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

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

QUARTERLY RESULTS **FOR THE THREE MONTHS ENDED 31 MARCH 2014**

The board of directors (Board) of Hong Kong Exchanges and Clearing Limited (HKEx or the Company) is pleased to submit the unaudited consolidated results of the Company and its subsidiaries (collectively, the Group) for the three months ended 31 March 2014.

FINANCIAL HIGHLIGHTS

Financial figures are expressed in \$ million (\$m) unless otherwise stated.

	Three months ended 31 Mar 2014 \$m	Three months ended 31 Mar 2013 \$m	Change
Revenue and other income	2,335	2,222	5%
Operating expenses	734	669	10%
EBITDA ¹	1,601	1,553	3%
Profit attributable to shareholders	1,178	1,158	2%
Basic earnings per share	\$1.02	\$1.01	1%

- The results of the Group for the three months ended 31 March 2014 (Q1 2014) showed a marked improvement over the immediately previous quarter (Q4 2013) reflecting improved market activity. Revenue and other income was up by 9 per cent and profit attributable to shareholders up by 15 per cent.
- Against the quarter ended 31 March 2013 (Q1 2013), revenue and other income increased by 5 per cent or \$113 million to reach \$2,335 million. The higher income reflects increased fees from commodities trading, additional listing fees, higher brokerage fees on initial public offering allotments, and an increase in clearing fees. This was partly offset by comparatively lower investment income as a non-recurring fair value gain of \$107 million was recorded in Q1 2013 on the investment in LCH.Clearnet Group Limited.
- Operating expenses increased by 10 per cent against Q1 2013 due mainly to higher staff costs, attributable to the increased headcount of the LME Group² and annual payroll adjustments, and higher legal fees.
- EBITDA increased by 3 per cent over Q1 2013. The overall EBITDA margin declined by 1 per cent, to 69 per cent, against Q1 2013 but improved by 4 per cent over the immediately prior quarter.
- Profit attributable to shareholders increased by 2 per cent or \$20 million to \$1,178 million as higher EBITDA was partly offset by an increase in depreciation and amortisation. This is principally attributable to higher depreciation of the Hong Kong data centre at Tseung Kwan O, following completion of the final phase of construction in December 2013, and amortisation of new systems rolled out in Q4 2013 eg, HKEx Orion Market Data Platform, the clearing system of OTC Clearing Hong Kong Limited and the Genium system for the derivatives market.

¹ For the purposes of this announcement, EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint venture.

² The LME Group includes LME Holdings Limited (LMEH), The London Metal Exchange (LME) and LME Clear Limited (LME Clear).

BUSINESS REVIEW

Business Update and Analysis of Results by Operating Segment

	Three months ended 31 Mar 2014		Three months ended 31 Mar 2013		Change	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m	Revenue and other income %	EBITDA %
	Results by segment:					
Cash	719	608	635	517	13%	18%
Equity and Financial Derivatives	444	334	446	331	(0%)	1%
Commodities	315	161	295	183	7%	(12%)
Clearing	725	574	633	501	15%	15%
Platform and Infrastructure	97	61	81	51	20%	20%
Corporate Items	35	(137)	132	(30)	(73%)	357%
	2,335	1,601	2,222	1,553	5%	3%

Cash Segment

Business Update

Q1 2014 saw an increase in primary market activity with total equity funds raised of \$112.4 billion (Q1 2013: \$63.8 billion). Funds raised through initial public offerings (IPOs) were \$46.0 billion, an increase of 463 per cent when compared with Q1 2013. As at 31 March 2014, the total market capitalisation of companies listed on the Main Board and the Growth Enterprise Market (GEM) was \$23.1 trillion.

The average daily turnover value (ADT) of equity products in Q1 2014 was \$55.1 billion on the Main Board and \$1 billion on the GEM, a decline of 5 per cent and an increase of 399 per cent respectively compared with Q1 2013.

There were 3 Exchange Traded Funds (ETFs) newly listed in Q1 2014, including the first two Renminbi Qualified Foreign Institutional Investor bond ETFs tracking the Mainland's onshore bond market. As of 31 March 2014, there were 119 ETFs, 11 Real Estate Investment Trusts and 456 debt securities listed on The Stock Exchange of Hong Kong Limited (Stock Exchange).

