set at 10 per cent of the size of the respective funds, and such contributions, together with default fund credits granted to HKSCC and HKCC Participants, are included in Corporate Funds.

Metals derivatives contracts represent the fair value of the outstanding base and precious metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32: Financial Instruments: Presentation, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME.

Financial assets held by the Group which are funded by share capital and funds generated from operations are classified as Corporate Funds (ie, other than financial assets of Cash for A shares, Margin Funds, Clearing House Funds and metals derivatives contracts).

The financial assets are invested into the cash and cash equivalents, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, and financial assets measured at amortised cost, details of which are as follows:

	At 31 Dec 2018 \$m	At 31 Dec 2017 \$m
Cash and cash equivalents	121,196	155,660
Financial assets measured at fair value through profit or loss	61,004	95,037
Financial assets measured at fair value through other comprehensive income	3,755	-
Financial assets measured at amortised cost	31,885	30,817
	217,840	281,514

The Group's financial assets comprised financial assets of Cash for A shares, Margin Funds, Clearing House Funds, metals derivatives contracts and Corporate Funds as follows:

	At 31 Dec 2018 \$m	At 31 Dec 2017 \$m
<u>Cash for A shares</u>		
Cash and cash equivalents	3,014	1,689
<u>Margin Funds¹</u>		
Cash and cash equivalents	90,773	122,844
Financial assets measured at fair value through profit or loss	-	3,059
Financial assets measured at fair value through other comprehensive income	3,755	-
Financial assets measured at amortised cost	26,045	29,481
	120,573	155,384
<u>Clearing House Funds</u>		
Cash and cash equivalents	15,505	17,581
Financial assets measured at amortised cost	-	61
	15,505	17,642
<u>Metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss	53,915	85,335
<u>Corporate Funds</u>		
Cash and cash equivalents (note (a))	11,904	13,546
Financial assets measured at fair value through profit or loss	7,089	6,643
Financial assets measured at amortised cost	5,840	1,275
	24,833	21,464
	217,840	281,514

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear and margin receivable from CPs of \$3,155 million (31 December 2017: \$2,430 million), which are included in accounts receivable, prepayments and other deposits. If such amounts are included, total Margin Funds would be \$123,728 million (31 December 2017: \$157,814 million).

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

	At 31 Dec 2018						At 31 Dec 2017					
	Cash for A shares \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Corporate Funds \$m	Total \$m	Cash for A shares \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Corporate Funds \$m	Total \$m
Within 12 months	3,014	120,573	15,505	53,915	24,435	217,442	1,689	155,384	17,642	85,335	21,404	281,454
Over 12 months	-	-	-	-	398	398	-	-	-	-	60	60
	3,014	120,573	15,505	53,915	24,833	217,840	1,689	155,384	17,642	85,335	21,464	281,514

- (a) At 31 December 2018, cash and cash equivalents of Corporate Funds of \$724 million (31 December 2017: \$Nil) were solely used to support Skin-in-the-Game and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund.

11. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's CNS money obligations receivable, which accounted for 73 per cent (31 December 2017: 75 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within two days after the trade date. The majority of the remaining accounts receivable, prepayments and deposits were due within three 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, which accounted for 89 per cent (31 December 2017: 88 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

13. Borrowings

	At 31 Dec 2018 \$m	At 31 Dec 2017 \$m
Notes (note (a))	753	1,533
Written put options to non-controlling interests (note (b))	413	327
Total borrowings	1,166	1,860
Analysed as:		
Non-current liabilities	161	833
Current liabilities	1,005	1,027
	1,166	1,860

(a) Notes

In December 2013 and January 2014, HKEX issued US\$100 million (HK\$775 million) and US\$95 million (HK\$737 million) of fixed rate senior notes which were due in December 2018 and January 2019 respectively. The US\$100 million note was fully repaid in December 2018. The average effective interest rate of the senior notes was 2.9 per cent (2017: 2.9 per cent) per annum.

