

Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 Codes: 388 (HKD Counter) and 80388 (RMB Counter)

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

2023 FINAL RESULTS, DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

STRATEGIC AND FINANCIAL HIGHLIGHTS

Nicolas Aguzin, Chief Executive Officer said:

“HKEX delivered a strong set of 2023 full-year results, fuelled by notable growth in its derivatives, fixed-income and currencies business. Despite the persistent challenging global backdrop and softer Cash Market, we are pleased to be reporting our second-best revenue and other income, and profits, on record, with profit attributable to shareholders for 2023 up 18 per cent.

Excellent strategic progress complemented the Group’s financial performance, with delivery of new milestones in the Connect programme, including the launch of Swap Connect and HKEX Synapse; the opening of new Group offices in New York and London, better supporting our customers on-the-ground across time-zones; and the rollout of new enhancements to HKEX’s listing franchise, including Chapter 18C and the launch of FINI. A particular highlight this year, has been the success of the Group’s continued product diversification focus and market microstructure enhancements, which have been instrumental in driving new daily trading records in 2023 for HKEX’s equity derivatives, RMB Currency Futures, OTC Clear and ETP markets.

Looking ahead, whilst the macroeconomic and geopolitical environment remains turbulent, we are cautiously optimistic that, as sentiment improves, we are well placed to capitalise on the global pivot to Asia, on Hong Kong’s unique role as an East-West superconnector, on our unrivalled China advantage and on the megatrends, such as sustainability, that are shaping capital markets around the world.”

Strategic & Operational Highlights

Corporate

- 5 Feb MOU signed with the Saudi Tadawul Group
- 21 Jun Opening of New York office
- 29 Jun MOU signed with the Beijing Stock Exchange
- 26 Jul MOU signed with Indonesia Stock Exchange
- 22 Aug Celebration of 30th anniversary of H-share listings in Hong Kong
- 6 Sep Opening of London office
- 7 Dec Asia’s first Future Investment Initiative (FII) Priority Summit hosted at HKEX Connect Hall, in partnership with the HKSAR Government and FII Institute

Regulation

- 31 Mar Chapter 18C Specialist Technology Companies listing regime took effect
- 14 Apr Consultation paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework published
- 15 Dec Consultation conclusions on GEM Listing Reforms published, with the enhancements effective from 1 January 2024
- 31 Dec Expansion of paperless listing regime took effect

Products and Services

- 13 Mar Expansion of eligible stocks under Stock Connect
- 30 Mar The LME introduced a fast-track listing approach and fee waiver for new nickel brands
- 15 May Swap Connect launched – a new mutual access programme between Hong Kong and Mainland China’s interbank interest rate swap markets
- 19 Jun HKD-RMB Dual Counter Model and Dual Counter Market Making Programme launched
- 19 Oct US-listed stocks added to the list of eligible underlying assets for DW issuance
- 29 Nov Asia’s first Saudi Arabian ETF listed

Market Operations

- 20 Mar Hong Kong Investor Identification Regime (HKIDR) implemented
- 30 Mar The LME Group announced a two-year strategic and operational programme to strengthen and enhance its markets
- 24 Apr Stock Connect trading calendar enhancement took effect
- 11 Aug Introduction of block trading under Stock Connect announced
- 14 Sep The LME announced the intention to extend the use of volume-weighted average prices to determine Closing Prices in its most liquid contracts to enhance transparency
- 9 Oct HKEX Synapse launched, accelerating the settlement process for Stock Connect Northbound Trading
- 9 Nov The LME announced new requirements to improve visibility of unwarranted metal stocks
- 22 Nov FINI launched, shortening the time between the pricing of an IPO and the trading of shares
- 29 Nov UK Court ruled in favour of the LME and LME Clear in respect of the events in the nickel market in 2022
- 30 Nov Consultation paper on Severe Weather Trading of Hong Kong Securities and Derivatives Markets published
- 22 Dec Enhancements to Derivatives Market position limits took effect
- 31 Dec LME’s responsible sourcing requirements fully adopted by all of its listed brands

Corporate Social Responsibility and ESG

- 28 Mar 2023 HKEX Impact Funding Scheme launched
- 2 May 2023 HKEX Charity Partnership Programme launched
- 30 Jun 2022 HKEX Research Funding Scheme awardees announced
- 31 Oct MOU signed with the China Emissions Exchange Shenzhen
- 27 Nov HKEX commits to achieve carbon neutrality by 2024, and net zero by 2040
- 28 Nov MOU signed with the China Beijing Green Exchange

Annual Results

Financial Highlights

- Revenue and other income and profit in 2023 were second best on record, after exceptional 2021
- 2023 revenue and other income was \$20,516 million, 11 per cent higher than 2022
 - Core business revenue was up 3 per cent against 2022, attributable to record net investment income from Margin Funds and Clearing House Funds; and increase in LME trading and clearing fees in 2023. The increase was partly offset by lower trading and clearing fees from lower Headline ADT and lower listing fees
 - Net investment income from Corporate Funds was \$1,487 million (2022: loss of \$48 million), driven by net fair value gains on the External Portfolio of \$421 million (2022: losses of \$486 million) and higher investment income from internally-managed Corporate Funds, partly offset by the non-recurring losses on valuation of the Group's unlisted equity investments of \$246 million
- Operating expenses were 7 per cent higher than 2022, attributable to higher staff costs and IT costs
- EBITDA¹ was 12 per cent higher than 2022, at \$14,828 million, with EBITDA margin¹ at 73 per cent, 1 percentage point higher than 2022
- Profit attributable to shareholders was \$11,862 million, 18 per cent higher than 2022

Key Financials

	2023 \$m	2022 \$m	Change
Revenue and other income			
Core business revenue	18,941	18,374	3%
Donation income of HKEX Foundation	88	130	(32%)
Net investment income/(loss) of Corporate Funds	1,487	(48)	N/A
	20,516	18,456	11%
Operating expenses	5,441	5,095	7%
EBITDA (non-HKFRS measure)	14,828	13,185	12%
Profit attributable to shareholders	11,862	10,078	18%
Capital expenditure	1,381	1,184	17%
Basic earnings per share	\$9.37	\$7.96	18%
First interim dividend per share	\$4.50	\$3.45	30%
Second interim dividend per share	\$3.91	\$3.69	6%
	\$8.41	\$7.14	18%
Dividend payout ratio	90%	90%	-

Key Market Statistics

	2023	2022	Change
ADT of equity products traded on the Stock Exchange ¹ (\$bn)	93.2	109.0	(14%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	11.8	15.9	(26%)
ADT traded on the Stock Exchange ^{1,2} (Headline ADT) (\$bn)	105.0	124.9	(16%)
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	108.3	100.4	8%
ADT of Southbound Trading of Stock Connect ¹ (\$bn)	31.1	31.7	(2%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	742 ⁴	715	4%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	612	588	4%
Chargeable ADV ³ of metals contracts traded on the LME ('000 lots)	562	506	11%
ADT of Northbound Bond Connect (RMBbn)	40.0 ⁴	32.2	24%

1 Includes buy and sell trades under Stock Connect

2 ADT of Southbound Trading is included within Headline ADT.

3 Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades.

4 New record high in 2023

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. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses. EBITDA and EBITDA margin are non-HKFRS measures used by management for monitoring business performance and may not be comparable to similar measures presented by other companies.

Comparison of Q4 2023 with Q4 2022 Results

Financial Highlights

- Q4 2023 revenue and other income was \$4,857 million, 7 per cent lower than Q4 2022
 - Core business revenue was down 5 per cent against Q4 2022, attributable to reduced trading and clearing fees from Cash and Derivatives Markets, partly offset by an increase in LME trading and clearing fees and higher net investment income from Margin Funds and Clearing House Funds
 - Net investment income from Corporate Funds was \$310 million, down 18 per cent compared with Q4 2022, as higher investment income from internally managed Corporate Funds and higher fair value gains on the External Portfolio of \$211 million (Q4 2022: \$173 million) were more than offset by non-recurring losses on valuation of the Group's unlisted equity investments of \$246 million
- Operating expenses were 12 per cent higher than Q4 2022, attributable to higher staff costs and IT costs, partly offset by lower professional fees
- EBITDA margin was 68 per cent, 6 percentage points lower than Q4 2022
- Profit attributable to shareholders was \$2,597 million, 13 per cent lower than Q4 2022

Key Financials

	Q4 2023 \$m	Q4 2022 \$m	Change
Revenue and other income			
Core business revenue	4,516	4,772	(5%)
Donation income of HKEX Foundation	31	53	(42%)
Net investment income of Corporate Funds	310	376	(18%)
	4,857	5,201	(7%)
Operating expenses	1,515	1,348	12%
EBITDA (non-HKFRS measure)	3,263	3,807	(14%)
Profit attributable to shareholders	2,597	2,979	(13%)
Capital expenditure	551	411	34%
Basic earnings per share	\$2.05	\$2.35	(13%)

Key Market Statistics

	Q4 2023	Q4 2022	Change
ADT of equity products traded on the Stock Exchange ¹ (\$bn)	80.4	113.6	(29%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	10.6	13.6	(22%)
ADT traded on the Stock Exchange ^{1,2} (Headline ADT) (\$bn)	91.0	127.2	(28%)
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	108.4	97.6	11%
ADT of Southbound Trading of Stock Connect ¹ (\$bn)	28.0	39.4	(29%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	750	842	(11%)
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	593	641	(7%)
Chargeable ADV ³ of metals contracts traded on the LME ('000 lots)	623	482	29%
ADT of Northbound Bond Connect (RMBbn)	38.7	32.4	19%

¹ Includes buy and sell trades under Stock Connect

² ADT of Southbound Trading is included within Headline ADT.

³ Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades.

CHAIRMAN'S STATEMENT

2023 was another year of strong strategic progress for HKEX. Set against a challenging global economic and geopolitical backdrop, we continued to demonstrate resilience and strength, successfully launching a range of important strategic initiatives and reinforcing our relevance and leadership at the heart of the global financial community. With a clear vision, focused strategy and experienced leadership team, we are well-placed to capture future growth opportunities and help shape the long-term sustainable and successful future of our markets.

Our Performance

Global market fragility and a high interest rate environment continued to impact trading and volumes in securities markets in Hong Kong, and globally, during 2023. And, despite a slowdown in IPO activity in our markets, we saw continued momentum in listings in 2023 and the IPO pipeline remained robust. Driven by our continued strategic commitment to diversification, our derivatives and ETF markets saw good growth, with new trading records set across various products. Stock Connect trading remained resilient, while Northbound Bond Connect continued its solid momentum, reaching new highs in both trading volume and number of investors. We were also pleased to see that the chargeable average daily volume of metals contracts traded on the LME increased 11 per cent from 2022, reflecting improved market sentiment.

Total Group revenue and other income, for the year ended 31 December 2023, was \$20.5 billion and the profit attributable to shareholders was \$11.9 billion, up 11 per cent and 18 per cent respectively, from the prior year.

Dividend

The Board declared a second interim dividend payment of \$3.91 per share, wholly in cash, which, together with the first interim dividend of \$4.50 per share paid in September 2023, results in a full-year dividend of \$8.41 per share.

Strategic Update

During 2023, we made notable progress in strengthening our China and global connectivity, enhancing the liquidity and vibrancy of our markets, building future-ready technology and bolstering our operational capabilities. These efforts underscored our commitment to further reinforcing Hong Kong's role as Asia's premier international financial centre.

Notably, we made key enhancements to our Stock Connect Programme and listing framework, while introducing new technology that will make both trading and IPO settlement processes more efficient. We also strengthened our international presence and partnerships, while reinforcing Hong Kong's position as a premier offshore RMB hub.

Market Quality and Sustainability

As a leading international exchange group, we continued to work closely with our customers and other stakeholders throughout the year on implementing a range of initiatives to uphold and promote market quality and sustainability, to both drive our shared long-term success and support the wider sustainable development of global financial markets.

As part of our ongoing efforts to support investors and issuers in the acceleration of their sustainability journeys, we issued a consultation paper in April 2023 seeking market feedback on proposals to enhance issuers' disclosures under HKEX's ESG framework. This consultation seeks to help facilitate a smooth transition to corporate reporting that is in line with locally adopted International Sustainability Standards Board (ISSB) standards. We also entered into MOUs with the China Emissions Exchange Shenzhen and the China Beijing Green Exchange to explore opportunities in cross-border carbon market connectivity and the development of green and sustainable finance.

During the year, we conducted various reforms to enhance the quality and strength of Hong Kong's listing framework. These include the expansion of the paperless listing regime to improve the efficiency of our regulatory processes; the implementation of the "double dipping" reforms to enhance the IPO price discovery process; and a proposal to introduce a treasury share regime for listed issuers. Following market consultation and supportive feedback, we launched GEM listing reforms in January 2024 to our market for small and medium-sized companies, whilst at the same time maintaining our high standards of investor protection.

The LME and LME Clear announced in March 2023 a two-year action plan to strengthen and enhance their markets. To date, market consultations and a number of initiatives, including the evolution of the closing price methodology, introduction of a fast-track brand registration for nickel, and the enhancement of the scope of off-warrant stock reporting, have been launched. The LME also continued to enhance its digital credentials register, LMEpassport, delivering against its commitment to greater transparency across the whole ESG spectrum.

Specific details of the Group's performance, achievements and market initiatives in 2023 are set out in the Chief Executive Officer's Review and Business Review sections of this announcement.

Corporate Responsibility

At HKEX, we believe that strong corporate governance and ESG stewardship are core to our success. As a purpose-led company, market operator and regulator, we are fully committed to leading from the front, championing best-in-class governance and CSR practices, and embedding sustainability across our business, markets and communities.

In 2023, we conducted internal evaluations of the performance of the boards of HKEX and its subsidiaries, OTC Clear, the LME and LME Clear. The evaluations concluded that all four boards operate effectively. They also identified areas for enhancement.

Reflecting our commitment to supporting the global sustainability agenda and fighting climate change in a timely manner, HKEX announced, in November 2023, the acceleration of its commitment and plans to achieve carbon neutrality by 2024 and net zero by 2040 — ten years ahead of the original target date — through improving energy efficiency, using electricity from renewable sources, adopting low-carbon procurement policies and expanding the Group's carbon offsetting policy. This 2040 commitment aligns HKEX Group with the LME's own sustainability agenda, ensuring that the whole business can make good progress towards its overall net-zero goal this year and going forward.

Through the HKEX Foundation, we donated over \$94 million in 2023 to various charities and community projects focusing on financial literacy, diversity and inclusion, poverty relief and environmental stewardship. Through HKEX's ongoing flagship charitable and funding programmes, we continued to help those in need, support innovative, university-led research projects and bring positive change to our communities.

In advancing responsible supply chains in the metals industry, the LME continued to fund projects run by its charity partners, Pact and The Impact Facility, focusing on tackling child labour and children's rights issues in African mining communities. The LME also supported initiatives aiming to make a meaningful and positive impact on young people's lives, through its continued partnership with Inspire, a UK based education charity.

Further details can be found in our 2023 CSR Report, which will be available on the HKEX Group website together with the 2023 Annual Report.

Outlook

Looking ahead, global financial markets will continue to be shaped by the prevailing conditions of the economic and geopolitical environment, as well as advancing megatrends such as technology innovation and climate change. These will bring challenges and new opportunities, and will continue to drive the long-term development, sustainability and prosperity of business, economies and society as a whole.

At HKEX we are well placed to play a key role in this dynamic landscape and, as a premier international exchange group, we remain resolutely focused on building on our unique role in connecting China and the world; connecting business and capital; enhancing the competitiveness and relevance of our markets; and embracing new technologies that will further enhance our business and markets in the future. We are confident that the efforts we have made will continue to position us strongly in the year ahead, as we foster greater connectivity and embrace new opportunities for growth.

Acknowledgements

My term as the Chairman of HKEX ends at the conclusion of the 2024 AGM pursuant to Article 109(2) of HKEX's Articles of Association. It has been a privilege to serve my second six-year term on the Board and work alongside my fellow Board members and the Group's management team in advancing HKEX's continued journey of connectivity, growth and sustainability. I am particularly pleased that, amid the global challenges of the past six years, a number of important milestones and initiatives were delivered that will be central to HKEX's future. These include the outstanding work of the now well-established HKEX Foundation; the significant development and enhancement of the HKEX Connect programmes; the enhancements made to our listing regime; the diversification of our product offering, the strengthening of our own culture; and the Group's significantly amplified visibility and influence in global dialogue and engagement.

On behalf of the Board, I would like to express gratitude to members of our International Advisory Council and Mainland China Advisory Group for their insight and guidance during the year. I would also like to thank Mr Benjamin Hung, who will also retire after the conclusion of the 2024 AGM, for his valuable contributions to HKEX during his tenure of service. I also thank my fellow Board members for their support and commitment during 2023 and throughout my tenure as Chairman.

On behalf of the Group, I would like to express gratitude to Mr Nicolas Aguzin, who retires as HKEX Chief Executive Officer in February 2024. During his tenure, Mr Aguzin has led HKEX through a very challenging period, shaped by the pandemic and weak global markets. Under his leadership, HKEX successfully launched a number of important strategic initiatives and made significant progress in the ongoing promotion of Hong Kong's financial markets internationally.

We also congratulate Ms Bonnie Y Chan, currently Co-Chief Operating Officer, who becomes HKEX Chief Executive Officer on 1 March 2024. HKEX will benefit from Ms Chan's extensive capital markets experience and her excellent understanding of HKEX's business and competitive landscape.

Finally, I would like to express my utmost appreciation to our staff, shareholders and other valued stakeholders for their continued support and trust. I am extremely grateful to all those who have helped us advance as a business and a market, allowing us to succeed in the execution of our strategy, serve our customers with excellence, and plan for future opportunities and growth.

Laura M CHA
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

2023 can be characterised by three things for HKEX – a challenging geopolitical backdrop, strong financial results and notable strategic delivery. HKEX's markets continued to demonstrate robustness and resilience despite the challenging macroeconomic environment and in particular our diversification strategy continued to pay off, with our derivatives and ETF trading volumes reaching record highs, and continuous enhancements to the primary and secondary markets further strengthening our position as a global trading and risk management centre, and capital raising centre of choice.

