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

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

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

2013 INTERIM RESULTS, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board submits the unaudited consolidated results of the Group for the six months ended 30 June 2013 as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012	Change	**Three months ended 30 Jun 2013**	Three months ended 30 Jun 2012	Change
KEY MARKET STATISTICS						
Average daily turnover value on the Stock Exchange ($bn)	**68.3**	56.7	20%	**62.3**	50.2	24%
Average daily number of derivatives contracts traded on the Futures Exchange	**291,171**	265,609	10%	**307,496**	276,109	11%
Average daily number of stock options contracts traded on the Stock Exchange	**267,047**	231,856	15%	**256,162**	225,266	14%
Average daily volume of metals contracts traded on LME (lots)	**699,863**	641,646*	9%	**732,811**	646,272*	13%

* HKEx completed the acquisition of the LME Group on 6 December 2012.

	Six months ended 30 Jun 2013 $m	As restated Six months ended 30 Jun 2012 $m	Change	**Three months ended 30 Jun 2013 $m**	As restated Three months ended 30 Jun 2012 $m	Change
RESULTS						
Revenue and other income	**4,440**	3,770	18%	**2,218**	1,895	17%
Operating expenses	**(1,341)**	(976)	37%	**(672)**	(492)	37%
EBITDA [1]	**3,099**	2,794	11%	**1,546**	1,403	10%
Depreciation and amortisation	**(233)**	(56)	316%	**(117)**	(27)	333%
Operating profit	**2,866**	2,738	5%	**1,429**	1,376	4%
Costs relating to acquisition of LME Group	**–**	(110)	(100%)	**–**	(91)	(100%)
Finance costs	**(92)**	–	N/A	**(43)**	–	N/A
Share of loss of a joint venture	**(4)**	–	N/A	**(2)**	–	N/A
Profit before taxation	**2,770**	2,628	5%	**1,384**	1,285	8%
Taxation	**(442)**	(412)	7%	**(214)**	(217)	(1%)
Profit attributable to shareholders	**2,328**	2,216	5%	**1,170**	1,068	10%
Basic earnings per share	**$2.03**	$2.05	(1%)	**$1.02**	$0.99	3%
Diluted earnings per share	**$2.02**	$2.04	(1%)	**$1.02**	$0.98	4%
Interim dividend per share	**$1.82**	$1.85	(2%)	**$1.82**	$1.85	(2%)
Dividend payout ratio	**90%**	90%	–	**–**	–	–

	At 30 Jun 2013	At 31 Dec 2012	Change
KEY ITEMS IN CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Shareholders' funds ($m)	**17,834**	17,764	0%
Total assets [2] ($m)	**85,793**	80,837	6%
Net assets per share [3] ($)	**15.48**	15.48	0%

Notes:

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

2 The Group's total assets include the Margin Funds and cash collateral received from Participants.

3 Based on 1,151,947,603 shares as at 30 June 2013, being 1,153,982,442 shares issued and fully paid less 2,034,839 shares held for the Share Award Scheme (31 December 2012: 1,147,408,233 shares, being 1,149,808,087 shares issued and fully paid less 2,399,854 shares held for the Share Award Scheme)

CHAIRMAN'S STATEMENT

With the gradual recovery of the global economy, trading activities at HKEx in the first half of 2013 were better than those in the corresponding period last year. Taking into account LME's contribution to the Group's financial performance for the six months ended 30 June 2013, our revenue and other income increased 18 per cent against the corresponding period of 2012, resulting in an increase of 5 per cent in the profit attributable to shareholders. The Board declared an interim dividend of $1.82 per share, which is 90 per cent of the profit attributable to shareholders for the six months ended 30 June 2013.