The Stock Exchange published amendments to the Listing Rules³ regarding annual listing fees in relation to implementation of the new Companies Ordinance, new headline categories for announcements, connected transactions, and definitions of connected person and associate. The Stock Exchange also published a report on findings and recommendations from a review of issuers' annual reports (excluding collective investment schemes listed under Chapter 20 of the Main Board Listing Rules) with financial years ended between December 2012 and November 2013.

³ The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board Listing Rules) and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (collectively, the Listing Rules)

To allow more time for market practitioners to familiarise themselves with the new sponsor regime, the Stock Exchange announced a decision to continue the initial 3-day check of Application Proofs (as defined in Chapter 1 of the Listing Rules) for six months to 30 September 2014. The initial 3-day check was one of the transitional arrangements the Stock Exchange put in place to assist market practitioners. Under the arrangement, the Stock Exchange accepts listing applications for detailed vetting only after it completes an initial 3-day check of the Application Proof based on a prescribed checklist. Except for the initial 3-day check, all other transitional arrangements in place since 1 October 2013 came to an end on 31 March 2014 and the requirement to publish an Application Proof on the HKExnews website commenced on 1 April 2014.

Analysis of Results

Revenue and other income of the Cash segment increased by 13 per cent over Q1 2013 to \$719 million and EBITDA increased by 18 per cent to \$608 million. The increased revenue arose from higher brokerage fees on direct IPO allotments, higher listing fees from more IPOs and an increase in the number of listed companies in Q1 2014. Further, despite a 3 per cent drop in ADT of equity products, trading fees increased by 4 per cent due to an increase in the number of trading days (3 per cent) compared to Q1 2013, higher revenue from more equity funds raised and trading tariff earned on an increased number of transactions as the average transaction size was lower in Q1 2014. Operating expenses decreased by 6 per cent mainly due to lower premises costs, upon renewal of certain leases, and more staff being redeployed to strategic capital projects. As a result, the EBITDA margin increased from 81 per cent to 85 per cent compared to Q1 2013.

Key Market Indicators

	Three months ended 31 Mar 2014	Three months ended 31 Mar 2013	Change
ADT of equity products traded on the Stock Exchange (\$billion or \$bn)	56.1	58.1	(3%)
Number of newly listed companies on Main Board [^]	20	10	100%
Number of newly listed companies on GEM	5	1	400%
Number of companies listed on Main Board at 31 Mar	1,471	1,378	7%
Number of companies listed on GEM at 31 Mar	195	179	9%
Total	1,666	1,557	7%

[^] Including 2 transfers from GEM (2013: nil)

Equity and Financial Derivatives Segment

Business Update

The average daily volume of futures and options contracts traded on Hong Kong Futures Exchange Limited (Futures Exchange) increased by 2 per cent to 279,943 contracts and the average daily volume of stock options contracts traded on the Stock Exchange decreased by 1 per cent to 274,757 contracts, compared with Q1 2013. The total open interest of all futures and options contracts at the end of Q1 2014 was 7,142,039 contracts, up 15 per cent from 6,219,713 contracts a year ago.

The ADT of derivative warrants (DWs), callable bull/bear contracts (CBBCs) and warrants in the first three months of 2014 was \$12.2 billion, a decline of 25 per cent compared with the corresponding period in 2013.

At the end of March 2014, there were 74 stock option classes, including 4 new option classes introduced in February. 40 of these can now be traded by Taiwan investors after obtaining approval from the Taiwan Financial Supervisory Commission in February 2014. There are 10 stock option classes under the Primary Market Maker programme introduced as part of the stock options revamp. The trading fees of 2 stock option classes were reduced in January 2014 as a result of the annual review of the trading fee tier classification.