(b) Written put options to non-controlling interests

Prior to 2018, OTC Clear issued 1,620 non-voting ordinary shares to certain third party shareholders at a total consideration of \$340 million. In October 2018, a further 1,921 non-voting ordinary shares of OTC Clear were issued at a consideration of \$93 million. As part of the arrangement, put options were written by HKEX to the non-controlling interests to sell part or all of their non-voting ordinary shares in OTC Clear to HKEX at the initial subscription prices less accumulated dividends received by the non-controlling interests. The put options are exercisable by the non-controlling interests at any time following the date falling five years after the shares were issued if the non-controlling interests can demonstrate to HKEX that they have used reasonable endeavours for at least three months to find a suitable purchaser for their shares at a price equal to or more than their fair market values. The carrying amount of written put options represents the present value of the amount payable by HKEX to acquire the shares held by non-controlling interests at the date at which the written put options first become exercisable. \$252 million of the written put options became exercisable in October 2018, and \$85 million and \$76 million of the options will become exercisable in August 2020 and October 2023 respectively. The effective interest rate of the liabilities was 3.0 per cent (2017: 3.0 per cent) per annum.

14. Retained Earnings

	2018 \$m	2017 \$m
At 1 Jan, as previously reported	12,090	10,334
Effect of adoption of HKFRS 9 (2014) (note 1(a)(i))	4	-
Effect of adoption of HKFRS 15 (note 1(a)(ii))	(281)	-
At 1 Jan, as restated	11,813	10,334
Profit attributable to shareholders	9,312	7,404
Transfer from/(to) Clearing House Funds reserves	299	(49)
Dividends:		
2017/2016 final dividend	(3,525)	(2,491)
2018/2017 first interim dividend	(4,527)	(3,133)
Unclaimed HKEX dividends forfeited	23	26
Vesting of shares of Share Award Scheme	(16)	(16)
Tax relating to Share Award Scheme	(1)	3
Changes in ownership interests in subsidiaries	1	12
At 31 Dec	13,379	12,090

15. Events Occurring after the Reporting Period

On 20 February 2019, the Group signed a letter of intent to acquire a 51 per cent stake in Shenzhen Ronghui Tongjin Technology Co. Ltd., a subsidiary of Shenzhen Kingdom Sci-Tech Co. Ltd., which is a technology services provider that specialises in financial exchanges, regulation technologies and data applications. The transaction is subject to the signing of binding agreements and is expected to complete in the second quarter of 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group's results for the year ended 31 December 2018 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 2018 CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (AC) reviewed the 2018 Consolidated Financial Statements in conjunction with HKEX's external auditor. 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 2018.

DISTRIBUTABLE RESERVES

As at 31 December 2018, HKEX's distributable reserves, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to \$7.6 billion (31 December 2017: \$7.3 billion).

DIVIDEND

The Board has declared a second interim dividend of \$3.07 per share, in lieu of a final dividend (2017: final dividend of \$2.85 per share), to Shareholders whose names appear on HKEX's Register of Members on 15 March 2019. A scrip dividend alternative will be offered to allow Shareholders to elect to receive the second interim dividend wholly or partly in the form of new fully paid shares in lieu of cash.

Including the first interim dividend, the total dividends for 2018 amount to \$6.71 per share (2017: \$5.40 per share), which represents a payout ratio of 90 per cent (2017: 90 per cent) of the profit attributable to shareholders for the year ended 31 December 2018. Dividends for shares held in trust under the Share Award Scheme amount to \$19 million (2017: \$16 million).

SCRIP DIVIDEND ALTERNATIVE

The second interim dividend, in lieu of a final dividend, for 2018 will be payable in cash with a scrip alternative where a 3 per cent discount on the subscription price will be offered to Shareholders who elect to subscribe for shares. The scrip dividend alternative is 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, together with an election form, is expected to be despatched to Shareholders on or about Thursday, 21 March 2019. The scrip share subscription price for calculating the number of new shares to be allotted will be announced on or about Wednesday, 27 March 2019. Definitive share certificates in respect of the scrip dividend and dividend warrants are expected to be despatched to Shareholders on Monday, 15 April 2019.