The implementation of a series of enhancements strengthening our connectivity between China and the world throughout 2023 was a major highlight. These included the launch of Swap Connect, the addition of international issuers into Southbound Stock Connect, and the inclusion of additional eligible stocks in Northbound Stock Connect, as well as the launch of HKEX Synapse. Together with the launch of the HKD-RMB Dual Counter Model, these have reinforced Hong Kong's role as a unique global superconnector, supporting vital two-way capital flows between East and West.

In addition to leveraging our unique China advantage, we have also focused on the continued development of the Group's product ecosystem, expanding our international presence and partnerships, and modernising our platforms and infrastructure. We believe these new initiatives and relationships will enhance the vibrancy, efficiency and liquidity of our markets, helping our customers deliver on their own successes and supporting the development of our markets for decades to come.

Market highlights

- Stock Connect continued to demonstrate strength and resiliency in 2023, with Northbound and Southbound ADT of RMB108.3 billion and \$31.1 billion respectively, generating revenue and other income of \$2.2 billion in 2023.
- Northbound Bond Connect ADT set a record again in 2023, reaching RMB40.0 billion, up 24 per cent compared with 2022.
- Average daily volume of Derivatives Market was up 4 per cent to 1.4 million contracts, with key products setting daily records.
- Average daily turnover of our ETP markets was up almost 17 per cent, reaching \$14.0 billion.
- Stock Connect saw further expansion – inclusion of Hong Kong primary listed international companies to Southbound Trading and addition of over 1,000 new underlying stocks in Northbound Trading.
- IPO market remained resilient against challenging macroeconomic conditions – 73 listings² raising \$46.3 billion, with new economy companies accounting for 72 per cent of the funds raised during the year.
- Hong Kong's position as the world's leading offshore RMB hub was reinforced with the launches of Swap Connect, the HKD-RMB Dual Counter Model and Dual Counter Market Making Programme.
- New Listing Chapter, 18C, introduced to support specialist technology companies in seeking listing in Hong Kong.
- Digitalised IPO settlement platform FINI launched.
- HKEX Synapse, a new settlement acceleration platform for Stock Connect, launched.
- HKEX opened two new international offices – in New York and London.
- HKEX added the Saudi Exchange (Tadawul) and the Indonesia Stock Exchange as Recognised Stock Exchanges for secondary listings.

Primary market

The global IPO market continued to be impacted by weak market sentiment and the broader challenging macroeconomic backdrop. While the impact of this was felt in Hong Kong, there was continued momentum in the listing market during the year, with HKEX welcoming 73 new listings, raising more than \$46 billion. New economy sector listings accounted for 72 per cent of capital raised during the year.

² Include 3 transfers (2022: 1 transfer) of listings from GEM to Main Board

Throughout the year, the Group remained committed to continuously enhancing its attractiveness and competitiveness as a listing venue, with the introduction of a new path-to-listing for specialist technology companies and the conclusion of work undertaken on GEM reforms.

In addition to new reforms and listing rules, HKEX introduced a number of operational enhancements, including FINI, which reduces the time between the pricing of an IPO and the trading of shares from at least five business days to two.

Secondary market

Despite the continued complexity of the macroeconomic landscape, HKEX trading and risk management markets have performed well during the year, demonstrating their resilience, robustness and relevance. Cash Market Headline ADT was \$105.0 billion in 2023. This was 16 per cent lower than in 2022, reflecting the challenging macroeconomic conditions.

The Group's Derivatives Market had a strong year with average daily volumes of 1.4 million contracts, up 4 per cent from a year earlier. Notably, HKEX's MSCI futures and options products saw open interest exceed 100,000 contracts for the first time in November, with notional value of US\$4.2 billion. Meanwhile, key products such as HSCEI Futures, Hang Seng TECH Index Futures, and USD/CNH Futures set daily trading records during the year.

The ETP market, including ETFs and Leveraged & Inverse Products, continued to go from strength-to-strength, with average daily turnover reaching \$14.0 billion, an increase of almost 17 per cent from a year earlier. During the year, HKEX welcomed Asia Pacific's first Saudi Arabian ETF, one of the 16 new ETPs introduced in 2023, bringing the total ETPs listed in Hong Kong to 174.

Strategic Development Review

In 2023, we continued to deliver against a clear Group strategy that seeks to leverage HKEX's unique role as an East-West superconnector, supporting the long-term development of our business and our markets, whilst also embracing the opportunities of global megatrends, such as sustainability and new technology.

Leveraging our China advantage

Hong Kong plays a unique role in connecting China and the world. And 2023 was another year in which HKEX made significant progress in capitalising on Hong Kong's position of strength in this regard.

Expanding Connect

The HKEX Connect story continued to develop during 2023, following a series of significant enhancements that were announced the previous year. In March, we welcomed the inclusion of international companies in Southbound Stock Connect for the first time – giving international issuers the unique opportunity to access both international and Mainland China investor pools from one market.

Additionally, Swap Connect and the HKD-RMB Dual Counter programme were introduced, strengthening Hong Kong's position as the world's leading offshore RMB hub, while also supporting the ongoing internationalisation of RMB. The upcoming introduction of China Treasury Bond Futures will further solidify Hong Kong's status as an international RMB trading centre.

Other highlights included the addition of around 10 trading days in Stock Connect each year, the inclusion of 1,000 more stocks for Northbound Connect, the doubling of ETFs eligible for Southbound Connect since they were first included in the previous year, and the launch of HKEX Synapse, a new settlement acceleration platform for Stock Connect, supporting institutional investors participating in Northbound Connect to better manage their post-trade operations across different time zones.

Going global

Connecting China and the world also means connecting the world to China, and during 2023 we forged partnerships and expanded our international footprint. This included opening new HKEX offices in New York and London, allowing us to better service, on the ground, our clients in North America and Europe respectively.

We also signed MOUs with the Indonesia Stock Exchange (IDX) and the Saudi Tadawul Group to explore dual-listing and joint product development opportunities in Southeast Asia and the Middle East. Furthermore, we added both the IDX and Saudi Exchange to the list of Recognised Stock Exchanges, allowing for potential secondary listings.

Additionally, we continued attending a wide range of key international events, such as the World Economic Forum and FII Conference, promoting Hong Kong's financial markets, and driving global dialogue and connectivity. We also partnered with the Hong Kong SAR Government and the FII Institute to stage the first FII PRIORITY summit in Asia, attracting over 1,000 regional and global delegates.

Strengthening Mainland ties

The year 2023 was also characterised by deepening relations with partners, customers and stakeholders in Mainland China, including signing an MOU with the Beijing Stock Exchange, welcoming high-level delegations and participating in notable events, including the Belt and Road Forum, Tianjin Summer Davos, the Beijing Financial Street Forum and the Boao Forum. We also continued to connect China's commodities demand and production with international markets and investors, an example being the December launch of the QME's new bonded trading warehouse business for the offshore soybean physical market in Shenzhen.

Improving market liquidity and enhancing our ecosystem

HKEX Group is committed to the long-term health and efficiency of its markets, from making sure that its listing framework remains fit for purpose, to ensuring that the LME remains responsive to market opportunities.

Infrastructure enhancements

The reforms of HKEX's listing framework in 2018 helped to transform Hong Kong into a world-leading capital raising venue for new economy and biotech companies. The impact of this was still being seen in 2023, with 72 per cent of IPO capital raised was from the new economy sector.

HKEX built on this, with the introduction of Chapter 18C of the Listing Rules, which introduces a new route-to-market for specialist technology companies operating in industries such as artificial intelligence, quantum computing, EV technology, green technology and food technology.

Complementing this is our continuous commitment to market micro-structure enhancements, which in 2023 included the launch of a consultation on severe weather trading.

Evolving our commodities business

The LME had a good year, with chargeable ADV of metals contracts up 11 per cent and open interest 25 per cent higher than the previous year.

In March, the LME published an action plan to ensure the continued long-term health and efficiency of its markets. It reconfirmed its commitment to evolving and strengthening its market structure, ensuring it remains as responsive as possible to emerging opportunities, risks, and customer needs. And it made headway in bringing greater transparency and standardisation to Closing Price discovery.

The positive outcome of a judicial review at the end of the year in relation to events in the LME nickel market in March 2022 was welcome news and affirmed the integrity of the LME team, which had — throughout — sought to prioritise the interests of the market as a whole.

Preparing our organisation for the future

A major focus in 2023 was the ongoing modernisation of our operations and supporting the long-term sustainability of our business, a key highlight of which was our commitment to addressing climate change.

Addressing climate change

In November, we reaffirmed our commitment to achieving Group carbon neutrality by 2024 and net zero by 2040, a decade earlier than originally planned.

In April, we launched a consultation on proposed enhancements to our ESG reporting framework that reference the ISSB standards. These enhancements aim to prepare Hong Kong-listed companies for the transition to reporting in-line with locally adopted ISSB standards in the future.

HKEX's voluntary carbon market platform, Core Climate, has also gained momentum during the year with registered participants tripling to around 80 members.

HKEX also signed an MOU with the China Emissions Exchange Shenzhen and the China Beijing Green Exchange to jointly explore opportunities in cross-border carbon market connectivity and climate finance.

Supporting sustainable metals

The LME is central to our ambitions to support the global sustainability agenda. The green transition is the next major technological shift, and the global metals industry will be a crucial part of this. This gives the LME an important role to play, not just in supporting the supply of the metals to enable green technologies, but also in ensuring those metals are sourced responsibly and sustainably.

In 2023, the LME made further enhancements to LMEpassport – its digital credentials register – that will enable greater data comparability across the whole ESG spectrum. More than 200 LME-listed brands share their sustainability credentials via LMEpassport. The LME also ensured that its listed brands met the deadline for responsible sourcing requirements aimed at rooting out metal tainted by conflict, child labour or corruption.

Modernising operations

Technology is changing the way all our market participants behave – investors, issuers, brokers and more. At HKEX, we continue to anticipate the needs of our customers and in 2023, with a commitment to stability, reliability and efficiency, we continued to strengthen and modernise our technology platform.

The launch of FINI, a cloud-based solution for IPO settlements, gives investors quicker access to new listings, reduces market risk and improves efficiency for all parties.

In October, we welcomed the first trades on HKEX Synapse. Using DAML smart contract technology, Synapse reduces post-trade complexity on Northbound Stock Connect by providing settlement instructions to all parties along the settlement chain, facilitating concurrent processing, providing greater efficiency and transparency to market participants, while connecting them to a more seamless post-trade workflow.

And we launched Microsoft 365, providing HKEX colleagues with the latest cloud-based office tools to improve communication and collaboration.

Strategic Outlook

The geopolitical uncertainty and macroeconomic challenges of 2023 are likely to remain a feature of the global landscape in 2024. However, we will continue to navigate the near-term challenges while also seeking to capture the opportunities ahead, driven by the ongoing release of Mainland China's domestic savings pool, the increasing relevance of the Asian economy, the global sustainability agenda and the progress of technology and innovation.

The Group will also continue to build on Hong Kong's unique advantage as the most international city in China and the most Chinese city outside the Mainland. From this position of strength, our strategy is to continue to enhance market vibrancy, build future-ready technology and operations and explore new and adjacent businesses.

Appreciation

The HKEX Group delivered good strategic and financial results in 2023. More importantly, we introduced initiatives and products that will support the long-term development of our business and our markets. None of this would have been possible without our talented team and their hard work and dedication. It has not been an easy few years, and I express my deep gratitude to every one of them for their focus and their contributions.

I also want to express our thanks and appreciation to the SFC, the Hong Kong Monetary Authority, our market participants, our customers, partners and stakeholders around the world for their continued support. And finally, I would like to thank my fellow members of the Board for their support.

This is the last HKEX Annual Results Announcement that I will present as I stand down in 2024. Serving as the CEO of HKEX has been a great privilege and a unique experience. I am incredibly proud of the many things we have achieved in the last three years including the continued financial strength of the Group, despite the challenging macro environment. None of this would have been possible without the incredibly talented people who I have had the honour to call my colleagues.

Looking to 2024 and beyond, I have full confidence that this talented team, under the leadership of Ms Bonnie Y Chan, will continue to steer HKEX to capture the exciting opportunities ahead.

Nicolas AGUZIN

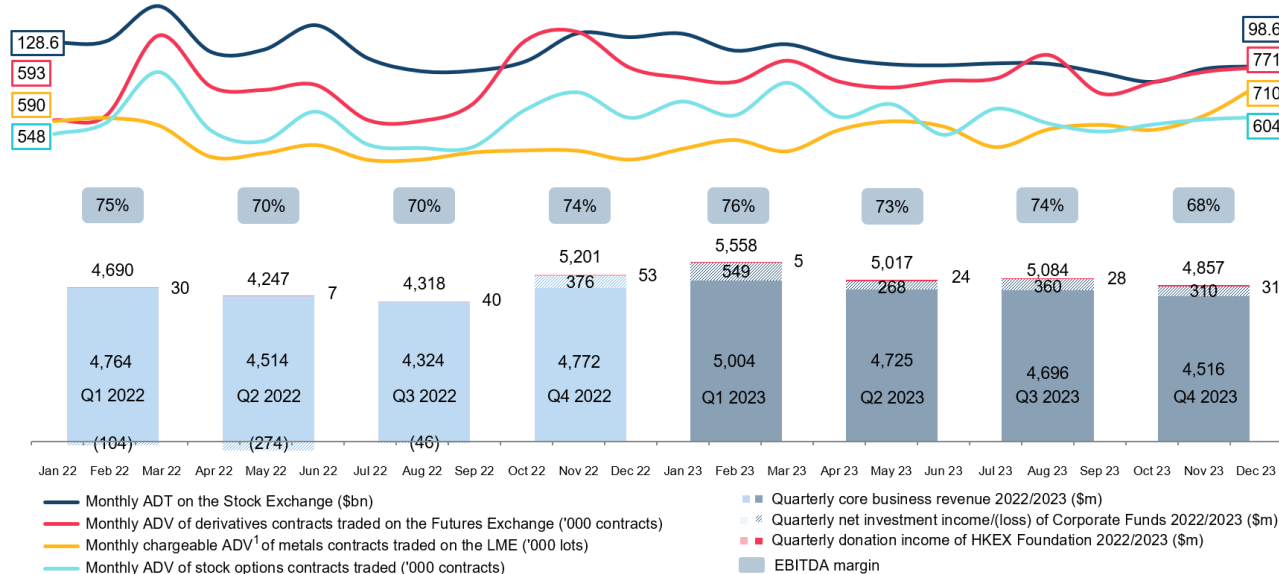
Director and Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Quarterly Results, Q1 2022 – Q4 2023



1 Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades.

Fig. 1 – Market activity and Group's revenue and other income/(loss)

Despite a challenging macroeconomic and fragile geopolitical backdrop, HKEX continued to demonstrate its resiliency and strength in 2023, reinforcing its position as a vital superconnector. Throughout the year, HKEX launched a range of notable projects and initiatives, further enhancing the Group's offering and reinforcing Hong Kong's role as a leading international financial centre.

Throughout 2023, market sentiment was impacted by the high interest rate environment and the slower than expected economic recovery in Mainland China. Cash Market Headline ADT was \$105.0 billion in 2023, 16 per cent lower than in 2022. However, the Group's diversification strategy in recent years is paying off, with the Group's Derivatives Market and Commodities Market performing strongly in 2023. The total number of derivatives contracts traded reached a record high during the year, with ADV up 4 per cent compared with 2022, while LME volumes also saw healthy growth, with chargeable ADV up 11 per cent from the previous year. Benefitting from the high interest rate environment, HKEX's net investment income reached a record \$5.0 billion in 2023, surpassing the previous record set in 2019.

Revenue and other income of \$20.5 billion in 2023 was the second highest on record (the exceptional results of 2021 being the highest) and was 11 per cent higher than in 2022. The increase in revenue was driven by record net investment income, with internally managed funds recording higher net interest income, as well as the net fair value gains of the External Portfolio totalling \$421 million (2022: losses of \$486 million). This was partly offset by a decrease in trading and clearing fees from lower Headline ADT, and a decrease in Stock Exchange listing fees due to a lower number of newly listed DWs and CBBCs. Operating expenses increased by 7 per cent against 2022, mainly due to higher staff costs and IT and computer maintenance expenses. Profit attributable to shareholders was the second highest on record at \$11.9 billion, 18 per cent higher than in 2022.

Looking ahead to 2024, some signs of improving sentiment are emerging on expectations of slower inflation in major economies and the possible end of the monetary tightening cycle by central banks. However, uncertainties will persist, including the pace of Mainland China's economic recovery and the continued challenges arising from ongoing geopolitical developments. Despite these challenges, the Group will stay resolutely focused on the strategic priorities that will deliver continued success for HKEX in the long term. The Group will continue to embrace opportunities with an eye on innovation and market development, leveraging its unique China connectivity and strengthening the attractiveness and competitiveness of its markets and product ecosystem, to ensure the long-term vibrancy, resiliency and sustainability of its financial markets.

In 2023, the Group's operating segments have been reorganised to better reflect the strategic and operational way in which the business and markets are run.

Details are set out in note 2 to the consolidated financial statements of this announcement. Comparative figures have been restated to conform with current year's presentation.