The Group is on track to deliver on the work laid down in the Strategic Plan 2013-2015. The gazettal of the Securities and Futures (Amendment) Bill 2013 in June provides a regulatory framework for the OTC derivatives market which is conducive to our launch of OTC Clear in the second half of 2013. We saw the listing of Asia's first offshore RMB bond ETF, which is traded and settled under our Dual Counter model, on the Stock Exchange in June, and the introduction of more Mainland-related futures. Other initiatives and developments are set out in the Chief Executive's Review and Business Review sections of this announcement.

Hosting LME Week Asia 2013 in late June and celebrating 20 years of H-share listings in early August reminded us of our strengths and new opportunities.

The first LME Week Asia in Hong Kong provided opportunities for us to showcase our strategic vision with respect to commodities to market participants from Mainland China, Asia, Europe and other parts of the world. With good market response and strong support from industry leaders, HKEx aims to make LME Week Asia an annual event in Asia.

Building on the success of listings by H-share companies and other companies from Mainland China, our Stock Exchange has become one of the world's largest and most international equity markets. Today, listed companies from the Mainland account for more than half of the Exchange's market capitalisation and more than 70 per cent of its equity turnover value.

Driven by our desire to improve our connectivity with the Mainland markets and to support RMB internationalisation, we are seeking increased collaboration and partnership with various parties on the Mainland. In the first half of 2013, we signed MOUs with the Financial Affairs Offices of various Mainland provinces to foster cooperation and the exchange of information. We are also continuing our work to deepen HKEx's role as a leading listing market for Hong Kong, Mainland and international companies, and as the primary offshore capital formation centre for Mainland-related issuers.

Looking forward, the global financial market remains challenging, in particular with the anticipated unwinding of the liquidity easing policy in the US. However, at HKEx, we will continue to develop a more diversified business and cautiously pursue every available opportunity. We remain confident that with support from our various stakeholders, we can reach our goal of transforming HKEx into a comprehensive provider of trading platforms for equity, fixed income and currency, and commodities, with a view to consolidating our leading position among world exchanges.

CHOW Chung Kong
Chairman

CHIEF EXECUTIVE'S REVIEW

At the beginning of the year, we laid out the Group's strategic vision to build HKEx into a leading global vertically-integrated, multi-asset class exchange and prepare ourselves for the managed but accelerating opening of China's capital account. We began implementing the HKEx Group Strategic Plan 2013-2015 in the first six months of this year, and I am pleased to report some of the early progress under our plan.

Cash Equity

As market sentiment improves on more signs of recovery in the global economy, our primary market experienced a gradual recovery in the first six months of this year, with IPOs raising a total of $39.7 billion, a 29 per cent increase from the same period last year.

Trading in our cash equity market also showed a positive trend. Average daily turnover was $68.3 billion in the first half of this year, an increase of 20 per cent when compared with $56.7 billion for the same period last year. We witnessed rapid development of our ETF market. The average daily turnover of ETFs for the first six months of the year was $4.5 billion, an increase of 166 per cent when compared with last year's first half. The total number of ETFs reached 110 at the end of June, up from 100 at the end of last year. These included 7 RMB-denominated ETFs and 3 bond ETFs.

Equity Derivatives

The average daily turnover of futures and options for the first six months of the year was 558,218 contracts, an increase of 12 per cent when compared with the same period last year. On 25 June, the turnover of futures and options reached a record high of 1,448,209 contracts.

We introduced AHFT in April with HSI and H-shares Index Futures. Since its launch, AHFT trading volume has been approximately 3 per cent of the day session's on average. We are exploring the possibility of adding more of our current products and new asset classes in the long term.

Another improvement was our stock options revamp measures in May. We expect the initiative will help increase market liquidity and help our market participants formulate investment strategies to achieve the kind of yield enhancement offered by some popular structured products. The average daily trading volume of stock options increased by 15 per cent year-on-year during the first six months of the year.

Fixed Income and Currency

We are in the final preparation stage for the launch of OTC Clear. Twelve financial institutions have agreed to join OTC Clear as founding shareholders, the board structure is set, and system testing and a market rehearsal have been carried out. We look forward to the official launch of the OTC Clear later this year after obtaining regulatory approval.