HKEx began offering after-hours trading of Mini-Hang Seng Index Futures and Mini H-shares Index Futures and extended block trading facility from the day session to the After-Hours Futures Trading (AHFT) session on 6 January 2014. In the first quarter of 2014, the 668,720 contracts that were traded during the AHFT session accounted for about 6 per cent of the day session volume. Later this year HKEx will consider extending AHFT's closing time to around midnight to increase the overlap with US⁴ trading hours.

RMB Currency Futures – USD/CNH⁵ Futures had record high trading volume of 6,318 contracts (US\$632 million notional value) on 19 March 2014 and record high open interest of 23,887 contracts (US\$2.4 billion notional value) on 14 February 2014. In April 2014 the product was further enhanced by extending the trading of USD/CNH Futures to AHFT, introducing the fourth calendar quarter month and adding more calendar spreads.

To prepare for the trading of commodity derivatives beyond midnight, simulation tests to verify market participants' system readiness have been scheduled for mid-2014.

Analysis of Results

Revenue and other income of the Equity and Financial Derivatives segment remained at a similar level to Q1 2013, while EBITDA of the segment increased by 1 per cent to \$334 million. The increase in listing fees from more newly listed DWs and CBBCs was mostly offset by a drop in trading fees due to lower ADT of DWs, CBBCs and warrants. Operating expenses dropped by 4 per cent mainly due to lower premises costs, upon renewal of certain leases, and more staff being redeployed to strategic capital projects. As a result, EBITDA margin increased marginally by 1 per cent to 75 per cent.

Key Market Indicators

	Three months ended 31 Mar 2014	Three months ended 31 Mar 2013	Change
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	12.2	16.3	(25%)
Average daily number of derivatives contracts traded on the Futures Exchange	279,943	274,571	2%
Average daily number of stock options contracts traded on the Stock Exchange	274,757	278,115	(1%)
Number of newly listed DWs	2,188	1,880	16%
Number of newly listed CBBCs	3,115	1,922	62%

⁴ The United States of America

⁵ USD = US dollar, CNH = Renminbi traded in Hong Kong

Commodities Segment

Business Update

Average daily volume was 703,779 lots in Q1 2014, an increase of 6 per cent from the corresponding period last year. March 2014 was the second busiest month on record, with volume up 14 per cent year-on-year to 796,487 lots per day mainly driven by the global volatility in the copper market. First quarter zinc and copper average daily volume increased by 8 per cent and 9 per cent respectively year-on-year. However, the greatest positive change, of 42 per cent year-on-year, was shown by nickel, one of the smaller LME contracts by turnover. The aluminium contract decreased 2 per cent year-on-year and declines in turnover were also experienced by lead, tin, steel billet and the aluminium alloys.

Futures market open interest (MOI) at the end of the quarter was of 2,473,363 lots, representing a 4 per cent decrease from the MOI reported at the end of 2013. Lead and nickel futures MOI rose 6 per cent and 19 per cent respectively over the first three months of 2014, while the other principal contracts experienced decreases in MOI. Both copper and aluminium futures MOI decreased 4 per cent from the end of 2013, while zinc MOI decreased 17 per cent.

In the three months ended 31 March 2014, an average of 153,379 lots per day traded across LMEselect, up 6 per cent year-on-year. In response to user demand, LME has enabled market participants to connect directly to LMEselect to receive a data-only feed. Previously clients were only able to access data through members or independent software vendors. The lower-latency data access is of particular interest to members' clients pursuing an algorithmic trading strategy.

On 22 April 2014, HKEx announced that, subject to regulatory approval and market readiness, 4 new commodities contracts, namely the London Aluminium Mini Futures, London Copper Mini Futures, London Zinc Mini Futures and API 8 Thermal Coal Futures will be traded, cleared and settled in Hong Kong in the second half of 2014.

In March 2014, LME launched a real-time synthetic test environment for members and their clients. The new system, LMEstage, helps to ensure market integrity by providing a simulated live market environment in which users can test their trading strategies. LMEstage helps firms demonstrate that their processes conform to the recommended testing practices set out in the European Securities and Markets Authority (ESMA) guidelines and allows clients to test their trading strategies and supporting systems in an environment that is similar to the live market.