Cash Segment

The Cash segment covers all equity products traded on the Cash Market platforms of the Stock Exchange and those traded through Stock Connect; the clearing, settlement and custodian activities relating to these products; and any other related activities. The major sources of revenue of the segment are trading fees, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

Key Market Indicators

	2023	2022	Change
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	93.2	109.0	(14%)
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	50.4	46.2	9%
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	57.9	54.2	7%
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	16.1	15.9	1%
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	15.0	15.8	(5%)
ADT of Northbound Bond Connect (RMBbn)	40.0 ⁴	32.2	24%
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,611	1,792	(10%)
Average value per trade of equity products traded on the Stock Exchange (\$'000)	58	61	(5%)
Average daily value of Settlement Instructions (SIs) for Stock Exchange trades (\$bn)	238.1	293.0	(19%)
Average daily number of SIs for Stock Exchange trades ('000)	99	112	(12%)
Average value per SI for Stock Exchange trades (\$'000)	2,413	2,613	(8%)
Average daily value of SIs for Northbound Trading of Stock Connect (RMBbn)	25.5	27.4	(7%)
Number of newly listed companies on Main Board ³	73	90	(19%)
Number of newly listed companies on GEM	-	-	-
Portfolio values of Northbound Trading of Stock Connect at 31 Dec (RMBbn)	2,002	2,242	(11%)
Portfolio values of Southbound Trading of Stock Connect at 31 Dec (\$bn)	2,255	2,233	1%
Number of companies listed on Main Board at 31 Dec	2,283	2,257	1%
Number of companies listed on GEM at 31 Dec	326	340	(4%)
Total	2,609	2,597	0%
Market capitalisation of companies listed on Main Board at 31 Dec (\$bn)	30,985	35,582	(13%)
Market capitalisation of companies listed on GEM at 31 Dec (\$bn)	54	85	(36%)

1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment); and includes ADT of Southbound Trading under Stock Connect

2 Includes buy and sell trades under Stock Connect

3 Includes 3 transfers from GEM (2022: 1 transfer)

4 New record high in 2023

	2023 \$bn	2022 \$bn	Change
Total equity funds raised on Main Board			
- IPOs	46.3	104.6	(56%)
- Post-IPO	105.4	146.8	(28%)
Total equity funds raised on GEM			
- Post-IPO	4.3	2.7	59%
Total	156.0	254.1	(39%)

Analysis of Results

Summary

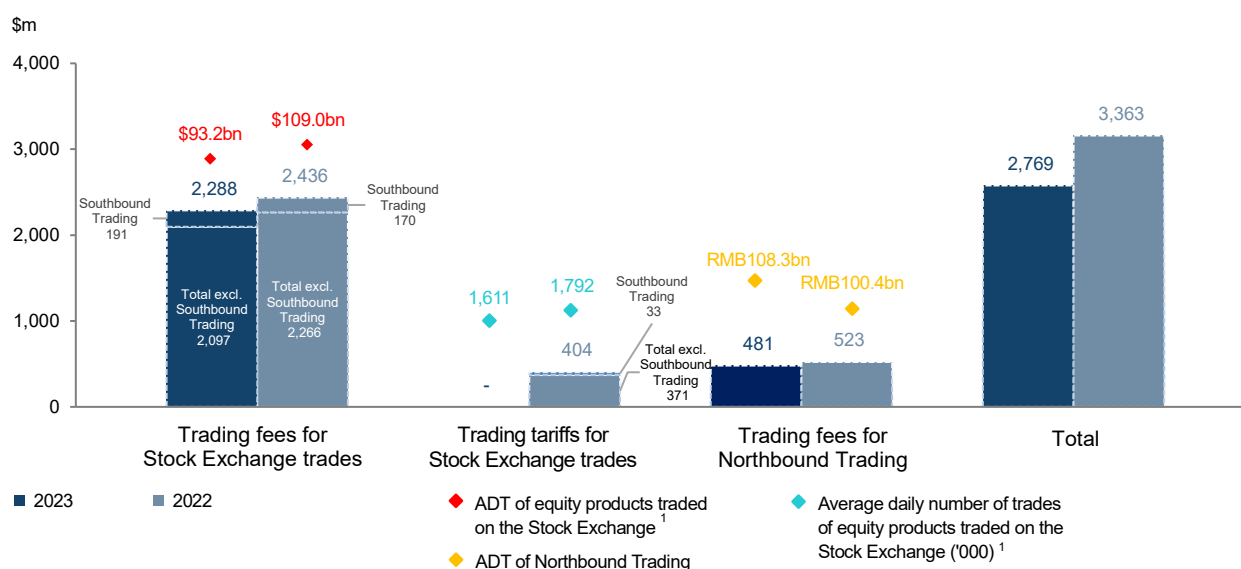
	2023 \$m	2022 \$m	Change
Trading fees and trading tariffs ¹	2,769	3,363	(18%)
Clearing and settlement fees ¹	2,943	3,326	(12%)
Stock Exchange listing fees ¹	908	992	(8%)
Depository, custody and nominee services fees ¹	1,179	1,142	3%
Other revenue and sundry income	133	133	-
	7,932	8,956	(11%)
Net investment income	232	78	197%
Total revenue and other income	8,164	9,034	(10%)
Less: transaction-related expenses	(10)	(11)	(9%)
Total revenue and other income less transaction-related expenses	8,154	9,023	(10%)
Operating expenses ²	(1,127)	(1,027)	10%
EBITDA	7,027	7,996	(12%)
EBITDA margin ³	86%	89%	(3%)

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

2 Includes Listing Division costs apportioned to equity products listed on the Stock Exchange

3 EBITDA margin is calculated based on EBITDA divided by total revenue and other income less transaction-related expenses.

Trading Fees and Trading Tariffs



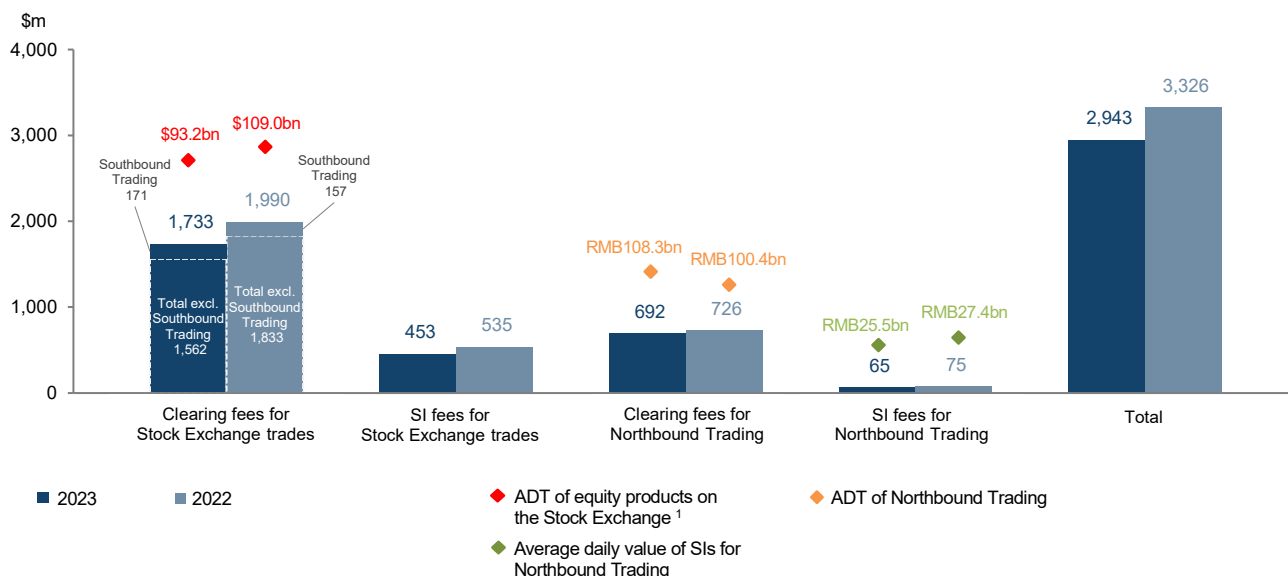
1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment); and includes ADT of Southbound Trading under Stock Connect

Trading fees for Stock Exchange trades for 2023 were \$2,288 million, a 19 per cent decrease compared with the total trading fees and tariffs for 2022 of \$2,840 million. The reduction was due to the 14 per cent decrease in the ADT of equity products, and the net decrease in fees resulting from the change in the trading fee structure for the Cash Market, which came into effect on 1 January 2023³.

Despite an 8 per cent increase in ADT, Northbound Stock Connect trading fees decreased by \$42 million due to a 30 per cent reduction in A-share trading fees effective 28 August 2023, as well as the depreciation of RMB.

³ Includes the removal of the fixed trading tariff of \$0.5 payable on each transaction, and the increase of the ad valorem fee on all trades from 0.005 per cent to 0.00565 per cent

Clearing and Settlement Fees



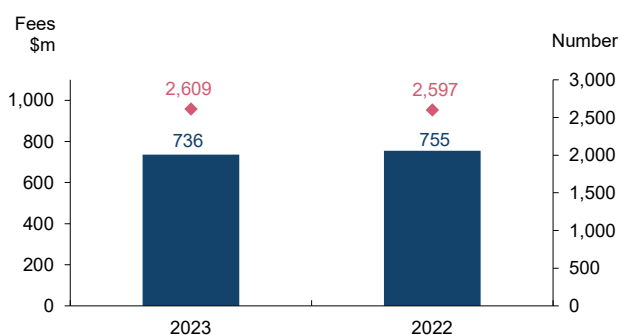
1 Excludes DWs, CBCs and warrants (which are included under the Equity and Financial Derivatives segment); and includes ADT of Southbound Trading under Stock Connect

Clearing and settlement fees for Stock Exchange trades (including SIs) decreased by 13 per cent to \$2,186 million in 2023 (2022: \$2,525 million), primarily due to lower fees from the lower number of transactions. Clearing fees from Northbound Stock Connect decreased by 5 per cent to \$692 million (2022: \$726 million), attributable to the reduction in A-share clearing fees effective April 2022, and depreciation of RMB.

Stock Exchange Listing Fees

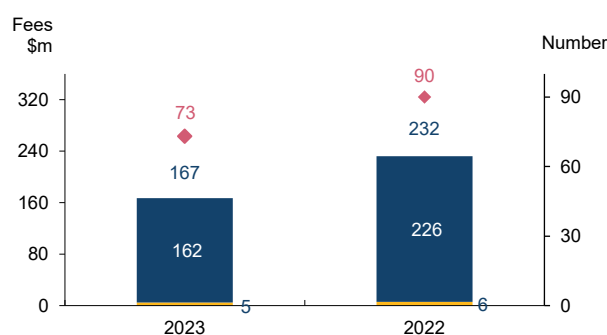
	2023 \$m	2022 \$m	Change
Annual listing fees	736	755	(3%)
Initial and subsequent issue listing fees	167	232	(28%)
Others	5	5	-
Total	908	992	(8%)

Annual Listing Fees



■ Annual listing fees
 ◆ Total number of listed companies at 31 Dec

Initial and Subsequent Issue Listing Fees



■ Initial listing fees
 ■ Subsequent issue listing fees
 ◆ Total number of newly listed companies

Annual listing fees fell by 3 per cent, reflecting lower average fee per company due to the delisting of certain preference shares of listed companies, and lower average nominal value of listed companies, attributable to share consolidation and RMB depreciation.

Initial and subsequent issue listing fees dropped by 28 per cent, mainly due to a decrease in number of forfeitures.

Depository, Custody and Nominee Services Fees

Depository, custody and nominee services fees do not directly vary with changes in trading volumes. The fees increased by \$37 million, or 3 per cent, to \$1,179 million in 2023, mainly due to higher scrip fees, which were partly offset by lower stock withdrawal fees.

EBITDA

Operating expenses increased by 10 per cent due to higher allocated costs of the Listing Division: this reflected a lower percentage decrease in listing fees of the Cash segment (8 per cent) from lower annual listing fees and fewer forfeitures, compared with the decrease in listing fees of the Equity and Financial Derivatives segment (33 per cent) attributable to the lower number of newly listed DWs and CBBs. EBITDA margin decreased from 89 per cent to 86 per cent, due to the decrease in total revenue and other income and increase in operating expenses.

Business Update

Global economic fragility and the sustained high interest rate environment continued to impact market sentiment in 2023. Headline ADT for the Cash Market was \$105.0 billion in 2023, down by 16 per cent compared with 2022.

Stock Connect

	2023	2022	Change
Northbound Trading value (RMBbn)	25,121	23,283	8%
Southbound Trading value (\$bn)	7,185	7,236	(1%)
Total revenue and other income ¹ (\$m)	2,207	2,268	(3%)

¹ \$1,600 million of which arose from trading and clearing activities (2022: \$1,683 million)

Stock Connect continued to demonstrate strength and resiliency in 2023, with Northbound and Southbound ADT of RMB108.3 billion and \$31.1 billion respectively, generating revenue and other income of \$2,207 million in 2023 (2022: \$2,268 million).

Key developments of Stock Connect in 2023

- **Expansion of eligible stocks:** The expansion of eligible stocks under the Stock Connect programme took effect on 13 March 2023, with primary-listed international companies in Hong Kong eligible for Southbound Trading, and the addition of over 1,000 stocks eligible for Northbound Trading. The addition of primary-listed international companies under Southbound Trading bolsters Hong Kong's role as an international listing and trading venue; and the expansion of eligible stocks under Stock Connect further deepens the cross-border market accessibility of the Stock Connect programme.
- **Trading calendar enhancement:** The trading calendar enhancement was successfully launched on 24 April 2023, allowing Stock Connect trading on all trading days where both the Hong Kong and Mainland China markets are open. The enhancement adds around 10 trading days to Northbound and Southbound Stock Connect each year.
- **Block trading:** The proposed introduction of block trading under Stock Connect was announced by the SFC and the CSRC on 11 August 2023. The initiative will support the continued growth of Stock Connect by providing execution certainty for large-sized transactions and further enhancing trading efficiency.
- **HKEX Synapse:** On 9 October 2023, HKEX Synapse, a smart contract-powered platform that accelerates the settlement process for Stock Connect Northbound Trading, was launched. The new platform enhances operational effectiveness, increases transparency and reduces settlement risk relating to Northbound trades.

Market Structure Development

On 19 June 2023, HKEX launched the HKD-RMB Dual Counter Model and the Dual Counter Market Making Programme in its Cash Market. As at 31 December 2023, a total of 24 Hong Kong listed companies were being designated as Dual Counter securities. The launch of the Dual Counter initiative further elevates Hong Kong's role as the premier offshore RMB hub. HKEX is now working on the next phase of development to allow investors from Mainland China to trade RMB denominated securities through Southbound Trading of Stock Connect.

The HKIDR was successfully implemented on 20 March 2023 and has been operating smoothly. The mechanism facilitates more effective market surveillance by identifying the originators of the orders and trades.

Further to the market consultation paper issued in March 2023 on the proposed subsidiary legislation for implementing an uncertificated securities market (USM) in Hong Kong, the SFC has issued another market consultation paper in October 2023 on the proposed revision of the existing Code of Conduct for Share Registrars (ASR Code) and the existing Guidelines for Electronic Public Offerings (ePO Guidelines). HKEX has been working closely with the SFC and the Federation of Share Registrars Limited (FSR) to facilitate the operational readiness for the implementation of the USM regime.

On 22 November 2023, HKEX successfully launched FINI, a new digital platform that significantly shortens Hong Kong's IPO settlement process. The platform also reduces pre-funding requirements and the operational risk for all market participants in an IPO. The platform has been operating smoothly since launch.

On 30 November 2023, HKEX published a consultation paper on Severe Weather Trading of Hong Kong Securities and Derivatives Markets. The proposal aims to maintain normal market operations during severe weather conditions, such as typhoons, allowing investors to better manage their risks and adjust their strategies in response to changing market conditions during periods covered by such events.

Issuer Business

Against the backdrop of continued global economic and geopolitical challenges, the Hong Kong IPO market saw a decrease in activity in 2023, with 73 company listings raising \$46.3 billion, representing a reduction of 19 per cent and 56 per cent respectively compared with 2022. However, the IPO market showed signs of good momentum in Q4 2023, with 26 listings raising \$21.7 billion, representing nearly half of the funds raised during the year. Of the 73 new listings in 2023, 50 of them were new economy company listings, accounting for 72 per cent of IPO funds raised during the year. HKEX's IPO pipeline remained robust with 72 active applications as at 31 December 2023.

Following the introduction of Chapter 18C, the Listing Regime for Specialist Technology Companies, in March 2023, HKEX received two listing applications from specialist technology companies during the year.

Notwithstanding the fragile global macro environment, the Group made good progress on strategic international initiatives. HKEX signed memoranda of understanding with Saudi Tadawul Group and the Indonesia Stock Exchange and added both exchanges as Recognised Stock Exchanges for secondary listings.

ETF Market Development

ADT of ETPs, which include ETFs and L&I Products, reached a record high of \$14.0 billion in 2023 (2022: \$12.0 billion), mainly attributable to increased product diversity and the inclusion of ETFs in Southbound Stock Connect.

HKEX ETP new product listings continued to expand, with 16 new ETPs listed in 2023, including several thematic ETFs, fixed income and money market ETFs, as well as Asia's first and the world's largest ETF that tracks Saudi Arabian equities.

The number of eligible ETFs available through Stock Connect continues to grow. As at 31 December 2023, there were eight eligible Southbound ETFs and 131 eligible Northbound ETFs, providing investors with more investment options and facilitating more cross-border investment activities. In 2023, the ADT for Southbound and Northbound ETFs were \$2.7 billion and RMB499.9 million respectively, reaching daily record highs of \$14.6 billion and RMB1.3 billion on 20 July 2023 and 29 November 2023 respectively.

Bond Connect

Northbound Bond Connect ADT has been setting record highs every year since its launch in 2017, reaching RMB40.0 billion in 2023, up 24 per cent compared with 2022. In addition, trading volumes in August 2023 reached a monthly record high of RMB1,089.7 billion, trading volumes on 10 May 2023 recorded a daily record high of RMB81.6 billion and the number of trading tickets reached a daily record high of 1,307 on 30 November 2023.

Listed Bond Market Development and Sustainable Finance

In 2023, 222 new debt securities were listed on the Stock Exchange, with a total issuance amount of \$601 billion. Among these were 71 new ESG-related bond listings, raising a total of \$272 billion. Total turnover value of debt securities during the year reached \$109 billion.

HKEX's Sustainable and Green Exchange (STAGE) continued to gain traction and as at 31 December 2023, there were a total of 151 sustainable-focused products displayed on STAGE, including green, social, sustainable or similar bonds and ESG-related ETPs from issuers across different sectors.

Market Surveillance and Compliance

Throughout 2023, HKEX has continued its efforts to promote transparency and a strong compliance culture across its business and markets, with a number of key initiatives, as set out below.