In terms of currency products, we saw increased trading interest in the USD/CNH contract. Average daily trading volume rose to 1,070 contracts in June from 393 contracts in December, and open interest at the end of June was 7,028 contracts, compared with 3,673 at the end of last year.

Commodities

Trading momentum at the LME continued to be strong, as volume in the first half of the year rose 9 per cent from the same period of 2012 to 86.8 million lots. Nickel and cobalt volumes experienced the largest growth, with first half volumes up 23 per cent and 21 per cent respectively. They were followed by tin (up 19 per cent), aluminium (up 14 per cent), zinc (up 7 per cent) and copper (up 6 per cent).

Following adjustments made to increase load-out rates of warehouses in April 2012 and April 2013, LME published a consultation paper at the beginning of July with proposals to tackle the issue of warehouse queues. The consultation is continuing.

The preparations for LME Clear are on track and the exit arrangements with the current clearing provider, LCH.Clearnet Limited, are in order. We are mindful of the latest regulatory developments in Europe and have been in active dialogue with local regulators. We look forward to continuing our work with LME members and regulatory authorities to ensure a successful launch in the second half of 2014.

In late June, we welcomed guests from around the world to the first LME Week Asia in Hong Kong. The event provided a great forum for participants to hear insights from industry leaders and to discuss the future development of the commodities industry in Asia.

On 6 June 2013, we announced Martin Abbott's decision to leave from LME to pursue other opportunities. He will remain in the positions until the end of this year to facilitate a smooth and orderly transition. Martin was instrumental in changing the LME's business model to position it for future growth. We thank him for his contribution and wish him well in his next challenge.

In early August, LME received notification of a number of class action lawsuits filed in the US, in connection with the warehousing market and aluminium prices, in which LME has been named as a co-defendant. These have been disclosed as subsequent events in our interim financial statements ending 30 June 2013. LME management's initial assessment is that the lawsuits are without merit and LME will contest them vigorously.

Platform and Infrastructure

Our Data Centre has been in smooth operation since it opened in October of last year. The final stage of our IT consolidation, including the relocation of our Cash Clearing data centre to the Data Centre, will be completed by the end of this year.

Hosting Services were expanded to support our Derivatives Market earlier this year and as at the end of June 2013, their users contributed about 25 per cent of the daily turnover value on the Stock Exchange and about 40 per cent of the daily contract volume on the Futures Exchange.

OMD, the new market data system that is part of our HKEx Orion technology initiatives, will be rolled out later this year for the Cash Market and in the second quarter of next year for the Derivatives Market. In the meantime, we are building our MMDH in Shanghai, which will be able to support the OMD data feed.

Mainland Connectivity

In our Strategic Plan, we talk about how the continuing Mainland opening drives our strategy and how we will seek to build Mainland connectivity throughout our horizontal asset classes and vertical business segments. In the first six months of this year, we made tangible progress in this regard. CESC, our index joint venture with the Mainland stock exchanges, continued progressively launching new index products. Following the rollout of the CES 120 on 10 December last year, CESC introduced the CES China A80 Index (the pure A-share portion of the CES 120) and the CES China HK Mainland Index (the Hong Kong-listed Mainland enterprises of the CES 120) on 18 March. Most recently, we launched a new futures contract on CES 120 on 12 August.

To further develop Hong Kong's RMB offshore centre, we focused on developing a wide range of RMB products. We had 88 RMB products in total traded on our Cash Market at the end of June. These products include bonds, REITs, ETFs, equity and derivatives warrants.

On the commodities front, we have targeted strategic relationships with Mainland players to capture the business opportunities in Asia's commodities market. Initial progress has been made on several fronts, including strengthening the LME's Asia Benchmark Price, and signing the MOUs with Bank of China Limited and China Beijing International Mining Exchange respectively during the LME Week Asia.