GF Financial Markets (UK) Limited has been approved as a category 1, Ring dealing member, and is LME's first Chinese-owned Ring dealing member company. More information about LME's membership is available on the LME website.

As more fully described on page 8 under Contingent Liabilities certain Group companies continue to be involved in litigation related to the metals warehousing industry.

Analysis of Results

Revenue and other income of the Commodities segment increased by 7 per cent to \$315 million as a result of the increase in average daily volume of metals contracts traded on LME. However, operating expenses rose by \$42 million, reflecting increases in headcount over the past year related to infrastructure and commercialisation initiatives, annual payroll adjustments as well as legal fees (\$20 million) in respect of US class action lawsuits and a judicial review claim filed in the United Kingdom⁶. As a result EBITDA fell by 12 per cent to \$161 million and the EBITDA margin declined from 62 per cent to 51 per cent.

⁶ See section Contingent Liabilities below for further details of these legal actions

Key Market Indicators

	Three months ended 31 Mar 2014	Three months ended 31 Mar 2013	Change
Average daily volume of metals contracts traded on LME (lots)	703,779	666,914	6%

Clearing Segment

Business Update

Hong Kong Securities Clearing Company Limited, HKFE Clearing Corporation Limited (HKCC) and The SEHK Options Clearing House Limited (SEOCH) have completed preliminary assessments on the observance of the “Principles for Financial Market Infrastructures” published by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO). HKEx is in discussions with the Securities and Futures Commission (SFC) to finalise these assessments and is preparing disclosure documents based on the Disclosure Framework and Assessment Methodology published by CPSS and IOSCO.

HKCC and SEOCH submitted applications to ESMA for recognition as a third country central counterparty (CCP) in April 2014 to allow Clearing Participants that are subsidiaries of European Union (EU) credit institutions or investment firms to benefit from a lower capital requirement under the EU Capital Requirements Regulation.

HKEx is finalising an assessment of the implications for business operations of the Foreign Account Tax Compliance Act (FATCA) and developing plans for necessary operational and system changes. Seminars were organised in March 2014 to help Clearing Participants better understand the implications of FATCA.

Following the admission of China Securities Depository and Clearing Corporation Limited (ChinaClear) as a Clearing Agency Participant to The Central Clearing and Settlement System (CCASS), Livzon Pharmaceutical Group Inc (Livzon Pharma) converted its B shares into H shares with ChinaClear providing custody and nominee services for Mainland investors via CCASS. Livzon Pharma commenced trading of its H shares on the Stock Exchange on 16 January 2014.

OTC Clearing Hong Kong Limited (OTC Clear) commenced its second phase of development under which it plans to add client clearing services and accept non-cash financial instruments as collateral. Subject to the SFC’s approval, OTC Clear aims to offer the new services by the end of 2014. OTC Clear has also submitted applications to the relevant regulatory authorities for recognition as a third country CCP, or seeking no-action relief as a transitional measure, so as to facilitate the participation of financial institutions incorporated in the EU and the US as its Clearing Members.

The migration of the LME open interest from LCH.Clearnet Limited to the new clearing house developed by LME Clear and the commencement of clearing are on schedule to take effect on 22 September 2014. Ahead of the launch of the new clearing house LME Clear has launched LMEwire, a trade repository reporting service for LME members and their clients, which commenced business in February 2014.

Analysis of Results

Revenue and other income of the Clearing segment increased by 15 per cent, to \$725 million, over Q1 2013. This revenue growth was mainly due to increases in clearing, depository, custody and nominee services fees and net investment income. Despite a decrease in ADT on the Stock Exchange, clearing, depository, custody and nominee services fees increased. This was due to higher stock withdrawal fees and scrip fees, an increase in the number of trading days and a reduction in average transaction size that led to a higher proportion of clearing transactions being subject to the minimum fee. Net investment income rose due to higher bank deposit rates, but this was partly offset by lower fair value gains and a 2 per cent drop in the average size of Margin and Clearing House Funds. Operating expenses rose by 14 per cent due to the ongoing costs of developing LME Clear. EBITDA of the segment rose by 15 per cent to \$574 million as compared to Q1 2013, and the EBITDA margin remained at 79 per cent, as revenue and other income rose by a similar percentage to operating expenses.