Key initiatives on promoting market surveillance and compliance in 2023

- Conducted the 2023 Annual Attestation and Inspection Programme with a focus on two areas: (1) China Connect rules and (2) risk management
- Performed thematic reviews on:
 - (1) investor eligibility for trading of (a) bonds listed under Chapter 37 of the Main Board Listing Rules and (b) special purpose acquisition companies (SPAC) securities; and
 - (2) Incentive Programs
- Hosted several education seminars and compliance sharing sessions to highlight recent updates of HKEX rules and regulations and compliance issues
- Collaborated with the surveillance teams of the Shanghai Stock Exchange and Shenzhen Stock Exchange in hosting seminars to China Connect EPs and Trade-through EPs, enhancing the understanding of the rules governing the real-time monitoring of abnormal trading applicable to Stock Connect Northbound Trading
- Issued quarterly compliance bulletins and various market communication materials, offering the markets a better understanding of relevant rules and regulations as well as HKEX's enforcement efforts and expectations in various areas, including the HKIDR regime launched in March 2023, and changes in position limits and Large Open Position (LOP) reporting requirements that became effective in December 2023

Listing Regulation

In 2023, the Stock Exchange issued various proposals and conclusions on Listing Rules amendments, as set out in the following table.

Key Proposals and Conclusions in 2023

	Consultation paper ¹	Consultation conclusions ¹	Effective date of changes (if any)
• Listing Regime for Specialist Technology Companies	October 2022	March 2023	31 March 2023
• Proposals to Expand the Paperless Listing Regime and Other Rule Amendments	December 2022	June 2023	31 December 2023
• Rule Amendments Following Mainland China Regulation Updates and Other Proposed Rule Amendments Relating to PRC Issuers	February 2023	July 2023	1 August 2023
• Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework	April 2023	1H 2024 (tentative)	-
• GEM Listing Reforms	September 2023	December 2023	1 January 2024
• Proposed Amendments to Listing Rules Relating to Treasury Shares	October 2023	1H 2024 (tentative)	-

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

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

- Published new guidance letters on (i) specialist technology companies; (ii) automatic share buy-back programs; (iii) disclosure of the basis of consideration and business valuations in notifiable transactions; and (iv) electronic submission of prospectus and accompanying documents, and a revised guidance letter on placing to connected clients and existing shareholders or their close associates
- Published semi-annual (i) Enforcement Bulletin and (ii) Listed Issuer Regulation Newsletter
- Published (i) Review of Issuers' Annual Reports 2022; (ii) Analysis of 2022 Corporate Governance Practice Disclosure; (iii) A Snapshot of INEDs' Roles and Responsibilities; and (iv) Guide for New Listing Applicants
- Published Information Paper on Rule Amendments Consequential to the Reforms to the IPO Settlement Process with the Launch of FINI
- Launched a new e-learning module on share schemes as part of e-learning series on ongoing compliance requirements under the Listing Rules

Details of the consultations and other main policy changes and updates arising in 2023, as well as the proposals under review in 2024 and beyond, will be set out in the 2023 Listing Committee Report.

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

	2023	2022
• Number of listing applications processed, comprising:	249	361
– Applications brought forward from end of previous year and renewal applications ¹	113	174
– New applications accepted in the year	136	187
• Application status as at end of the year		
– Listed ²	89	120
– Approved by the Listing Committee pending listing	16	28
– Under processing	56	65
– Others (i.e., lapsed ³ , rejected ⁴ , returned ⁴ or withdrawn)	88	148
• Number of listing applications considered by the Listing Committees ⁵	73	126
– Average number of business days taken from date of case acceptance to date of Listing Committee hearing ⁶	203	167
• Number of requests for guidance from listing applicants or their advisers seeking clarifications of listing matters	80	111
– Average response time (in business days)	11	14

1 Renewal applications refer to applications accepted within three months following a lapsed application by the same applicant. In this context, the Exchange considers such a renewal application as a continuance of its original application.

2 Includes 16 (2022: 30) investment vehicles listed on Main Board and no deemed new listings (2022: nil).

3 An application would lapse after six months have elapsed since the submission of a listing application form pursuant to Main Board Listing Rule 9.03 / GEM Listing Rule 12.07. As at the end of 2023, 82 (2022: 143) applications were lapsed.

4 During 2023, there were nil (2022: nil) rejection and one (2022: nil) return of listing applications. No return/rejection decision in 2023 (2022: nil) was subsequently reversed upon review.

5 Refers to listing applications heard by the Listing Committee for the first time and excludes listing applications of investment vehicles under Chapter 20 of the Main Board Listing Rules.

6 The average number of business days taken from the date of the case acceptance to the date of the Listing Committee hearing, which include, among others, the Listing Division's vetting time as well as the listing applicants' or their advisers' response time, was 203 days. For 75 per cent of the cases that were presented to the Listing Committee hearing in 2023, the average number of business days taken by the Listing Division to provide comments from the date of case acceptance to the Listing Committee hearing was less than 90 days.

Number of Compliance and Monitoring Actions

	2023	2022
• Announcements of issuers vetted	62,578	55,954
• Circulars of issuers vetted	3,858	3,182
• Share price and trading volume monitoring actions undertaken ¹	4,755	7,045
• Complaints handled	845	1,098
• Cases (including complaints) referred to Listing Enforcement Department for investigation	39	71

1 In 2023, monitoring actions undertaken included 299 enquiries (2022: 424) on unusual share price and trading volume movements, and the actions undertaken led to 18 resumption announcements (2022: 24) on trading suspensions.

Long Suspension

Status of Long Suspended Companies	Main Board		GEM	
	2023	2022	2023	2022
Resumption of trading of securities during the year	45	31	8	7
Cancellation of listing after expiry of prescribed remedial periods during the year	34	30	10	10
Cancellation of listing under grandfathered provisions during the year (Main Board Rule 6.01A(2)(a) or (c) or GEM Rule 9.14A(2)(b))	-	6	-	-
Voluntary withdrawal of listing during the year	-	2	-	-
Companies suspended for 3 months or more at year-end	61	89	17	17

Updates on the work in respect of listed companies' compliance and insights and observations that may assist listed companies in their own compliance, can be found in the semi-annual "Listed Issuer Regulation Newsletter".

Listing Enforcement

The enforcement statistics set out below represent a high-level overview of the enforcement work undertaken in 2023 by the Stock Exchange.

Enforcement Statistics

	2023	2022
Cases ^{1,2,3}	123	141
Public sanctions ⁴	32	29
Regulatory letters ⁵	18	19

1 Figures represent cases handled by Listing Enforcement in 2023 (including those carried over from the previous year and those ongoing at year-end).

2 At the end of 2023, there were 38 ongoing investigations (2022: 37).

3 Out of the enforcement cases opened in 2023, one of them (2022: nil) originated from a complaint.

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

5 The number of cases involving issuance of at least one regulatory letter (i.e., a warning or guidance letter) where, following investigation, disciplinary proceedings before the Listing Committee were not considered appropriate against any party. These letters are recorded as part of the compliance history for the relevant party.

Further details and information relating to enforcement work (including the Stock Exchange's general approach, disciplinary procedures and recent cases) can be found on the HKEX Market website and via the semi-annual publication "Enforcement Bulletin" and will be included in the 2023 Listing Committee Report.

Costs of the Listing Function

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

Equity and Financial Derivatives Segment

The Equity and Financial Derivatives segment refers to derivatives products traded on the Stock Exchange and the Futures Exchange; the clearing, settlement and custodian activities relating to these products and OTC derivatives contracts; and other related activities. These include the provision and maintenance of trading and clearing platforms for a range of equity and financial derivatives products, such as stock and equity index futures and options, DWs, CBBCs and warrants, and OTC derivatives contracts. The major sources of revenue are trading fees and trading tariffs, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

Key Market Indicators

	2023	2022	Change
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	11.8	15.9	(26%)
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	283	351	(19%)
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	742 ²	712	4%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	612	588	4%
Number of newly listed DWs	7,967	11,874	(33%)
Number of newly listed CBBCs	22,851	35,017	(35%)
Total notional values of newly listed securities:			
- DWs (\$bn)	131.9	204.1	(35%)
- CBBCs (\$bn)	870.8	1,301.1	(33%)
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	92	107	(14%)
	At 31 Dec 2023	At 31 Dec 2022	Change
Open interest of futures and options ¹ ('000 contracts)	11,845	10,938	8%

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

2 New record high in 2023

Analysis of Results

Summary

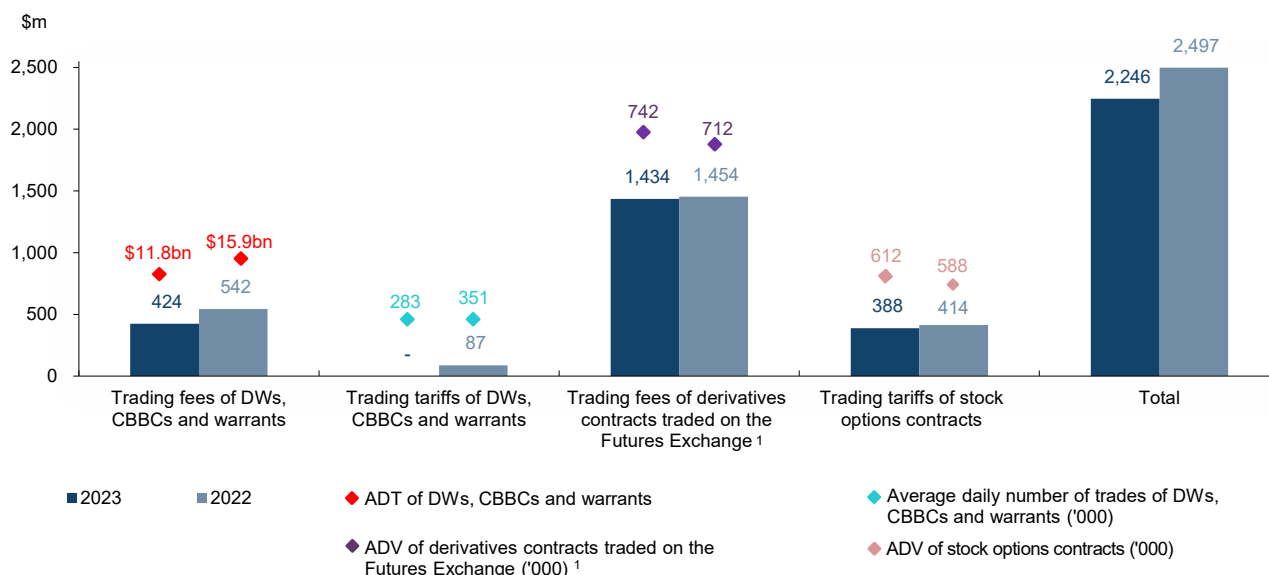
	2023 \$m	2022 \$m	Change
Trading fees and trading tariffs ¹	2,246	2,497	(10%)
Clearing and settlement fees ¹	455	565	(19%)
Stock Exchange listing fees ¹	615	923	(33%)
Depository, custody and nominee services fees ¹	97	118	(18%)
Other revenue and sundry income	39	32	22%
	3,452	4,135	(17%)
Net investment income	3,050	1,144	167%
Total revenue and other income	6,502	5,279	23%
Less: Transaction-related expenses	(237)	(165)	44%
Total revenue and other income less transaction-related expenses	6,265	5,114	23%
Operating expenses ²	(862)	(871)	(1%)
EBITDA	5,403	4,243	27%
EBITDA margin ³	86%	83%	3%

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

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

3 EBITDA margin is calculated based on EBITDA divided by total revenue and other income less transaction-related expenses.

Trading Fees and Trading Tariffs



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

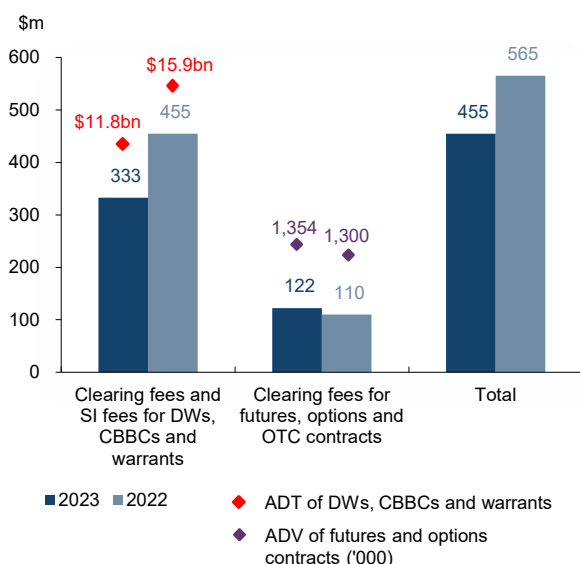
Trading fees and trading tariffs for the segment are generated from the trading of derivatives on the Stock Exchange (DWs, CBBCs, warrants, and stock options); and the trading of futures and options on the Futures Exchange.

Trading fees of DWs, CBBCs and warrants for 2023 were \$424 million, a 33 per cent decrease compared with the total trading fees and tariffs for 2022 of \$629 million. The decline was attributable to the 26 per cent decrease in ADT, and the reduction in fees from the change in the trading fee structure for the Cash Market³.

Despite the record ADV of derivatives contracts traded, Futures Exchange trading fees decreased by \$20 million, or 1 per cent, as the positive impact from higher number of contracts traded was more than offset by lower average fees per contract in 2023. The reduction in average fees per contract was attributable to the higher discounts and rebates offered for certain contracts to attract volumes, and the increased popularity of recently launched products (including Hang Seng TECH Index Futures), which have lower fees compared to HSI Futures and Options.

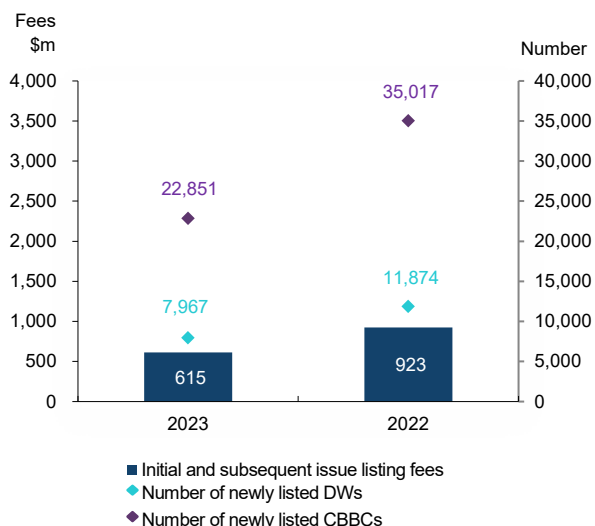
Trading tariffs of stock options contracts decreased by \$26 million, or 6 per cent, as a result of a lower proportion of higher fee contracts being traded during 2023.

Clearing and Settlement Fees



Clearing fees and SI fees for DWs, CBBCs and warrants fell by 27 per cent, primarily due to lower number of transactions.

Stock Exchange Listing Fees



Stock Exchange listing fees for the segment are mainly derived from initial and subsequent issue listing fees for DWs and CBBCs. The fees decreased by \$308 million or 33 per cent, reflecting the decrease in number of newly listed DWs and CBBCs in 2023 compared with 2022.

Net Investment Income

Net investment income increased by \$1,906 million compared with 2022. This reflected higher HKD and USD deposit rates in 2023, partly offset by the increase in interest rebates paid to CPs for higher base rates. Further details of the Group's net investment income are set out under the Financial Review section of this announcement.

EBITDA

Transaction-related expenses include license fees and other costs which directly vary with trading and clearing transactions. These expenses increased by \$72 million, or 44 per cent, mainly due to higher incentives paid for certain contracts; and an increase in license fees from higher fees per contract and higher number of derivatives contracts traded.

Operating expenses decreased by \$9 million, due to lower allocated costs of the Listing Division from a higher percentage decrease in listing fees (33 per cent) compared with the Cash segment (8 per cent), but the decrease was partly offset by higher staff costs from payroll adjustments. EBITDA margin increased from 83 per cent to 86 per cent, reflecting the increase in total revenue and other income less transaction-related expenses and the decrease in operating expenses.

Business Update

Driven by the increased popularity of recently launched products and an increase in cross currency trading activities, the Hong Kong Derivatives Market sustained its growth trajectory in 2023, recording a record high in terms of total number of futures and options contracts traded. In addition, ADV of derivatives contracts traded on HKFE also recorded all-time highs in 2023, reaching 741,656⁴ contracts. Hang Seng TECH Index Futures, RMB currency futures and HSCEI Futures Options were the major contributors, and a number of contracts reached full-year record highs in 2023.