CLOSURE OF HKEX'S REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the 2019 AGM, and entitlement to the second interim dividend, HKEX's Register of Members will be closed as set out below:

- (i) For determining eligibility to attend and vote at the 2019 AGM:
 - Latest time to lodge transfer documents for registration with HKEX's registrar At 4:30 pm on 16 April 2019
 - Closure of HKEX's Register of Members 17 April 2019 to 24 April 2019
(both dates inclusive)
 - Record date 24 April 2019

- (ii) For determining entitlement to the second interim dividend:
 - Ex-dividend date 12 March 2019
 - Latest time to lodge transfer documents for registration with HKEX's registrar At 4:30 pm on 13 March 2019
 - Closure of HKEX's Register of Members 14 March 2019 to 15 March 2019
(both dates inclusive)
 - Record date 15 March 2019

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2019 AGM, and to qualify for the second interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKEX's registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than the aforementioned latest time.

ANNUAL GENERAL MEETING

The 2019 AGM will be held on Wednesday, 24 April 2019 at 4:30 pm at the HKEX Connect Hall on the 1st Floor, One and Two Exchange Square, Central, Hong Kong. The Notice of the 2019 AGM, which constitutes part of a circular to Shareholders, will be sent together with the 2018 Annual Report. The Notice of the 2019 AGM, the circular which sets out details of the business to be conducted at the 2019 AGM, and the proxy form will be available under the Investor Relations section of the HKEX Group website. The results of the voting on the proposed resolutions will be published on the HKEX Group website shortly after the 2019 AGM is held.

All Shareholders are encouraged to attend the 2019 AGM and exercise their right to vote. Shareholders are invited to ask questions related to the business of the meeting, and will be able to meet with Directors and the senior management.

APPOINTMENT AND ELECTION OF DIRECTORS

The service term of Anita Fung, Rafael Gil-Tienda, Margaret Leung and Stephen Yiu (Government Appointed Directors), and Apurv Bagri (Elected Director) will expire at the conclusion of the 2019 AGM. An announcement will be published upon the appointment of Directors by the Government.

On 26 February 2019, the Nomination and Governance Committee (NGC), having reviewed the Board's composition, nominated Apurv Bagri to the Board for it to recommend to Shareholders for re-election at the 2019 AGM. The nomination was made in accordance with the Nomination Policy and took into account the diversity aspects (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 under the Board Diversity Policy. The NGC also took into account Mr Bagri's vast experience in the non-ferrous metals futures trading business and his contributions to the Board. The NGC was satisfied with Mr Bagri's independence with reference to the criteria laid down in the Main Board Listing Rules. Mr Bagri, who is a member of the NGC, abstained from voting on the nomination when it was being considered.

On 27 February 2019, the Board accepted the nomination by the NGC and recommended Mr Bagri to stand for re-election at the 2019 AGM. Mr Bagri does not hold any cross-directorships or have any significant links with other Directors through involvement in other companies or bodies. He does not have any service contracts with any member of the Group that are not determinable by the Group within one year without compensation (other than statutory compensation). His particulars are set out in the circular to Shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year 2018, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exceptions of Code Provisions A.4.1 (re-election of non-executive directors) and A.4.2 (retirement by rotation of directors).

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by the SFO. HKEX's Chief Executive in his capacity as a Director is not subject to retirement by rotation, as his term on the Board is coterminous with his employment with HKEX under HKEX's Articles of Association.

HKEX has applied the principles of the Corporate Governance Code to its corporate governance structure and practices in the manner as described in the Corporate Governance Report contained in the 2018 Annual Report and on the HKEX Group website.

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

During 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of HKEX shares, 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 1,287,300 HKEX shares at a total consideration of \$300 million.