Platform and Infrastructure Segment**Business Update**

On 3 March 2014 the Mainland Market Data Hub was launched in Shanghai. This allows HKEx's Mainland clients to have direct access to a securities market datafeed and an index feed, under the HKEx Orion Market Data Platform (OMD). By the end of March 2014, 5 Information Vendors had joined the Mainland Market Data Hub.

HKEx commenced readiness testing of the OMD derivatives datafeeds with its clients during the first quarter of 2014 and plans to launch the OMD for its derivatives market in the third quarter of 2014.

HKEx will introduce the Orion Central Gateway for the securities market in the second half of 2014.

Analysis of Results

Revenue and other income and EBITDA of the Platform and Infrastructure segment rose by 20 per cent to reach \$97 million and \$61 million respectively. The increase in revenue and other income was due to increased sales of throttles and additional hosting services income. Operating expenses increased by \$6 million, or 20 per cent, due to higher operating costs of hosting services and increased information technology costs consumed by participants. EBITDA margin remained the same as Q1 2013 at 63 per cent, as revenue and operating expenses rose by similar percentages.

Corporate Items

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

Revenue and other income decreased by \$97 million to \$35 million against Q1 2013. This arose due to a non-recurring gain of \$107 million on the investment in shares of LCH.Clearnet Group Limited in Q1 2013, and some fair value losses of equity investments during Q1 2014 (as opposed to gains in 2013), but partly offset by increased interest income, and higher gains on fixed income investments and foreign exchange.

FINANCIAL REVIEW

Financial Assets by Funds

	At 31 Mar 2014 \$m	At 31 Dec 2013 \$m	Change
Clearing House Funds	4,627	4,471	3%
Margin Funds and cash collateral [^]	38,944	39,793	(2%)
Corporate Funds [*]	10,506	10,142	4%
Total	54,077	54,406	(1%)

[^] Including margin receivable from Clearing Participants of \$21 million (31 December 2013: \$6 million)

^{*} Corporate Funds include \$156 million (31 December 2013: \$156 million) which has been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear, a subsidiary.

Corporate Funds increased by only 4 per cent during the period as the cash generated from profits was partly offset by a \$1.1 billion payment made to liquidators of Lehman Brothers Securities Asia Limited (in liquidation) (LBSA). This settled an accrued liability for dividends payable to LBSA's clients that were previously withheld by the Group.

Borrowings

On 24 January 2014, HKEx issued US\$95 million of fixed rate notes to independent third parties at par to replace an equivalent amount of floating rate bank borrowings. The notes mature in five years and bear interest at 2.85 per cent per annum payable semi-annually in arrears.

Capital Expenditure and Commitments

During the first quarter of 2014, the Group incurred capital expenditure of \$111 million (2013: \$164 million) on the development and upgrade of various trading and clearing systems including a commodities clearing system, a clearing system for over-the-counter derivatives, a Central Gateway for Cash Market trading, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong.

The Group's capital expenditure commitments at 31 March 2014, including those authorised by the Board but not yet contracted for, amounted to \$759 million (31 December 2013: \$878 million) and were related to the development and enhancement of information technology systems including a market data system, clearing systems for over-the-counter derivatives and commodities, a Central Gateway for Cash Market trading, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong. The Group has adequate resources to fund its capital expenditure commitments.

Contingent Liabilities

At 31 March 2014, there were no significant changes in the Group's contingent liabilities compared to 31 December 2013, except as described below.