⁴ Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

New Record Highs – Full Year Trading Volume

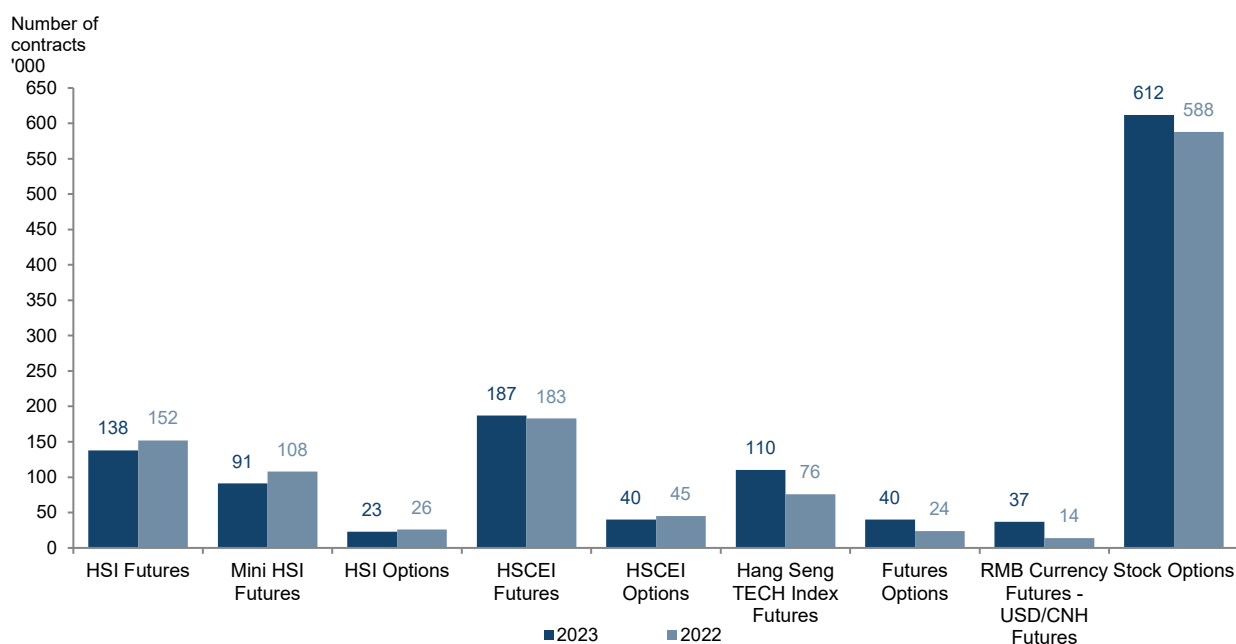
	2023 Number of contracts	Pre-2023 record Number of contracts	
Total Futures and Options ¹	331,466,044	319,847,360	(2022)
HSCEI Futures	45,925,447	45,034,706	(2022)
HSCEI Futures Options	8,451,175	5,041,543	(2022)
HSI Futures Options	864,319	663,026	(2022)
Hang Seng TECH Index Futures	26,944,255	18,677,024	(2022)
Hang Seng TECH Index Options	704,419	288,973	(2022)
Weekly HSI Options	3,185,275	2,734,821	(2022)
Weekly HSCEI Options	673,706	467,762	(2021)
RMB Currency Futures - USD/CNH Futures	9,153,227	3,499,105	(2022)
MSCI India (USD) Index Futures	674,226	40	(2021)
MSCI China Net Total Return (USD) Index Futures	373,515	149,922	(2022)
MSCI Hong Kong Net Total Return (USD) Index Futures	25,831	21,439	(2022)
MSCI India Net Total Return (USD) Index Futures	21,805	5,948	(2020)

¹ Excludes London Metal Mini Futures, Gold Futures, Silver 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 (2023)	Number of contracts	Date (2023)	Number of contracts
HSCEI Futures	25 Apr	651,086	N/A	N/A
HSCEI Futures Options	31 Jul	103,353	15 Jun	1,207,462
Hang Seng TECH Index Futures	22 Dec	437,435	22 Dec	328,335
Hang Seng TECH Index Futures Options	11 Sep	16,502	16 Nov	73,304
Hang Seng TECH Index Options	22 Dec	8,894	26 Dec	65,082
Weekly HSI Options	16 Nov	31,476	15 Dec	20,804
Weekly HSCEI Options	N/A	N/A	17 Nov	17,041
Mini HSI Futures	N/A	N/A	29 Aug	32,394
RMB Currency Futures - USD/CNH Futures	15 Nov	112,385	N/A	N/A
INR Currency Futures - INR/USD Futures	29 Dec	6,516	24 Nov	5,367
MSCI China Net Total Return (USD) Index Futures	13 Mar	39,096	14 Sep	83,258
MSCI India Net Total Return (USD) Index Futures	N/A	N/A	15 Dec	6,373
MSCI India (USD) Index Futures	19 May	11,458	26 Dec	7,215

Average Daily Volume of Major Futures and Options Contracts



Equity Futures and Options Market Development

Physically settled Options on Futures contracts continued to grow since their launch in August 2021. The aggregate ADV of the three products in the suite, namely HSI Futures Options, HSCEI Futures Options and Hang Seng TECH Index Futures Options, reached a record high of 39,517 contracts in 2023, up 67 per cent compared with 2022. Meanwhile, Hang Seng TECH Index Futures sustained its growth in trading volume during 2023, with ADV reaching a record high of 109,529 contracts, up 44 per cent against 2022.

MSCI index derivatives strengthened in 2023, with month-end open interest (OI) of the overall MSCI contracts exceeding 100,000 contracts for the first time since launch on 30 November 2023. The OI of MSCI Net Total Return Suite grew significantly in 2023, reaching 53,386 contracts as at the end of 2023, up 62 per cent compared with 31 December 2022. In particular, the OI of MSCI China Net Total Return (USD) Index Futures as at the end of 2023 was 43,151 contracts, up 297 per cent compared with 31 December 2022.

Market Structure Development

HKEX enhanced its Block Trade Facility (BTF) in the Derivatives Market on 28 August 2023. BTF supports large-sized trades by allowing both sides of a privately negotiated trade to be reported directly into the trading system, without going through the open market. The enhancements remove some of the operational limitations for EPs, and will enhance Derivatives Market liquidity and support Hong Kong's continued development as a leading international risk management centre.

On 22 December 2023, the enhancements to Derivatives Market position limit came into effect. These include the increase of position limits for single stock options, single stock futures and USD/CNH related contracts, and the removal of additional position limits that apply to mini-flagship contracts. The initiative provides investors with more capacity and greater flexibility, and allows them to better manage their market exposure while ensuring proper risk controls.

Fixed Income and Currency (FIC) Development

In 2023, the USD/CNH Futures market continued to grow as investors sought to manage their positions in a very active CNH FX market. The number of USD/CNH Futures contracts traded reached a new record high of 9,153,227 contracts in 2023, more than double that of 2022, and the trading volume of USD/CNH Futures reached a daily record high of 112,385 contracts on 15 November 2023.

Structured Products

The Hong Kong listed structured products market remained the world's most liquid structured products market for the 17th consecutive year in 2023. A total of 30,818 structured products were listed during the year. ADT of CBBCs, DWs, and warrants was \$11.8 billion, accounting for 11 per cent of Headline ADT.

HKEX continued to expand and diversify the range of products and underlyings, providing investors with wider choice across asset classes. In 2023, DWs on US single stocks and HKD-denominated currency pairs were introduced.

OTC Clear

Swap Connect, the world's first derivatives mutual market access programme, was launched on 15 May 2023. The new mutual access programme allows international investors to trade and clear onshore RMB interest rate swaps without changing their existing trading and settlement practices, enabling offshore investors to capture opportunities in the onshore interest rate swaps market. The Swap Connect clearing volume has been growing steadily since launch.

OTC Clear's clearing volume reached a record high of US\$495.8 billion in 2023, up 119 per cent compared with 2022, reflecting an increase in Single Currency Interest Rate Swaps following the introduction of Swap Connect. In addition, clearing volumes of Cross Currency Swaps and Deliverable FX also reached record highs of US\$136.5 billion and US\$20.2 billion respectively, up 7 per cent and 35 per cent compared with 2022.

Commodities Segment

The Commodities segment refers to the operations of the LME, which operates a global exchange in the UK for the trading of base, ferrous and electric vehicle (EV) metals futures and options contracts; and the operations of its clearing house, LME Clear. It also covers the operations of QME, the commodity trading platform in Mainland China, and the commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees and clearing and settlement fees of commodity products, commodity market data fees, net investment income earned on the Margin Funds and Clearing House Funds relating to these products, and fees for ancillary operations.

Key Market Indicators

	2023 '000 lots	2022 '000 lots	Change
ADV of metals contracts traded on the LME			
- Aluminium	227	210	8%
- Copper	138	119	16%
- Zinc	89	85	5%
- Lead	58	39	49%
- Nickel	41	47	(13%)
- Others	9	6	50%
Total chargeable ADV excluding Admin Trades ¹	562	506	11%
Chargeable Admin Trades ¹	32	28	14%
Total ADV	594	534	11%

¹ Admin Trades are chargeable at lower trading fee rate of US\$0.04 per contract and clearing fee rate of US\$0.02 per contract.

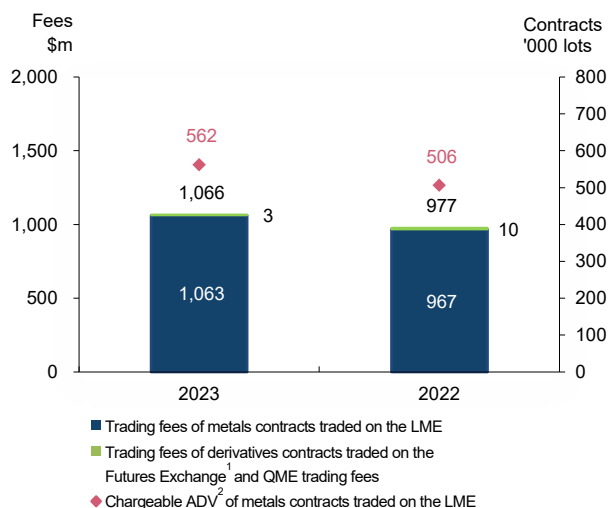
	At 31 Dec 2023 '000 lots	At 31 Dec 2022 '000 lots	Change
Total futures market open interest	1,793	1,438	25%

Analysis of Results

Summary

	2023 \$m	2022 \$m	Change
Trading fees and trading tariffs	1,066	977	9%
Clearing and settlement fees	487	444	10%
Market data fees	257	228	13%
Other revenue and sundry income:			
- Commodities stock levies and warehouse listing fees	39	43	(9%)
- LME financial OTC booking fees	39	45	(13%)
- Accommodation income	46	61	(25%)
- Others	64	71	(10%)
	1,998	1,869	7%
Net investment income	190	182	4%
Total revenue and other income	2,188	2,051	7%
Operating expenses	(1,208)	(1,093)	11%
EBITDA	980	958	2%
EBITDA margin	45%	47%	(2%)

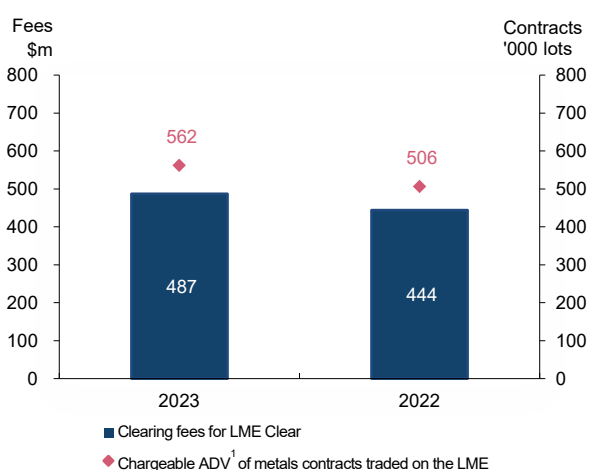
Trading Fees and Trading Tariffs



LME trading fees increased by \$96 million, or 10 per cent, broadly in line with the increase in chargeable ADV of metals contracts traded in 2023.

- 1 Includes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts
- 2 Chargeable ADV excludes Admin Trades and other non-chargeable trades.

Clearing and Settlement Fees



Clearing fees for LME Clear rose by \$43 million, or 10 per cent, in line with the increase in number of metal contracts traded.

- 1 Chargeable ADV excludes Admin Trades and other non-chargeable trades.

Other Revenue and Sundry Income

Other revenue dropped by \$32 million, mainly due to lower accommodation income collected from LME Clear CPs on cash collateral, as USD investment returns rose above the benchmark interest rate stipulated in the rules of LME Clear since Q2 2022.

EBITDA

Operating expenses increased by \$115 million, up 11 per cent. These were mainly attributable to higher staff costs from increased headcount for strategic projects and payroll adjustments; higher consultancy fees incurred by the LME in its two-year action plan to strengthen and enhance its market; and higher IT maintenance costs due to inflation; and partly offset by lower legal and professional fees incurred for the events in the nickel market in March 2022. EBITDA margin decreased from 47 per cent to 45 per cent, reflecting the higher percentage increase in operating expenses compared with the percentage increase in total revenue and other income.

Business Update

LME

LME trading volumes have been encouraging, with chargeable ADV of metal contracts reaching 561,839 lots in 2023, up 11 per cent from 2022. Trading volumes in December 2023 were particularly strong, attributable to the healthy open interest growth as members looked to roll such contracts into 2024 ahead of the year end. In addition, the ADV of chargeable lead contracts reached a record high following the metal's inclusion in the Bloomberg Commodity Index.

On 27 March 2023, the LME reopened nickel trading during Asian trading hours, and this contributed to the continued stable liquidity rebuilding of the contracts throughout 2023, following events in the nickel market in 2022. In particular, chargeable ADV of nickel reached 50,040 lots in Q4 2023, up 32 per cent against the first nine months of 2023.

On 30 March 2023, the LME announced a two-year action plan to strengthen and enhance its markets. The action plan embeds the findings of independent, internal, and regulatory-led reviews for managing risk through enhanced controls and aims to build confidence in the operation and governance of the LME markets. During the year, the following key initiatives were announced:

- The LME introduced a fast-track listing approach and fee waiver for new nickel brands – without relaxing the LME's metallurgical or responsible sourcing standards – with the aim of bringing more stock and liquidity to the contract. This led to several new brand listings by producers throughout the second half of the year, adding new supply to the market;
- On 14 September 2023, the LME, following extensive market engagement and subsequent feedback from stakeholders, announced its intention to extend the use of volume-weighted average prices (VWAP) to determine Closing Prices in its most liquid contracts, which will be rolled out in phases in 2024. The new methodology aims to bring greater determinism, transparency, and standardisation to the Closing Price discovery process; and
- On 9 November 2023, the LME announced new requirements designed to provide greater visibility of unwarranted metal stocks in LME warehouses. The first report showing this enhanced data will be available from April 2024. The new off-warrant stock reporting rules will require LME-registered warehouse companies to report all LME-branded materials that are being stored off-warrant, providing ongoing confidence in the operation of the LME's markets.

Throughout 2023, the LME made several enhancements and developments in LMEpassport, the LME's digital sustainability credentials register. As at 31 December 2023, LMEpassport had over half of LME-listed brands voluntarily disclosing ESG data, alongside 54 available certifications, standards, and metrics across the ESG spectrum. The other two key developments announced in 2023 included the ability for LME-listed producers to disclose a broad range of sustainability-related targets and commitments, and tracking of progress against these parameters, as well as a new "side-by-side" functionality, enabling users to simultaneously compare the ESG disclosures of up to five producers.

2023 has also seen strong progress on LME responsible sourcing, and the first full reporting cycle of responsible sourcing compliance was completed in December 2023. The LME will work through compliance submissions in early 2024, and take further actions as required.

The positive outcome of a judicial review at the end of the year, in relation to the events in the nickel market in March 2022, was welcomed by the Group. The LME will continue to take necessary and appropriate measures to ensure an orderly market, supporting the long-term health, efficiency and resilience of its markets.

QME

QME's trading turnover amounted to RMB130.3 billion in 2023, up 64 per cent compared with 2022. In December, QME officially launched the bonded trading warehouse business for the Imported Soybean Physical Trading Market. Several policy breakthroughs were issued by Ministry of Commerce and Ministry of Agriculture and Rural Affairs, and trading volume of soybeans at QME reached over 5 million tonnes in 2023.

Data and Connectivity Segment

The Data and Connectivity segment covers sales of market data relating to the Hong Kong Cash and Derivatives Markets; all services in connection with providing users with access to the platform and infrastructure of the Group; and services provided by BayConnect. Its major sources of revenue are market data fees, network, terminal user, data line and software sub-license fees and hosting services fees.

Analysis of Results

Summary

	2023 \$m	2022 \$m	Change
Market data fees	841	853	(1%)
Other revenue and sundry income:			
- Network fees	788	751	5%
- Hosting Services fees	350	290	21%
- BayConnect sales and services revenue and other income	94	104	(10%)
Total revenue and other income	2,073	1,998	4%
Operating expenses	(438)	(447)	(2%)
EBITDA	1,635	1,551	5%
EBITDA margin	79%	78%	1%

Network, Terminal User, Data Line and Software Sub-license Fees

Network fees rose by \$37 million or 5 per cent due to increased usage of the Orion Central Gateway and China Connect Central Gateway by EPs, partly offset by lower fees from sale of new throttles.

Hosting Services Fees

Hosting Services fees increased by \$60 million, or 21 per cent, due to the increased capacity available to customers following the launch of the new Hosting Services data hall in Q4 2022, with over 36 racks being newly subscribed in 2023. As of 31 December 2023, 97 EPs were using HKEX's Hosting Services. These EPs generated, in aggregate, approximately 66 per cent of the Cash Market turnover and 69 per cent trading volume of the Derivatives Market in 2023.

EBITDA

Operating expenses decreased marginally by 2 per cent. EBITDA margin rose from 78 per cent in 2022 to 79 per cent in 2023, reflecting the increase in total revenue and other income and decrease in operating expenses.

Business Update

Market Data

A Market Data Fees Pilot Programme was introduced in December 2023. This includes the offering of a new data package to allow unlimited number of access to Level 1 real-time streaming market data; and the reduction of monthly fees for Level 1 Mobile Application Service for EPs and information vendors. These enhancements are being offered as a pilot programme with effect between 1 December 2023 and the end of 2025.

Trading and Clearing Systems

During 2023, all HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and OTC Markets continued to perform robustly. In the Commodities Market, the LME Clear experienced a failure during the start-up of LMEmercury on 24 October 2023 and was remediated the same day. There was no material impact to the market as all trades were subsequently cleared and LME trading and pricing systems were unaffected and operated as normal.

In 2023, the Orion Trading Platform – Securities Market (OTP-C) was upgraded to allow Relevant Regulated Intermediaries (RRIs) to tag Broker-to-Client Assigned Numbers (BCANs) to on-exchange orders and off-exchange trades reportable to the Stock Exchange. In addition, some new features of the Orion Central Gateway – Securities Market (OCG-C) and the updated quotation rules for ETPs were implemented together with the launch of the HKIDR.

Corporate Items

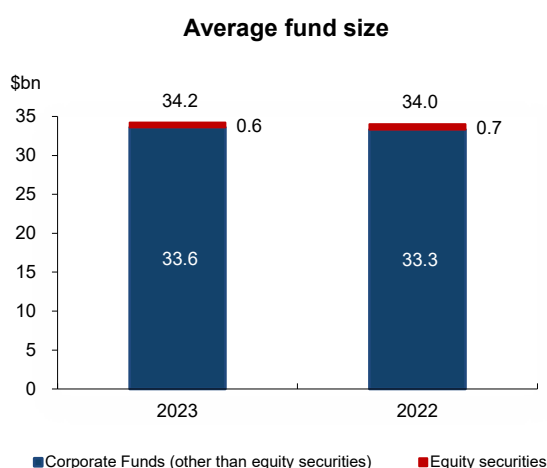
“Corporate Items” is not a business segment but comprises central income (including net investment income of Corporate Funds and donation income of HKEX Foundation), the cost of central support functions that provide services to all operating segments, HKEX Foundation charitable donations and other costs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

Analysis of Results

Summary

	2023 \$m	2022 \$m	Change
Net investment income/(loss)	1,487	(48)	N/A
Donation income of HKEX Foundation	88	130	(32%)
Others	14	12	17%
Total revenue and other income	1,589	94	1,590%
Operating expenses			
- HKEX Foundation charitable donations	(94)	(136)	(31%)
- Others	(1,712)	(1,521)	13%
EBITDA	(217)	(1,563)	(86%)

Net Investment Income



Average fund size of Corporate Funds increased marginally due to cash generated and retained by the business after payment of cash dividends, and the increase in fair values of the External Portfolio.