Last but not the least, we are dedicated to building connectivity in our market structure and platform infrastructure with that of the Mainland. The first step towards this goal is building the MMDH in Shanghai, as mentioned above.

Conclusion

We continue to focus on implementing our strategic plan, which will better position us for changes in the industry's landscape as well as the gradual opening up of Mainland China's capital account. While the benefits may take time to materialise, many of our initiatives – when completed and linked together – will lead us towards a new level of market connectivity and competitiveness.

LI Xiaojia, Charles
Director and Chief Executive

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Listing and Regulatory Affairs

Listing

The Exchange is reviewing the responses to the consultation papers on its proposed amendments to connected transaction Rules and proposed changes to align the definitions of connected person and associate in the Listing Rules. The consultations closed on 26 June 2013.

On 23 July 2013, the Exchange published Rule changes to complement the SFC's new regulation on sponsors which will come into effect on 1 October 2013. The new requirements will apply to listing applications submitted on or after 1 October 2013. The Exchange has streamlined the listing vetting process, refined the number of required documents and issued guidance on certain interpretations and procedures, with a view to making the process more efficient, while maintaining the standards of companies to be listed on the Exchange. The Exchange expects that these changes should lead to a high quality listing document, thereby shortening the regulatory commenting process and the time required to bring an application to the Listing Committee for consideration. To help sponsors and market practitioners adapt to the new Rules and the streamlined vetting process, the Exchange held 2 seminars in August 2013 and will hold additional ones in September 2013 if necessary.

The above documents and other publications in relation to listing are available under the News & Consultations and Rules & Regulations – Rules and Guidance on Listing Matters sections of the HKEx website.

Enterprise Risk Management and Surveillance

Based on the Enterprise Risk Management Framework, HKEx embarked on a Group-wide exercise to review the identified risks and assess the potential risks which might arise from both existing and new business and operations.

In the first half of 2013, HKEx: (i) performed due diligence checks of 30 new applications for registration as EPs, CPs and market makers; (ii) conducted quarterly reviews of EPs and CPs using the Counterparty Risk Ranking Methodology, a risk-based participant surveillance tool; (iii) analysed market activities related to 6 major stock index changes including changes to the HSI, MSCI and FTSE indices; (iv) took actions on 6 cases of non-compliance with financial requirements or position limit requirements; and (v) referred 4 cases involving possible violations to the SFC for investigation.

Global Markets

Cash Trading

During the first half of 2013, 17 companies were newly listed on the Main Board (including 1 transfer from GEM), and 6 on GEM. Total capital raised, including post-listing funds, reached $136.8 billion. As at 30 June 2013, 1,384 and 183 companies were listed on the Main Board and GEM respectively, with a total market capitalisation of $20,706 billion. In addition, there were 4,895 DWs, 1,222 CBBCs, 110 ETFs, 9 REITs, and 355 debt securities listed as at 30 June 2013. The average daily turnover value in the first half of the year was $68 billion on the Main Board and $233 million on GEM, an increase of 20 per cent and 49 per cent respectively compared with the corresponding period in 2012.

Number of RMB Products Traded on SEHK (as at 30 June 2013)

Equity securities [1]	1
Debt securities	69
ETFs [2]	7
DWs	10
REITs	1

Notes:

1 Traded under the Dual Counter model

2 Including 6 ETFs traded under the Dual Counter model, of which 1 is Asia's first offshore RMB bond ETF (that was listed on 18 June 2013)

HSI and S&P/HKEx LargeCap Index (01/2012 – 06/2013)

S&P/HKEx GEM Index (01/2012 – 06/2013)