Of the 26 class actions filed against LME and LMEH in the US alleging anti-competitive and monopolistic behaviour in the warehousing industry in connection with aluminium prices, 24 have now been consolidated into 3 complaints, each composed of a different class of plaintiffs: (1) direct purchasers of primary aluminium, (2) commercial end users who purchased semi-fabricated/processed aluminium, and (3) consumers who purchased aluminium consumer products for their own use. As announced on 14 March 2014, HKEx

has been named as a defendant in the direct purchasers' complaint but as at 7 May 2014 (the latest practicable date prior to publication of these results), the claim has not been served on HKEx. The two remaining complaints only named LME as a defendant along with the Goldman Sachs, JP Morgan Chase and Glencore Xstrata defendants. LME and LMEH moved to dismiss the complaints on 25 April 2014 and the US District Court in the Southern District of New York has scheduled to hear arguments on the motion on 26 June 2014. Should a trial be necessary, the court has set a preliminary date in September 2015 for trial. The LME and HKEx management continue to take the view that the lawsuits are without merit and each of LME, LMEH and HKEx will contest them vigorously.

As previously announced, the hearing of a judicial review claim filed by United Company RUSAL Plc (Rusal) in the English High Court to challenge the LME's decision to introduce rule changes to the delivery out rates of LME approved warehouses took place on 26 and 27 February 2014. The High Court handed down judgment on 27 March 2014 quashing the LME's consultation on the rule changes and the decision to implement such changes (the Judgment), and on 16 April 2014, LME was ordered to make an interim payment of £200,000 on account of Rusal's costs. While LME was not granted leave to appeal against the Judgment, it continues to believe that Rusal's complaint was without merit and is currently considering its available options. It has on 2 May 2014 applied to the Court of Appeal to seek leave to appeal against the Judgment. Implementation of the LME linked load-in load-out rule change did not take place on 1 April 2014 as previously scheduled. However, the other measures in the package of reforms announced on 7 November 2013 have been implemented as scheduled.

As the proceedings in the US are still at an early stage, LME does not currently have sufficient information to estimate the financial effect (if any) relating to the lawsuits, the timing of the ultimate resolution of the proceedings, or what the eventual outcomes might be. At this stage of the judicial review proceedings, HKEx has made provision of £200,000 in the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2014 representing the interim amount that LME was ordered to pay on account of Rusal's costs. LME is not in a position to estimate the further financial effect (if any) of the judicial review claim as it is currently taking legal advice with regard to its available options.

Streamlining of Quarterly Reporting

The Group has prepared this quarterly results announcement in line with recommended best practice in respect of the announcement of quarterly financial results under the Corporate Governance Code of the Main Board Listing Rules. The format of this quarterly results announcement has been streamlined from previous quarterly reports to cover key information more succinctly and to reflect the limited period since the publication of our comprehensive Annual Report. Further, in line with our continuing commitment to reducing our environmental footprint, a separate quarterly report will no longer be produced as all relevant information has been included in this announcement. This announcement may also be found on the HKEx website at www.hkex.com.hk/eng/exchange/invest/results/2014results.htm. Quarterly results continue to be prepared using accounting policies consistent with HKEx's half-year and annual accounts.

Changes since 31 December 2013

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2013.

It is the Group's plan to declare a dividend only at the half-year and year-end. Therefore, no dividend will be proposed for the first quarter of 2014 (first quarter of 2013: \$Nil). Due to fluctuations in market conditions and changes in the operating environment, certain categories of revenue, other income and operating expenses may vary substantially from quarter to quarter. Therefore, quarterly results should not be extrapolated to project the Group's full-year performance.

Review of Financial Statements

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the three months ended 31 March 2014 in conjunction with HKEx's external auditor.

The external auditor has carried out certain agreed-upon procedures on the unaudited condensed consolidated financial statements for the three months ended 31 March 2014 in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the three months ended 31 March 2014, neither HKEx nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Prospects

Although the global economy is gradually recovering, lingering uncertainty over the monetary policies of the US and Eurozone, and the economic growth rate in the mainland of China could continue to dampen investor sentiment and capital flows into our markets.