The analysis of net investment income/(loss) of Corporate Funds is as follows:

	2023 \$m	2022 \$m
Net investment income/(loss) from:		
- External Portfolio	421	(486)
- Cash and bank deposits	1,239	459
- Equity securities ¹	(253)	(21)
- Debt securities	66	17
- Exchange gains/(losses)	14	(17)
Total net investment income/(loss)	1,487	(48)
Net investment return	4.35%	(0.14%)

¹ Investments in minority stakes of unlisted companies

Net investment income from Corporate Funds was \$1,487 million in 2023, compared with net investment loss of \$48 million in 2022. This was principally due to net fair value gains of \$421 million on the External Portfolio (as opposed to the net fair value losses of \$486 million in 2022), and higher investment income from internally managed Corporate Funds from higher deposit rates but was partly offset by non-recurring losses on valuation of the Group's unlisted equity investments.

The fair value gains/(losses) on the External Portfolio came from funds invested in the following strategies:

Strategy	2023 \$m	2022 \$m
Public equities	123	(327)
Diversifiers ¹	234	38
Government Bonds and Mortgage-backed Securities	64	(197)
Total fair value gains/(losses)	421	(486)

¹ Diversifiers comprise Absolute Return and Multi-Sector Fixed Income asset classes.

EBITDA

Excluding HKEX Foundation charitable donation expenses (funded by donation income of HKEX Foundation), operating expenses increased by 13 per cent against 2022, attributable to higher staff costs from increased headcount for strategic initiatives and annual payroll adjustments, and higher IT maintenance costs from inflationary adjustments.

EBITDA increased by \$1,346 million mainly due to the significant increase in net investment income of Corporate Funds, partly offset by the increase in operating expenses.

Business Update

Corporate Social Responsibility

Throughout 2023, HKEX continued to play an active role to help shape the long-term sustainability of global financial markets and the communities they support. HKEX, as a regulator, market operator and corporate, is committed to promoting good corporate governance and ESG stewardship through clear policies, ongoing industry knowledge sharing, market education, providing sustainable finance platforms and demonstrating leadership on best practices.

To reinforce its commitment to promoting ESG and addressing climate change, the Group continued to make efforts in driving the net-zero transition across its markets, business and operations. In view of the global development in sustainability and climate-related disclosures, HKEX conducted a market consultation on enhancing climate-related disclosure requirements under its ESG reporting framework, helping its listed issuers chart their journey towards a sustainable business and low-carbon economy. Throughout the year, the Group contributed further to the development of a regional and global sustainable finance ecosystem by facilitating voluntary carbon market trading through Core Climate, promoting sustainable and green finance offerings through HKEX's STAGE, and enhancing

sustainability transparency for the LME-listed metals through LMEpassport. As a corporate, in 2023, the Group announced its commitment to achieve net zero by 2040, 10 years ahead of its original target, and also to become carbon neutral in its operations by 2024.

With a steadfast commitment to people, HKEX continued to invest in professional development, wellness and engagement of its employees. Throughout the year, in addition to ongoing professional development and training programmes at all levels, the Group introduced an enhanced series of learning curricula, leadership programmes and also revamped its graduate trainee programme. The Group continued a wide range of diversity and wellness-focused initiatives such as the annual Global Wellness Challenge and the first-ever HKEX Wellness Marketplace, as well as celebrating World Mental Health Day. As part of its ongoing employee engagement endeavours, the Group conducted its biennial People Survey to gauge valuable employee feedback with a goal to cultivate a workplace that is healthy, inclusive and where everyone can fulfil their potential. Further information on these activities will be set out in HKEX's 2023 CSR Report.

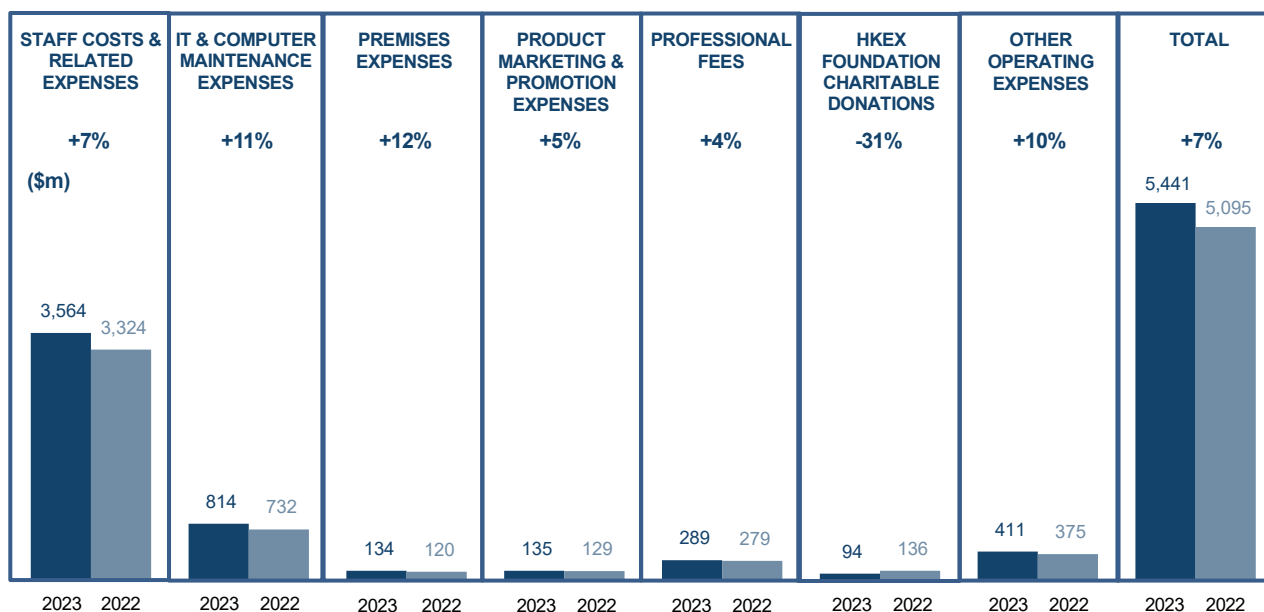
HKEX Foundation and Group Philanthropy

In 2023, the Group continued to facilitate and advocate meaningful positive change to the communities in which it operates through a series of philanthropic initiatives. Through HKEX Foundation, the Group continued to strengthen its partnerships with Hong Kong's charitable bodies and social enterprises with its two funding channels, HKEX Charity Partnership Programme and HKEX Impact Funding Scheme. During the year, the Foundation funded a wide range of charities and community projects focusing on four key areas: financial literacy, diversity and inclusion, poverty relief and environmental sustainability. Alongside the HKEX University Scholarship Programme, the Foundation once again launched its Research Funding Scheme, nurturing future talents and enhancing research and development capabilities in the fields of business, sustainable finance, ESG and technology. In London, the LME announced a new fund to provide scholarships for students at the Camborne School of Mines, helping them embark on a mining career.

In 2023, HKEX Foundation raised \$113 million (including a \$25 million donation from HKEX), principally from HKEX's Stock Code for Charity Scheme, and made a total of \$94 million in charitable donations supporting various good causes in the community. Since its establishment, HKEX Foundation has donated and committed over \$449 million, supporting more than 90 projects, directly benefitting more than 689,000 individuals in Hong Kong. As at 31 December 2023, the Foundation had a cumulative surplus of \$66 million for future donations and developments.

Expenses, Other Costs and Taxation

Operating Expenses



Staff costs and related expenses rose by \$240 million (7 per cent) mainly due to an increase in headcount for strategic projects and payroll adjustments, reflecting the Group's commitment to continuous investment in skills and talent.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by participants of \$73 million (2022: \$74 million), were \$741 million (2022: \$658 million). The increase was mainly attributable to higher maintenance expenses for new systems and upgraded networks, and the inflationary increase in maintenance contract renewals.

Professional fees increased by \$10 million (4 per cent), mainly due to higher consultancy fees in relation to the ongoing strategic and operational strengthening programme at the LME, but partly offset by lower legal and professional fees relating to the temporary trading suspension of the LME nickel market in March 2022.

Other operating expenses increased by \$36 million (10 per cent) mainly due to the increase in business travelling activities post-pandemic.

Depreciation and Amortisation

	2023 \$m	2022 \$m	Change
Depreciation and amortisation	1,443	1,459	(1%)

Depreciation and amortisation decreased by \$16 million, as certain IT systems were fully amortised in 2023. The decrease was partly offset by the completion of the new Hosting Services data hall in Q4 2022, and new IT systems and upgrades during 2023.

Finance Costs

	2023 \$m	2022 \$m	Change
Finance costs	135	138	(2%)

Finance costs decreased due to lower interest expense on lease liabilities.

Taxation

	2023 \$m	2022 \$m	Change
Taxation	1,351	1,564	(14%)

Taxation decreased by \$213 million, due to higher non-taxable investment income in 2023, partly offset by higher profit before taxation.

FINANCIAL REVIEW

Analysis of Results by Quarter

Quarterly Results

	Q1 2023 \$m	Q2 2023 \$m	Q3 2023 \$m	Q4 2023 \$m	Total 2023 \$m
Trading fees and trading tariffs	1,692	1,490	1,494	1,405	6,081
Clearing and settlement fees	1,069	959	949	908	3,885
Stock Exchange listing fees	418	367	368	370	1,523
Depository, custody and nominee services fees	191	365	342	378	1,276
Market data fees	267	270	281	280	1,098
Other revenue and sundry income	381	401	411	413	1,606
Net investment income	1,535	1,141	1,211	1,072	4,959
Donation income of HKEX Foundation	5	24	28	31	88
Revenue and other income	5,558	5,017	5,084	4,857	20,516
Less: Transaction-related expenses	(46)	(48)	(74)	(79)	(247)
Revenue and other income less transaction-related expenses	5,512	4,969	5,010	4,778	20,269
Operating expenses					
Staff costs and related expenses	(870)	(841)	(874)	(979)	(3,564)
IT and computer maintenance expenses	(189)	(192)	(202)	(231)	(814)
Premises expenses	(31)	(33)	(36)	(34)	(134)
Product marketing and promotion expenses	(25)	(26)	(32)	(52)	(135)
Professional fees	(68)	(69)	(61)	(91)	(289)
HKEX Foundation charitable donations	(27)	(50)	(7)	(10)	(94)
Other operating expenses	(93)	(108)	(92)	(118)	(411)
	(1,303)	(1,319)	(1,304)	(1,515)	(5,441)
EBITDA (non-HKFRS measure)	4,209	3,650	3,706	3,263	14,828
Depreciation and amortisation	(365)	(354)	(362)	(362)	(1,443)
Operating profit	3,844	3,296	3,344	2,901	13,385
Finance costs	(35)	(35)	(32)	(33)	(135)
Share of profits less losses of joint ventures	20	19	24	19	82
Profit before taxation	3,829	3,280	3,336	2,887	13,332
Taxation	(393)	(348)	(353)	(257)	(1,351)
Profit for period/year	3,436	2,932	2,983	2,630	11,981
Profit attributable to non-controlling interests	(28)	(28)	(30)	(33)	(119)
Profit attributable to shareholders	3,408	2,904	2,953	2,597	11,862
	Q1 2022 \$m	Q2 2022 \$m	Q3 2022 \$m	Q4 2022 \$m	Total 2022 \$m
Revenue and other income	4,690	4,247	4,318	5,201	18,456
Profit attributable to shareholders	2,668	2,168	2,263	2,979	10,078

Analysis of Key Items in Consolidated Financial Statements

(A) Significant Financial Assets and Financial Liabilities by Funds

	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m	Change
Financial assets			
Cash and cash equivalents	125,107	184,965	(32%)
Financial assets measured at fair value through profit or loss	6,961	6,964	(0%)
Financial assets measured at fair value through other comprehensive income	18,250	14,962	22%
Financial assets measured at amortised cost	76,649	70,494	9%
Derivative financial instruments	58,127	80,718	(28%)
Total	285,094	358,103	(20%)

The Group's financial assets comprised financial assets of Corporate Funds, Margin Funds, Clearing House Funds, derivative financial instruments (including base and ferrous metals derivatives contracts, and foreign exchange derivative contracts), and cash prepayments and collateral for A-shares traded under Stock Connect, as follows:

	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m	Change
Financial assets			
Corporate Funds ¹	34,812	34,830	(0%)
Margin Funds ²	166,300	217,693	(24%)
Clearing House Funds	23,122	22,052	5%
Derivative financial instruments	58,127	80,718	(28%)
Cash prepayments and collateral for A-shares	2,733	2,810	(3%)
Total	285,094	358,103	(20%)

1 Includes \$1,571 million (31 December 2022: \$1,298 million) solely used for supporting contributions to default funds (Skin-in-the-Game), and default fund credits for Clearing House Funds

2 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear under Stock Connect, inter-central counterparties (inter-CCP) margin paid to Shanghai Clearing House (SHCH) under Swap Connect, and margin receivable from CPs of \$9,865 million (31 December 2022: \$10,209 million), which are included in accounts receivable, prepayments and deposits

	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m	Change
Financial liabilities			
Derivative financial instruments	58,100	80,705	(28%)
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants	176,165	227,902	(23%)
CPs' contributions to Clearing House Funds	21,955	21,205	4%
Total	256,220	329,812	(22%)

The decrease in financial assets and financial liabilities of Margin Funds at 31 December 2023 compared with 31 December 2022 was due to reduced contributions required from LME Clear members and HKCC CPs, reflecting lower margin requirements from lower contract prices.

The increase in financial assets and financial liabilities of Clearing House Funds at 31 December 2023 compared with 31 December 2022 was mainly due to higher contributions required from HKCC CPs and OTC Clear members, partly offset by lower contributions from members of LME Clear, in response to changes in risk exposures and the adoption of new methodology and assumptions in the default fund contribution calculation.

Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from CPs (approximately 20 per cent at 31 December 2023), a certain proportion is invested in long-term investment grade debt securities (approximately 8 per cent at 31 December 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of ten months as at 31 December 2023).

Financial assets of Corporate Funds at 31 December 2023 remained stable compared with 31 December 2022 as cash generated by the business over the past year and the net increase in fair values of the Group's investments (including the External Portfolio and unlisted equity investments) were mostly offset by the cash paid for the 2022 second interim dividend and 2023 first interim dividend.

A portion of the Corporate Funds is invested in a diversified portfolio of investment funds which are designed to enhance returns and mitigate portfolio volatility and asset class concentration risk. Further details of investments in the External Portfolio by strategy employed are as follows:

Strategy	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m	Change
Public Equities	1,071	1,027	4%
Diversifiers	4,096	3,943	4%
Government Bonds and Mortgage-backed Securities	1,401	1,340	5%
Total	6,568	6,310	4%

(B) Net Investment Income of Margin Funds and Clearing House Funds

Net investment income of Margin Funds and Clearing House Funds increased by \$2,068 million compared with 2022 and reached record high of \$3,472 million, reflecting the higher HKD and USD deposit rates in 2023. Further analysis on net investment income of Margin Funds and Clearing House Funds are set out below:

	2023				
	HK Clearing Houses		LME Clear		Total \$m
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m	
Net investment income/(loss) from:					
- Cash and bank deposits (including foreign exchange swaps)	2,756	248	153	21	3,178
- Debt securities	184	97	15	1	297
- Exchange losses	(3)	-	-	-	(3)
Total net investment income	2,937	345	168	22	3,472
Average fund size (\$bn)	109.0	12.5	79.6	10.1	211.2
Net investment return	2.69%	2.77%	0.21%	0.22%	1.64%
	2022				
	HK Clearing Houses		LME Clear		Total \$m
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m	
Net investment income from:					
- Cash and bank deposits	1,037	47	90	23	1,197
- Debt securities	106	32	69	-	207
Total net investment income	1,143	79	159	23	1,404
Average fund size (\$bn)	114.5	10.1	115.7	13.0	253.3
Net investment return	1.00%	0.78%	0.14%	0.18%	0.55%

Net investment income of Margin Funds and Clearing House Funds are allocated to the following segments:

	2023 \$m	2022 \$m	Change
Cash	232	78	197%
Equity and Financial Derivatives	3,050	1,144	167%
Commodities	190	182	4%
Total	3,472	1,404	147%

(C) Fixed Assets, Intangible Assets, Right-of-use Assets and Capital Commitments

The total net book value of the Group's fixed assets and intangible assets rose by \$224 million from \$20,608 million at 31 December 2022 to \$20,832 million at 31 December 2023. The increase was mainly due to additions of assets of \$1,381 million partly offset by depreciation and amortisation of \$1,148 million. Additions during the year were mainly related to the development and upgrade of various trading and clearing systems (notably trading systems for the Commodities Market).

The Group's operating leases, which mainly relate to leases of office premises, are recognised as right-of-use assets. Such assets decreased by \$120 million to \$1,484 million (31 December 2022: \$1,604 million), mainly due to depreciation of \$295 million partly offset by the renewals and additions of leases of \$176 million.

The Group's capital commitments⁵ at 31 December 2023, including those authorised by the Board but not yet contracted for, amounted to \$1,555 million (31 December 2022: \$1,024 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems (notably the new trading systems for the Derivatives Market).

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

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 were no material investments or additions of capital assets authorised by the Board at the date of this announcement.

Liquidity, Financial Resources and Gearing

Working capital increased by \$161 million to \$29,691 million at 31 December 2023 (31 December 2022: \$29,530 million). The increase was mainly due to profit attributable to shareholders of \$11,862 million, partly offset by payment of 2022 second interim dividend and 2023 first interim dividend of \$10,364 million, and the increase in long-term debt securities of \$1,457 million held under Corporate Funds.

At 31 December 2023, the Group had the following outstanding borrowings:

	At 31 Dec 2023		At 31 Dec 2022	
	Carrying value \$m	Maturity	Carrying value \$m	Maturity
Written put options to non-controlling interests	447	N/A	491	N/A

In 2023, the Group redeemed written put options exercised by the non-controlling interests at a consideration of \$51 million. After the redemption, the carrying amount of written put options to non-controlling interests was \$447 million at 31 December 2023, representing the present value of the total 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.