PUBLICATION OF 2018 FINAL RESULTS AND ANNUAL REPORT

This announcement is published on the HKEXnews website at www.hkexnews.hk and the HKEX Group website at www.hkexgroup.com/Investor-Relations/Regulatory-Disclosure/Announcements/2019. The 2018 Annual Report will be available on the HKEXnews and HKEX Group websites and despatched to Shareholders on or about Wednesday, 20 March 2019.

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

Hong Kong, 27 February 2019

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

GLOSSARY

2019 AGM	HKEX's annual general meeting to be held on 24 April 2019
ADT	Average daily turnover value
ADV	Average daily volume (in number of contracts/lots)
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEX's board of directors
Bond Connect	A mutual bond market access programme between Hong Kong and Mainland China, under which Northbound trading enables overseas investors to invest in the China Interbank Bond Market, and Southbound trading will be explored at a later stage
Cash Market	HKEX's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CCASS	Central Clearing and Settlement System
ChinaClear	China Securities Depository and Clearing Corporation Limited
CNH	Offshore RMB traded outside Mainland China
CNS	Continuous Net Settlement
Corporate Governance Code	Refer to Appendix 14 to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
CSR	Corporate Social Responsibility
Derivatives Market	HKEX's derivatives related business including stock options
Director(s)	HKEX's director(s)
DWs	Derivative warrants
Elected Director	Director elected by the Shareholders at general meetings
EP(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
Euro	The official currency of the Eurozone
Exchange or SEHK or Stock Exchange	The Stock Exchange of Hong Kong Limited
FIC	Fixed income and currency
Financial Secretary	Financial Secretary of the HKSAR
Fintech	Financial technology
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GEM Listing Rules	Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
Government Appointed Director(s)	Director(s) appointed by the Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China pursuant to Section 77 of the SFO
Group or HKEX Group	HKEX and its subsidiaries
HKCC	HKFE Clearing Corporation Limited
HKEX or the Company	Hong Kong Exchanges and Clearing Limited
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKSCC	Hong Kong Securities Clearing Company Limited
HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index

IPO(s)	Initial Public Offering(s)
Iron Ore Futures	TSI Iron Ore Fines 62 per cent Fe CFR China Futures
IT	Information Technology
Lehman	Lehman Brothers Securities Asia Limited
Listing Committee	Listing Committee of the Main Board and GEM
Listing Rule(s)	Main Board Listing Rules and GEM Listing Rules
LME	The London Metal Exchange
LME Clear	LME Clear Limited
LME Group	HKEX Investment (UK) Limited, LME Holdings Limited, the LME and LME Clear
London Metal Mini Futures	London Aluminium/Zinc/Copper/Nickel/Tin/Lead Mini Futures
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MiFID II	Markets in Financial Instruments Directive II
MSCI	MSCI Inc.
Northbound Trading	Hong Kong and overseas investors trading in eligible securities that are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange through Stock Connect
OECD	Organisation for Economic Co-operation and Development
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
PRC	The People's Republic of China
QME	Qianhai Mercantile Exchange Co., Ltd.
RMB	Renminbi
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 Shanghai Connect	A mutual market access programme that links the stock markets in Shanghai and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market
Shareholder(s)	HKEX's shareholder(s)
Share Award Scheme or the Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006, 13 May 2010, 17 December 2013 and 17 June 2015
Shenzhen-Hong Kong Stock Connect or Shenzhen Connect	A mutual market access programme that links the stock markets in Shenzhen and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market
Southbound Trading	Mainland investors trading in eligible securities that are listed on the Stock Exchange through Stock Connect
Stock Connect	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
UK	United Kingdom
US	United States of America
US\$/USD	United States dollar
\$/HK\$/HKD	Hong Kong dollar
\$bn/bn	Hong Kong dollar in billion/billion
\$m	Hong Kong dollar in million
£/GBP	Pound sterling