Notwithstanding the challenging external environment, we are optimistic about the opportunities ahead of us. Hong Kong and our markets are ideally situated to support the managed opening of China's capital account. In this respect, on 10 April 2014, the SFC and the China Securities Regulatory Commission approved, in principle, the development of a pilot programme for the establishment of mutual stock market access between the mainland of China and Hong Kong. We believe that this represents a significant milestone in the further opening up of the Mainland's capital markets and the promotion of the internationalisation of the Renminbi. This will provide new opportunities and create further momentum for the development of the Hong Kong capital markets. Our strategy of investing in the development of our technology platforms and infrastructure, as well as expanding into additional asset classes, positions us well to capture these opportunities. With this additional impetus we remain confident in our goal of becoming one of the leading global vertically-integrated multi-asset class exchanges.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Three months ended 31 Mar 2014 \$m	Three months ended 31 Mar 2013 \$m
Trading fees and trading tariff		938	922
Stock Exchange listing fees		299	255
Clearing and settlement fees		453	431
Depository, custody and nominee services fees		92	69
Market data fees		201	188
Other revenue		189	140
REVENUE AND TURNOVER		2,172	2,005
Investment income and other income		163	217
REVENUE AND OTHER INCOME		2,335	2,222
OPERATING EXPENSES			
Staff costs and related expenses		(411)	(382)
Information technology and computer maintenance expenses		(136)	(123)
Premises expenses		(72)	(74)
Product marketing and promotion expenses		(6)	(5)
Legal and professional fees		(47)	(27)
Other operating expenses		(62)	(58)
		(734)	(669)
EBITDA*		1,601	1,553
Depreciation and amortisation		(164)	(116)
OPERATING PROFIT		1,437	1,437
Finance costs		(51)	(49)
Share of loss of a joint venture		(3)	(2)
PROFIT BEFORE TAXATION		1,383	1,386
TAXATION		(212)	(228)
PROFIT FOR THE PERIOD		1,171	1,158
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEx		1,178	1,158
- Non-controlling interests		(7)	-
		1,171	1,158
Basic earnings per share	2	\$1.02	\$1.01
Diluted earnings per share	2	\$1.01	\$1.01

* EBITDA represents earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint venture.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Three months ended 31 Mar 2014 \$m	Three months ended 31 Mar 2013 \$m
PROFIT FOR THE PERIOD	1,171	1,158
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	127	(1,142)
OTHER COMPREHENSIVE INCOME	127	(1,142)
TOTAL COMPREHENSIVE INCOME	1,298	16
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEx	1,305	16
- Non-controlling interests	(7)	-
TOTAL COMPREHENSIVE INCOME	1,298	16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 31 Mar 2014			At 31 Dec 2013		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents		40,338	–	40,338	41,452	–	41,452
Financial assets measured at fair value through profit or loss		3,769	141	3,910	3,761	141	3,902
Financial assets measured at amortised cost		9,748	60	9,808	8,986	60	9,046
Accounts receivable, prepayments and deposits		9,986	7	9,993	10,940	6	10,946
Taxation recoverable		15	–	15	7	–	7
Interest in a joint venture		–	84	84	–	87	87
Goodwill and other intangible assets		–	18,795	18,795	–	18,680	18,680
Fixed assets		–	1,713	1,713	–	1,753	1,753
Lease premium for land		–	23	23	–	23	23
Deferred tax assets		–	59	59	–	47	47
Total assets		63,856	20,882	84,738	65,146	20,797	85,943
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits and cash collateral from Clearing Participants		38,944	–	38,944	39,793	–	39,793
Accounts payable, accruals and other liabilities		10,895	19	10,914	12,815	19	12,834
Deferred revenue		556	–	556	593	–	593
Taxation payable		424	–	424	379	–	379
Other financial liabilities		34	–	34	27	–	27
Participants' contributions to Clearing House Funds		4,036	–	4,036	3,884	–	3,884
Borrowings		–	6,961	6,961	–	6,921	6,921
Provisions		61	58	119	47	47	94
Deferred tax liabilities		–	897	897	–	900	900
Total liabilities		54,950	7,935	62,885	57,538	7,887	65,425
Equity							
Share capital	3			11,336			1,161
Share premium	3			–			10,167
Shares held for Share Award Scheme				(173)			(174)
Employee share-based compensation reserve				134			105
Exchange reserve				695			568
Convertible bond reserve				409			409
Designated reserves				587			586
Reserve relating to written put options to non-controlling interests				(217)			(217)
Retained earnings							
- Proposed dividend				1,996			1,995
- Others				6,980			5,805
Equity attributable to shareholders of HKEX				21,747			20,405
Non-controlling interests				106			113
Total equity				21,853			20,518
Total liabilities and equity				84,738			85,943
Net current assets				8,906			7,608
Total assets less current liabilities				29,788			28,405