⁵ Exclude right-of-use assets recognised under HKFRS 16: Leases

At 31 December 2023, the Group had a gross gearing ratio (i.e., gross debt divided by adjusted capital) of 1 per cent (31 December 2022: 1 per cent), and a net gearing ratio (i.e., net debt divided by adjusted capital) of zero per cent (31 December 2022: zero per cent). For this purpose, gross debt is defined as total borrowings (excluding lease liabilities) and net debt⁶ is defined as gross debt 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 of HKEX other than designated reserves.

At 31 December 2023, the Group's total available banking facilities for its daily operations amounted to \$25,912 million (31 December 2022: \$22,839 million), which included \$18,972 million (31 December 2022: \$16,338 million) of committed banking facilities and \$6,500 million (31 December 2022: \$6,500 million) of repurchase facilities. Additional banking facilities were arranged for supporting the Swap Connect operations in 2023.

The Group has also put in place foreign exchange facilities for its daily clearing operations and for the RMB Equity Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 31 December 2023, the total amount of the facilities was \$33,852 million (31 December 2022: \$28,493 million).

In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (31 December 2022: RMB13,000 million) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect.

At 31 December 2023, 83 per cent (31 December 2022: 88 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its CPs. The total fair value of this non-cash collateral was US\$3,748 million (HK\$29,266 million) at 31 December 2023 (31 December 2022: US\$619 million (HK\$4,831 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 is permitted to sell or pledge such collateral in the event of the default of a CP. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

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\$9,095 million (HK\$71,019 million) at 31 December 2023 (31 December 2022: US\$14,982 million (HK\$116,934 million)). Such non-cash collateral, together with certain financial assets amounting to US\$1,102 million (HK\$8,604 million) at 31 December 2023 (31 December 2022: US\$923 million (HK\$7,206 million)), have been pledged to LME Clear's investment agents and custodian banks under security arrangements for the settlement and depository services they provide in respect of the collateral and investments held.

Non-cash collateral is not recorded on the consolidated statement of financial position of the Group.

⁶ Net debt is 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 higher than gross debt.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The functional currency of the Hong Kong and PRC entities are either HKD or RMB and the functional currency of the LME entities is USD. Foreign exchange risks arise mainly from the Group's investments 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.

Foreign exchange swaps are used for optimising foreign currency cash flows while hedging the overall foreign exchange exposures of the Group.

Under the Group's Investment Policies, the net long or short position of each individual foreign currency (i.e., the net open position (NOP)) is monitored. For internally-managed funds, the NOP exposures of USD, RMB and other foreign currencies should generally not exceed USD1 billion, RMB1 billion and HKD500 million (for each other foreign currency) respectively. For LME Clear, investments of Margin Fund and Default Fund will generally be in the currency in which cash was received.

The aggregate net open foreign currency positions (excluding the External Portfolio) at 31 December 2023 amounted to \$620 million, of which \$347 million were non-USD exposures (31 December 2022: \$2,120 million, of which \$193 million were non-USD exposures).

Contingent Liabilities and Contingent Assets

At 31 December 2023, the Group's material contingent liabilities and contingent assets 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 2022: \$71 million). Up to 31 December 2023, 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 574 trading Participants (31 December 2022: 598) covered by the indemnity at 31 December 2023 defaulted, the maximum liability of the Group under the indemnity would amount to \$115 million (31 December 2022: \$120 million).
- (c) HKEX had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.
- (d) Material litigation

The LME and LME Clear were named as defendants in two judicial review claims filed in the English High Court (the Court) in 2022 (the Proceedings) and three related claims filed in the Court in 2023. The total claims amount to approximately US\$600 million.

On 8 March 2022, the LME, in consultation with LME Clear, suspended trading in all nickel contracts with effect from 08:15 UK time, and cancelled all trades executed on or after 00:00 UK time on 8 March. This decision to suspend trading was taken because the nickel market had become disorderly. Cancellations were made retrospectively to take the market back to the last point in time at which the LME could be confident that the market was operating in an orderly manner. At all times the LME sought to act in the interests of the market as a whole.

The Proceedings sought to challenge the LME's decision to cancel the claimants' alleged trades in nickel contracts executed on or after 00:00 UK time on 8 March 2022 (the Decision). The claimants have alleged that this was unlawful on public law grounds and/or constituted a violation of their human rights.

The hearing of the judicial review took place from 20 to 22 June 2023, at which the Court heard submissions from the parties on the issue of whether the Decision was unlawful on public law grounds and/or constituted a violation of the claimants' human rights.

On 29 November 2023, the Court gave judgment in the LME and LME Clear's favour on all grounds, and ordered the claimants to pay the LME and LME Clear's costs of the Proceedings, which are to be assessed by the Court if not agreed with the claimants.

One of the claimants has sought and been granted permission to appeal. The appeal is likely to be heard by the Court of Appeal during 2024. The LME management is of the view that the appeal is without merit and LME and LME Clear will contest it vigorously.

A further three claims were issued in the Court in March 2023, by claimants seeking damages for losses alleged to have been suffered as a result of the Decision, alleging that this was an unlawful interference with their human rights. These claims remain stayed, pending the final determination of the Proceedings. The limitation period for similar damages claims under the Human Rights Act has now expired.

In light of the judgement of the Court, no provision has been made in the consolidated financial statements.

The Group has not recognised any recovery of costs of the Proceedings as receivables in the consolidated financial statements at 31 December 2023 as the amount is still subject to negotiation with the claimants.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 \$m	2022 \$m
Trading fees and trading tariffs		6,081	6,837
Clearing and settlement fees		3,885	4,335
Stock Exchange listing fees		1,523	1,915
Depository, custody and nominee services fees		1,276	1,260
Market data fees		1,098	1,081
Other revenue	3	1,582	1,506
Revenue		15,445	16,934
Investment income		10,972	3,627
Interest rebates to Participants		(6,013)	(2,271)
Net investment income	4	4,959	1,356
Donation income of HKEX Foundation		88	130
Sundry income		24	36
Revenue and other income		20,516	18,456
Less: Transaction-related expenses		(247)	(176)
Revenue and other income less transaction-related expenses		20,269	18,280
Operating expenses			
Staff costs and related expenses		(3,564)	(3,324)
Information technology and computer maintenance expenses		(814)	(732)
Premises expenses		(134)	(120)
Product marketing and promotion expenses		(135)	(129)
Professional fees		(289)	(279)
HKEX Foundation charitable donations		(94)	(136)
Other operating expenses	5	(411)	(375)
		(5,441)	(5,095)
EBITDA (non-HKFRS measure)		14,828	13,185
Depreciation and amortisation		(1,443)	(1,459)
Operating profit		13,385	11,726
Finance costs	6	(135)	(138)
Share of profits less losses of joint ventures		82	71
Profit before taxation		13,332	11,659
Taxation	7	(1,351)	(1,564)
Profit for the year		11,981	10,095
Profit attributable to:			
Shareholders of HKEX		11,862	10,078
Non-controlling interests		119	17
Profit for the year		11,981	10,095
Basic earnings per share	8(a)	\$9.37	\$7.96
Diluted earnings per share	8(b)	\$9.36	\$7.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 \$m	2022 \$m
Profit for the year	11,981	10,095
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	(16)	(46)
Cash flow hedges, net of tax	(7)	12
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	129	(293)
Other comprehensive income/(loss)	106	(327)
Total comprehensive income	12,087	9,768
Total comprehensive income attributable to:		
Shareholders of HKEX	11,971	9,759
Non-controlling interests	116	9
Total comprehensive income	12,087	9,768

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Note	At 31 Dec 2023			At 31 Dec 2022		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Assets							
Cash and cash equivalents	10	125,107	-	125,107	184,965	-	184,965
Financial assets measured at fair value through profit or loss	10	6,357	604	6,961	6,177	787	6,964
Financial assets measured at fair value through other comprehensive income	10	18,250	-	18,250	14,962	-	14,962
Financial assets measured at amortised cost	10	74,984	1,665	76,649	70,285	209	70,494
Derivative financial instruments	10	58,127	-	58,127	80,718	-	80,718
Accounts receivable, prepayments and deposits	11	33,313	19	33,332	25,354	21	25,375
Tax recoverable		64	-	64	17	-	17
Interests in joint ventures		-	352	352	-	291	291
Goodwill and other intangible assets		-	19,279	19,279	-	18,968	18,968
Fixed assets		-	1,553	1,553	-	1,640	1,640
Right-of-use assets		-	1,484	1,484	-	1,604	1,604
Deferred tax assets		-	21	21	-	53	53
Total assets		316,202	24,977	341,179	382,478	23,573	406,051
Liabilities and equity							
Liabilities							
Derivative financial instruments		58,100	-	58,100	80,705	-	80,705
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants		176,165	-	176,165	227,902	-	227,902
Accounts payable, accruals and other liabilities	12	27,849	-	27,849	19,054	-	19,054
Deferred revenue		1,060	307	1,367	1,076	333	1,409
Taxation payable		639	-	639	2,172	-	2,172
Other financial liabilities		29	-	29	40	-	40
Participants' contributions to Clearing House Funds		21,955	-	21,955	21,205	-	21,205
Lease liabilities		270	1,334	1,604	297	1,448	1,745
Borrowings	13	382	65	447	430	61	491
Provisions		62	113	175	67	90	157
Deferred tax liabilities		-	1,053	1,053	-	1,072	1,072
Total liabilities		286,511	2,872	289,383	352,948	3,004	355,952
Equity							
Share capital				31,946			31,918
Shares held for Share Award Scheme				(1,009)			(918)
Employee share-based compensation reserve				373			346
Hedging and revaluation reserves				(144)			(266)
Exchange reserve				(168)			(155)
Designated reserves				1,018			686
Reserve relating to written put options to non-controlling interests				(395)			(430)
Retained earnings	14			19,723			18,547
Equity attributable to shareholders of HKEX				51,344			49,728
Non-controlling interests				452			371
Total equity				51,796			50,099
Total liabilities and equity				341,179			406,051
Net current assets				29,691			29,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Preparation and Accounting Policies

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary announcement of annual results 2023 does 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 2022 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 2023 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 2023, the Group has adopted the following amendments to HKFRSs and HKICPA guidance which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Presentation of Financial Statements and Making Materiality Judgements: Disclosure of Accounting Policies
Amendments to HKAS 8	Accounting Policies, Change in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to HKAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12 HKICPA Guidance	Income Taxes: International Tax Reform – Pillar Two Model Rules Accounting Implications of the Abolition of the MPF-LSP Offsetting Mechanism in Hong Kong

As a result of the adoption of the amendments to HKAS 1 and HKFRS Practice Statement 2, certain accounting policies have been removed from the consolidated financial statements.

The amendments to HKAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules introduce a temporary mandatory exception for deferred tax accounting for the income tax arising from tax laws enacted or substantially enacted to implement the Pillar Two model rules published by the OECD, and introduce disclosure requirements about such tax. The impact of adopting the amendments is disclosed in note 7(b).

The adoption of the remaining amendments and guidance did not have any financial impact on the Group.

(b) New/revised HKFRSs issued before 31 December 2023 but not yet effective and not early adopted

The Group has not applied the following amendments to HKFRSs which were issued before 31 December 2023 and are pertinent to its operations but not yet effective:

Amendments to HKAS 1	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 1	Presentation of Financial Statements: Non-current Liabilities with Covenants ¹

¹ Effective for accounting periods beginning on or after 1 January 2024

The adoption of the amendments to HKFRSs 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 financial impact on the Group.

2. Operating Segments

The Group determines its operating segments in a manner consistent with internal management reports that are used to make strategic decisions provided to the chief operating decision-maker.

In prior years, the Group had five reportable segments (“Corporate Items” is not a reportable segment): Cash, Equity and Financial Derivatives, Commodities, Post Trade and Technology.

In 2023, the Group’s operating segments have been reorganised to better reflect the strategic and operational way in which the business and markets are run. Trading and clearing businesses are now managed together in each asset class; as such Post Trade revenue and expenses are reallocated to the Cash, Equity and Financial Derivatives, and Commodities segments respectively. In addition, with HKEX’s data business becoming one of the Group’s key strategic development focuses, revenue and expenses for its Hong Kong’s data business have been reallocated from the Cash and Equity and Financial Derivatives segments, and grouped together with other non-cyclical businesses formerly included in the Technology segment and renamed as the Data and Connectivity segment.

The operations in each of the Group’s reportable segments after reorganisation are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms of Stock Exchange and those traded through Stock Connect; the clearing, settlement and custodian activities relating to these products and any other related activities. The major sources of revenue of the segment are trading fees, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

The **Equity and Financial Derivatives** segment refers to derivatives products traded on the Stock Exchange and Futures Exchange, the clearing, settlement and custodian activities relating to these products and OTC derivatives contracts and other related activities. These include the provision and maintenance of trading and clearing platforms for a range of equity and financial derivatives products, such as stock and equity index futures and options, DWs, CBBCs and warrants, and OTC derivatives contracts. The major sources of revenue are trading fees and trading tariffs, clearing and settlement fees, listing fees, depository, custody and nominee services fees and net investment income earned on the Margin Funds and Clearing House Funds relating to these products.

The **Commodities** segment refers to the operations of the LME, which operates a global exchange in the UK, for the trading of base and ferrous metals futures and options contracts and the operations of its clearing house, LME Clear; it also covers the operations of QME, the commodity trading platform in Mainland China, and the commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees and clearing and settlement fees of commodity products, commodity market data fees, net investment income earned on the Margin Funds and Clearing House Funds relating to these products, and fees for ancillary operations.

The **Data and Connectivity** segment covers sales of market data relating to the Hong Kong Cash and Derivatives Markets, all services in connection with providing users with access to the platform and infrastructure of the Group and services provided by BayConnect. Its major sources of revenue are market data fees, network, terminal user, data line and software sub-license fees and hosting services fees.

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

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

The chief operating decision-maker assesses the performance of the operating segments principally based on their EBITDA.

An analysis by operating segment of the Group's EBITDA, profit before taxation and revenue by timing of revenue recognition for the year, is set out as follows:

	2023					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	6,488	2,760	1,636	104	7	10,995
Over time	1,425	692	362	1,963	8	4,450
Revenue	7,913	3,452	1,998	2,067	15	15,445
Net investment income	232	3,050	190	-	1,487	4,959
Donation income of HKEX Foundation	-	-	-	-	88	88
Sundry income	19	-	-	6	(1)	24
Revenue and other income	8,164	6,502	2,188	2,073	1,589	20,516
Less: Transaction-related expenses	(10)	(237)	-	-	-	(247)
Revenue and other income less transaction-related expenses	8,154	6,265	2,188	2,073	1,589	20,269
Operating expenses	(1,127)	(862)	(1,208)	(438)	(1,806)	(5,441)
Reportable segment EBITDA (non-HKFERS measure)	7,027	5,403	980	1,635	(217)	14,828
Depreciation and amortisation	(372)	(252)	(331)	(149)	(339)	(1,443)
Finance costs	(33)	(44)	(5)	(2)	(51)	(135)
Share of profits less losses of joint ventures	80	2	-	-	-	82
Reportable segment profit before taxation	6,702	5,109	644	1,484	(607)	13,332
	As restated 2022					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	7,433	3,148	1,512	99	2	12,194
Over time	1,502	987	351	1,893	7	4,740
Revenue	8,935	4,135	1,863	1,992	9	16,934
Net investment income/(loss)	78	1,144	182	-	(48)	1,356
Donation income of HKEX Foundation	-	-	-	-	130	130
Sundry income	21	-	6	6	3	36
Revenue and other income	9,034	5,279	2,051	1,998	94	18,456
Less: Transaction-related expenses	(11)	(165)	-	-	-	(176)
Revenue and other income less transaction-related expenses	9,023	5,114	2,051	1,998	94	18,280
Operating expenses	(1,027)	(871)	(1,093)	(447)	(1,657)	(5,095)
Reportable segment EBITDA (non-HKFERS measure)	7,996	4,243	958	1,551	(1,563)	13,185
Depreciation and amortisation	(378)	(248)	(369)	(138)	(326)	(1,459)
Finance costs	(37)	(36)	(6)	(3)	(56)	(138)
Share of profits less losses of joint ventures	71	-	-	-	-	71
Reportable segment profit before taxation	7,652	3,959	583	1,410	(1,945)	11,659

(a) Geographical information

The Group's revenue is derived from its operations in Hong Kong, the UK and Mainland China. 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	
	2023 \$m	2022 \$m	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m
Hong Kong (place of domicile)	13,320	14,941	4,949	5,069
United Kingdom	2,033	1,892	17,515	17,215
Mainland China	92	101	221	240
Others	-	-	2	-
	15,445	16,934	22,687	22,524

(b) Information about major customers

In 2023 and 2022, the revenue from the Group's largest customer amounted to less than 10 per cent of the Group's total revenue.

3. Other Revenue

	2023 \$m	2022 \$m
Network, terminal user, data line and software sub-license fees	788	751
Hosting services fees	350	290
Commodities stock levies and warehouse listing fees	39	43
Participants' subscription and application fees	76	77
Accommodation income (note (a))	80	84
Conversion agency fees	72	69
Sales of Trading Rights	12	17
LME financial over-the-counter booking fees	39	45
BayConnect sales and service revenue	88	98
Miscellaneous revenue	38	32
	1,582	1,506

- (a) Accommodation income mainly comprises charges on Participants for depositing securities as alternatives to cash deposits of Margin Funds, or depositing currencies whose relevant bank deposit rates are negative, and charges imposed on Participants of LME Clear for cash collateral where the investment return on the collateral is below the benchmarked interest rates stipulated in the clearing rules of LME Clear.

4. Net Investment Income

	2023 \$m	2022 \$m
Gross interest income from financial assets measured at amortised cost	10,035	3,944
Gross interest income from financial assets measured at fair value through other comprehensive income	806	207
Interest rebates to Participants	(6,013)	(2,271)
Net interest income	4,828	1,880
Net gains/(losses) on financial assets mandatorily measured at fair value through profit or loss and derivative financial instruments:		
- investment funds	421	(486)
- other unlisted investments	(253)	(21)
- foreign exchange swaps	(48)	-
	120	(507)
Others	11	(17)
Net investment income	4,959	1,356

5. Other Operating Expenses

	2023 \$m	2022 \$m
Bank charges	17	16
Communication expenses	7	8
Custodian and fund management related fees	33	46
Financial data subscription fees	55	52
Insurance	17	15
Loss on disposal of fixed assets	10	-
Non-executive directors' fees	24	24
Office demolition and relocation expenses	4	6
Write back of provision for impairment losses of receivables	(1)	(2)
Repairs and maintenance expenses	63	62
Security expenses	21	21
Travel expenses	46	26
Regulatory fees	24	20
Other miscellaneous expenses	91	81
	411	375

6. Finance Costs

	2023 \$m	2022 \$m
Interest on borrowings	7	4
Interest on lease liabilities	59	68
Banking facility commitment fees (note (a))	53	51
Negative interest on Euro and Japanese Yen deposits	16	15
	135	138

- (a) The amounts represent banking facility commitment fees that relate to liquidity support provided to the Group's clearing houses.

7. Taxation

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

	2023 \$m	2022 \$m
Current tax - Hong Kong Profits Tax		
- Provision for the year	1,229	1,481
- Over provision in respect of prior years	(4)	(2)
	1,225	1,479
Current tax - Overseas Tax		
- Provision for the year	163	117
- Over provision in respect of prior years	(21)	-
	142	117
Total current tax (note (a))	1,367	1,596
Deferred tax		
- Origination and reversal of temporary differences	(16)	(32)
Taxation charge	1,351	1,564

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2022: 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 23.5 per cent (2022: 19 per cent).

- (b) The Group is within the scope of the Pillar Two model rules published by the OECD. Under the rules, the Group is liable to pay a top-up tax for the difference between their Global Anti-Base Erosion (GloBE) effective tax rate per jurisdiction and the 15 per cent minimum rate. Of the various jurisdictions where the Group operates, Pillar Two legislation has been enacted in the UK as at 31 December 2023 and will become applicable to UK entities from 1 January 2024.

The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in Amendments to HKAS 12.

The Group has carried out an assessment on the impact brought by the Pillar Two legislation in the UK. The assessment indicated that the top-up tax for the Group's UK entities should be negligible as they will be able to take advantage of the Country-by-Country Reporting Transitional Safe Harbours given that the simplified effective tax rate of the UK entities is expected to be higher than 15 per cent in 2024.

8. Earnings Per Share

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

- (a) Basic earnings per share

	2023	2022
Profit attributable to shareholders (\$m)	11,862	10,078
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,463	1,265,489
Basic earnings per share (\$)	9.37	7.96

- (b) Diluted earnings per share

	2023	2022
Profit attributable to shareholders (\$m)	11,862	10,078
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,463	1,265,489
Effect of Awarded Shares (in '000)	2,346	2,235
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,267,809	1,267,724
Diluted earnings per share (\$)	9.36	7.95

9. Dividends

	2023	2022
	\$m	\$m
First interim dividend paid:		
\$4.50 (2022: \$3.45) per share	5,705	4,374
Less: Dividend for shares held by Share Award Scheme (note (a))	(10)	(8)
	5,695	4,366
Second interim dividend declared (note (b)):		
\$3.91 (2022: \$3.69) per share based on issued share capital at 31 Dec	4,957	4,678
Less: Dividend for shares held by Share Award Scheme at 31 Dec (note (a))	(13)	(9)
	4,944	4,669
	10,639	9,035

- (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 second interim dividend declared after 31 December was not recognised as a liability at 31 December as it had not been approved by the Board.

10. Financial Assets

The Group classifies the financial assets into the following measurement 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 are established by cash received or receivable from Participants 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. Under Swap Connect, OTC Clear and SHCH are required to provide inter-CCP margin to each other to cover the potential loss arising from the default of the other party, and OTC Clear satisfies such obligations by using part of margin deposits collected from its Participants. 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, 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. Contributions by the clearing houses to their respective default funds (Skin-in-the-Game), together with default fund credits granted to HKSCC and HKCC Participants, are included in Corporate Funds.

Financial assets held by the Group which are funded by share capital and funds generated from operations are classified as Corporate Funds (i.e., other than financial assets of Margin Funds, Clearing House Funds, Cash for A-shares, and derivative financial instruments).

Derivative financial instruments include outstanding derivatives contracts of LME Clear, which acts as a central counterparty to the base and ferrous metals futures and options contracts traded on the LME, forward foreign exchange contracts and foreign exchange swaps.

Financial assets include cash and cash equivalents, financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income, financial assets measured at amortised cost, and derivative financial instruments, details of which are as follows:

	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m
Cash and cash equivalents	125,107	184,965
Financial assets measured at fair value through profit or loss	6,961	6,964
Financial assets measured at fair value through other comprehensive income	18,250	14,962
Financial assets measured at amortised cost	76,649	70,494
Derivative financial instruments	58,127	80,718
	285,094	358,103

The Group's financial assets comprised financial assets of Cash for A-shares, Margin Funds, Clearing House Funds, Corporate Funds and derivative financial instruments as follows:

	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m
<u>Cash for A-shares</u>		
Cash and cash equivalents	2,733	2,810
<u>Margin Funds¹</u>		
Cash and cash equivalents	91,369	147,182
Financial assets measured at fair value through other comprehensive income	15,847	11,931
Financial assets measured at amortised cost	59,084	58,580
	166,300	217,693
<u>Clearing House Funds</u>		
Cash and cash equivalents	20,719	19,021
Financial assets measured at fair value through other comprehensive income	2,403	3,031
	23,122	22,052
<u>Corporate Funds (note (a))</u>		
Cash and cash equivalents	10,286	15,952
Financial assets measured at fair value through profit or loss	6,961	6,964
Financial assets measured at amortised cost	17,565	11,914
	34,812	34,830
Derivative financial instruments	58,127	80,718
	285,094	358,103

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear under Stock Connect, inter-CCP margin paid to SHCH under Swap Connect, and margin receivable from CPs of \$9,865 million (31 December 2022: \$10,209 million), which are included in accounts receivable, prepayments and deposits.

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

	At 31 Dec 2023						At 31 Dec 2022					
	Cash for A-shares \$m	Margin Funds \$m	Clearing House Funds \$m	Corporate Funds \$m	Derivative financial instruments \$m	Total \$m	Cash for A-shares \$m	Margin Funds \$m	Clearing House Funds \$m	Corporate Funds \$m	Derivative financial instruments \$m	Total \$m
Within 12 months	2,733	166,300	23,122	32,543	58,127	282,825	2,810	217,693	22,052	33,834	80,718	357,107
Over 12 months	-	-	-	2,269	-	2,269	-	-	-	996	-	996
	2,733	166,300	23,122	34,812	58,127	285,094	2,810	217,693	22,052	34,830	80,718	358,103

(a) At 31 December 2023, financial assets of Corporate Funds of \$1,571 million (31 December 2022: \$1,298 million) were solely used for supporting contributions to default funds (Skin-in-the-Game), and default fund credits for Clearing House Funds.

11. Accounts Receivable, Prepayments and Deposits

	At 31 Dec 2023 \$m	At 31 Dec 2022 \$m
The breakdown of accounts receivable, prepayments and deposits are as follows:		
CNS money obligations receivable (note (a))	21,430	12,793
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear	9,734	10,206
Inter-CCP margin held by SHCH (note (b)):		
- satisfied by margin deposits collected from OTC Clear CPs	130	-
- satisfied by Corporate Funds	113	-
	243	-
Other receivables, prepayments and deposits, net of provision for impairment losses	1,925	2,376
	33,332	25,375

- (a) CNS money obligations receivable mature within two days after the trade date. The balance of Settlement Reserve Fund and Settlement Guarantee Fund with ChinaClear is rebalanced on a monthly basis, and the balance of inter-CCP margin held by SHCH is rebalanced on a daily basis. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.
- (b) Under Swap Connect, OTC Clear and SHCH are required to provide inter-CCP margin to each other to cover the potential loss arising from the default of the other party. Part of the inter-CCP margin provided by OTC Clear to SHCH is satisfied by margin deposits collected from OTC Clear CPs and the remaining balance is satisfied by Corporate Funds of OTC Clear.

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 87 per cent (31 December 2022: 81 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 2023 \$m	At 31 Dec 2022 \$m
Written put options to non-controlling interests	447	491
Analysed as:		
Non-current liabilities	65	61
Current liabilities	382	430
	447	491

Prior to 2022, OTC Clear issued 3,541 non-voting ordinary shares to certain third party shareholders at a total consideration of \$433 million. In December 2022, a further 1,576 non-voting ordinary shares were issued at a consideration of \$85 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.

During the year ended 31 December 2023, HKEX purchased 427 non-voting ordinary shares at a consideration of \$51 million (2022: \$Nil) upon exercise of the written put options by the non-controlling interests.

14. Retained Earnings

	2023 \$m	2022 \$m
At 1 Jan	18,547	18,173
Profit attributable to shareholders	11,862	10,078
Transfer to Clearing House Funds reserves	(331)	(59)
Transfer to PRC statutory reserve	(1)	(4)
Dividends:		
2022/2021 second interim dividend	(4,669)	(5,290)
2023/2022 first interim dividend	(5,695)	(4,366)
Unclaimed HKEX dividends forfeited	23	26
Vesting of shares of Share Award Scheme	(13)	(15)
UK tax relating to Share Award Scheme	-	(3)
Change in ownership interest in a subsidiary	-	7
At 31 Dec	19,723	18,547

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group's results for the year ended 31 December 2023 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 2023 CONSOLIDATED FINANCIAL STATEMENTS

The Audit Committee (AC) reviewed the 2023 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 2023.

DISTRIBUTABLE RESERVES

As at 31 December 2023, HKEX's distributable reserves, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), amounted to \$8.6 billion (31 December 2022: \$8.4 billion).

DIVIDEND

The Board has declared a second interim dividend of \$3.91 per share for 2023 (2022 second interim dividend: \$3.69 per share), which will be payable in cash, to Shareholders whose names appear on HKEX's Register of Members on Monday, 18 March 2024. Dividend warrants are expected to be despatched to Shareholders on Wednesday, 27 March 2024.

Including the first interim dividend, the total dividends for 2023 amount to \$8.41 per share (2022: \$7.14 per share), which represents a payout ratio of 90 per cent (2022: 90 per cent) of the profit attributable to Shareholders, excluding the financial results of HKEX Foundation, for the year ended 31 December 2023. Dividends for shares held in trust under the Share Award Scheme amount to \$23 million (2022: \$17 million).

CLOSURE OF HKEX'S REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the 2024 AGM, and entitlement to the 2023 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 2024 AGM: | |
| – Latest time to lodge transfer documents for registration with HKEX's registrar | At 4:30 pm on 18 April 2024 |
| – Closure of HKEX's Register of Members | 19 to 24 April 2024
(both dates inclusive) |
| – Record date | 24 April 2024 |
| (ii) For determining entitlement to the 2023 second interim dividend: | |
| – Ex-dividend date | 13 March 2024 |
| – Latest time to lodge transfer documents for registration with HKEX's registrar | At 4:30 pm on 14 March 2024 |
| – Closure of HKEX's Register of Members | 15 to 18 March 2024
(both dates inclusive) |
| – Record date | 18 March 2024 |

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the 2024 AGM, and to qualify for the 2023 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 2024 AGM will be held on Wednesday, 24 April 2024 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 2024 AGM, which constitutes part of a circular to Shareholders, will be sent together with the 2023 Annual Report. The Notice, the circular which sets out details of the business to be conducted at the 2024 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 2024 AGM is held.

Shareholders may appoint the Chairman of the 2024 AGM as their proxy to vote on the resolutions, instead of attending the meeting in person.

ELECTION OF DIRECTORS

The service term of Nicholas Allen, Anna Cheung and Zhang Yichen (Elected Directors) will expire at the conclusion of the 2024 AGM. On 28 February 2024, the Nomination and Governance Committee (NGC) nominated Nicholas Allen, Anna Cheung and Zhang Yichen to the Board for it to recommend to Shareholders for re-election at the 2024 AGM. The nominations were made in accordance with the Nomination Policy and took into account the approved selection criteria for Non-executive Director candidate(s). These include, among others, the candidates' market knowledge and experience, reputation for integrity, and 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 in the Board Diversity Policy. The NGC took into consideration the background and past experience of the three candidates — in particular: Mr Allen's accounting expertise and vast experience in securities and regulatory matters; Ms Cheung's extensive business strategic and operational experience; and Mr Zhang's in-depth knowledge of the Mainland and international capital markets — as well as their respective contributions to the Board and firm commitments to their roles. The NGC also considered that their re-election as Directors would provide a diversity of skills, expertise and background to the Board, which would continue to benefit the Group's future strategic development. The NGC was satisfied with the independence of Mr Allen, Ms Cheung and Mr Zhang with reference to the criteria laid down in the Main Board Listing Rules. Mr Zhang, who is a member of the NGC, abstained from voting at the Committee meeting when his own nomination was being considered.

On 29 February 2024, the Board accepted the nomination by the NGC and recommended Nicholas Allen, Anna Cheung and Zhang Yichen to stand for re-election at the 2024 AGM. Neither Mr Allen, Ms Cheung nor Mr Zhang holds any cross-directorships nor has any significant links with other Directors through involvement in other companies or bodies. Mr Allen, Ms Cheung and Mr Zhang do 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). Their particulars will be set out in the circular to Shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout 2023, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exception of Code Provision B.2.2 (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. The Chief Executive Officer in his capacity as a Director is not subject to retirement by rotation, as his term on the Board is coterminous with his employment as the Chief Executive Officer 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 as described in the Corporate Governance Report contained in the 2023 Annual Report and on the HKEX Group website.

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

During 2023, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any 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 1,763,793 HKEX shares at a total consideration of \$448 million.

PUBLICATION OF 2023 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/2024. The 2023 Annual Report will be available on the HKEXnews and HKEX Group websites and despatched to Shareholders on or about Wednesday, 20 March 2024.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
Timothy Tsang
Group Company Secretary

Hong Kong, 29 February 2024

As at the date of this announcement, HKEX's Board of Directors comprises 12 Independent Non-executive Directors, namely Mrs Laura May-Lung CHA (Chairman), Mr Nicholas Charles ALLEN, Mr Apurv BAGRI, Mr CHEAH Cheng Hye, Ms CHEUNG Ming Ming, Anna, Mrs CHOW WOO Mo Fong, Susan, Mr HUNG Pi Cheng, Benjamin, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr Carlson TONG, Mr YAM Chi Kwong, Joseph and Mr ZHANG Yichen, and one Executive Director, Mr Alejandro Nicolas AGUZIN, who is also the Chief Executive of HKEX.

GLOSSARY

2024 AGM	HKEX's annual general meeting to be held on 24 April 2024
ADT	Average daily turnover value
ADV	Average daily volume (in number of contracts/lots)
Awarded Shares	Shares awarded under the Share Award Scheme
BayConnect	BayConnect Technology Company Limited
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 enables Mainland institutional investors to invest in offshore bonds through the Hong Kong bond market
Cash Market	HKEX's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CCASS	Central Clearing and Settlement System
CCP	Central counterparty
Chief Executive Officer or CEO	HKEX's Chief Executive
ChinaClear	China Securities Depository and Clearing Corporation Limited
CNH	Offshore RMB traded outside Mainland China
CNS	Continuous Net Settlement
Commodities Market	Commodities related business of HKFE, the LME Group and QME
Corporate Governance Code	Refers to Appendix C1 (formerly Appendix 14) to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
CSR	Corporate Social Responsibility
CSRC	China Securities Regulatory Commission
DAML	Digital Asset Modeling Language
Derivatives Market	HKEX's derivatives related business including stock options
Director(s)	HKEX's director(s)
DWs	Derivative warrants
Elected Directors	Directors elected by the Shareholders at general meetings
EPs	Exchange Participants
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
ETP(s)	Exchange Traded Product(s), which include(s) ETFs and L&I Products
Euro	The official currency of the Eurozone
Exchange or SEHK or Stock Exchange	The Stock Exchange of Hong Kong Limited
External Portfolio	Externally-managed investment funds
FIC	Fixed income and currency
FINI	Fast Interface for New Issuance
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	HKSAR Government
Government Appointed Directors	Directors appointed by the Financial Secretary of the HKSAR pursuant to Section 77 of the SFO
Group or HKEX Group	HKEX and its subsidiaries

Headline ADT	ADT of equity products, DWs, CBBCs and warrants traded on the Stock Exchange
HKCC	HKFE Clearing Corporation Limited
HKEX Foundation	HKEX Foundation Limited
HKEX or the Company	Hong Kong Exchanges and Clearing Limited
HKEX Group website	www.hkexgroup.com
HKEX Market website	www.hkex.com.hk
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKICPA	Hong Kong Institute of Certified Public Accountants
HKIDR	Hong Kong Investor Identification Regime
HKSAR or Hong Kong SAR	Hong Kong Special Administrative Region of the People's Republic of China
HKSCC	Hong Kong Securities Clearing Company Limited
HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
INEDs	Independent Non-executive Directors of HKEX
IPO(s)	Initial Public Offering(s)
Iron Ore Futures	TSI Iron Ore Fines 62 per cent Fe CFR China Futures
ISSB	International Sustainability Standards Board
IT	Information Technology
L&I Products	Leveraged and Inverse Products
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
LMEmercury	LME Clear's clearing system which enables its Members to view their risk positions in real time
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
MOU(s)	Memorandum or Memoranda of Understanding
MSCI	MSCI Inc.
Northbound Trading or Stock Connect Northbound	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	The 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	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

Shareholders	HKEX's shareholders
Share Award Scheme or the Scheme	The HKEX Employees' Share Award Scheme and the HKEX Employees' Share Award 2023 Scheme
Shenzhen-Hong Kong Stock 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 or Stock Connect Southbound	Mainland investors trading in eligible securities that are listed on the Stock Exchange through Stock Connect
SPAC(s)	Special purpose acquisition company(ies)
STAGE	HKEX's Sustainable and Green Exchange
Stock Connect	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
Swap Connect	A mutual market access programme that provides Hong Kong and international investors access to the onshore interest rate swap market through a Northbound channel launched in May 2023
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
1H, 2H	First half, second half (of the year)
Q1, Q2, Q3, Q4	First quarter, second quarter, third quarter, fourth quarter (of the year)