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

	Note	Three months ended 31 Mar 2014 \$m	Three months ended 31 Mar 2013 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	4	513	1,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets and intangible assets		(163)	(215)
Net (increase)/decrease in financial assets of the Corporate Funds:			
Increase in time deposits with original maturities more than three months		(254)	(15)
Net proceeds from sales or maturity of financial assets measured at amortised cost (excluding time deposits)		–	24
Interest received from financial assets measured at fair value through profit or loss		7	8
Net cash outflow from investing activities		(410)	(198)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares upon exercise of employee share options		6	1
Purchases of shares for Share Award Scheme		–	(2)
Proceeds from issuance of notes		737	–
Payment of transaction costs on issuance of notes		(2)	–
Repayment of bank borrowings		(737)	–
Payment of finance costs		(10)	(17)
Net cash outflow from financing activities		(6)	(18)
Net increase in cash and cash equivalents		97	1,655
Cash and cash equivalents at 1 Jan		6,375	4,035
Exchange differences on cash and cash equivalents		6	(37)
Cash and cash equivalents at 31 Mar		6,478	5,653
Analysis of cash and cash equivalents			
Cash on hand and balances and deposits with banks		6,596	5,653
Less:			
Cash earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear (note (a))		(118)	–
		6,478	5,653

(a) At 31 March 2014, \$38 million of time deposits with original maturities more than three months had also been earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements should be read in conjunction with the 2013 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2013.

2. Earnings per Share

The calculation of basic earnings per share for the three months ended 31 March 2014 was based on profit attributable to shareholders during the period and the weighted average number of shares in issue, after deducting shares held for Share Award Scheme, of 1,160 million (2013: 1,147 million) respectively.

The calculation of diluted earnings per share for the three months ended 31 March 2014 was based on profit attributable to shareholders during the period and the adjusted weighted average number of shares of 1,162 million (2013: 1,151 million). The adjusted weighted average number of shares was derived from deducting shares held for the Share Award Scheme and reflecting the potential dilutive effects of awarded shares and share options related to employee incentive schemes. The effects of outstanding convertible bonds were not included in the computation as they were anti-dilutive.

3. Share Capital and Share Premium

On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (new CO) came into effect. The new CO abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. Any amount received for issuing equity shares of a company should be recorded as share capital.

Pursuant to the adoption of the new CO, the balance on the share premium was transferred to share capital.

4. Notes to the Condensed Consolidated Statement of Cash Flows

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

	Three months ended 31 Mar 2014 \$m	Three months ended 31 Mar 2013 \$m
Profit before taxation	1,383	1,386
Adjustments for:		
Net interest income	(142)	(78)
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	(14)	(149)
Finance costs	51	49
Depreciation and amortisation	164	116
Other non-cash transactions	42	29
Net changes in financial assets and financial liabilities of Clearing House Funds, Margin Funds and cash collateral	(1)	8
Net changes in financial assets measured at fair value through profit or loss less financial liabilities at fair value through profit or loss	17	6
Other working capital changes	(946)	612
Net cash inflow from operations	554	1,979
Interest received from operating activities	156	94
Income tax paid	(197)	(202)
Net cash inflow from operating activities	513	1,871

5. Post Balance Sheet Event

In prior years the Group has lodged claims with the liquidators of LBSA in respect of losses previously recognised in the Group's results. Subsequent to 31 March 2014 the Group has received notice of adjudication in respect of these claims in the amount of approximately \$160 million. However, the amount ultimately recoverable will depend on the outcome of the distribution from the liquidators, which the Group is unable to estimate with any degree of accuracy at this time. No adjustment has been made in these quarterly results and amounts considered to be ultimately recoverable will be recognised once they can be estimated with reasonable certainty.

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

Hong Kong, 8 May 2014

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