Number of Listed Companies by Industry Classification * – Main Board and GEM

	As at 30 Jun 2013	As at 31 Mar 2013	As at 30 Jun 2012	Change Mar 2013	Change Jun 2012
Energy	**76**	75	65	1%	17%
Materials	**140**	141	136	(1%)	3%
Industrial Goods	**139**	140	120	(1%)	16%
Consumer Goods	**375**	373	386	1%	(3%)
Services	**248**	245	235	1%	6%
Telecommunications	**17**	17	18	0%	(6%)
Utilities	**43**	43	43	0%	0%
Financials	**130**	128	120	2%	8%
Properties & Construction	**220**	218	209	1%	5%
IT	**165**	163	164	1%	1%
Conglomerates	**14**	14	23	0%	(39%)
Total	**1,567**	1,557	1,519	1%	3%

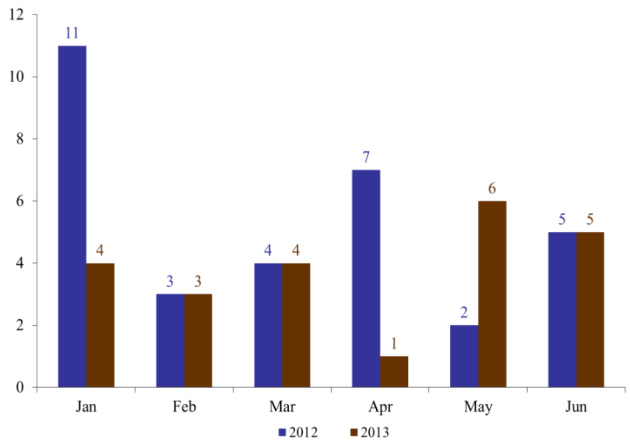
* According to Hang Seng Indexes Company Limited

Market Capitalisation of Listed Companies by Industry Classification * – Main Board and GEM

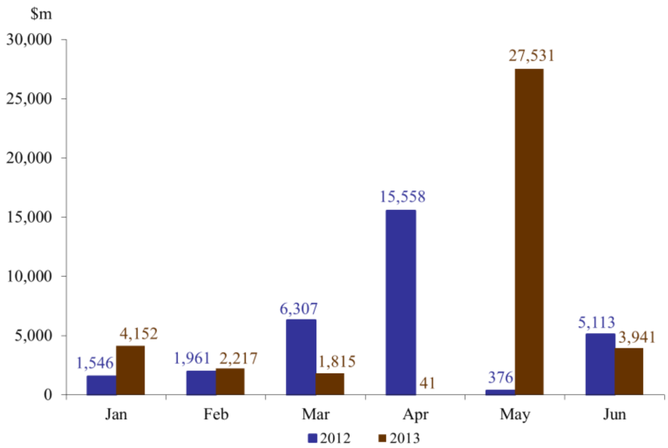
	As at 30 Jun 2013 $bn	As at 31 Mar 2013 $bn	As at 30 Jun 2012 $bn	Change Mar 2013	Change Jun 2012
Energy	**1,361**	1,582	1,428	(14%)	(5%)
Materials	**441**	534	475	(17%)	(7%)
Industrial Goods	**363**	389	252	(7%)	44%
Consumer Goods	**2,330**	2,433	1,996	(4%)	17%
Services	**2,087**	2,138	1,633	(2%)	28%
Telecommunications	**2,057**	2,086	2,098	(1%)	(2%)
Utilities	**1,158**	1,223	765	(5%)	51%
Financials	**6,183**	6,777	5,604	(9%)	10%
Properties & Construction	**3,035**	3,231	2,410	(6%)	26%
IT	**1,024**	870	761	18%	35%
Conglomerates	**668**	690	1,006	(3%)	(34%)
Total	**20,706**	21,953	18,429	(6%)	12%

* According to Hang Seng Indexes Company Limited
Note: Figures have been rounded and may not add up to the total.

Number of Newly Listed Companies – Main Board * and GEM



IPO Funds Raised by Newly Listed Companies – Main Board and GEM



* Including transfer from GEM (2013: 1; 2012: Nil)

Number of Listed Securities – Main Board and GEM

	As at 30 Jun 2013	As at 31 Mar 2013	As at 30 Jun 2012	Change Mar 2013	Change Jun 2012
Ordinary Shares	**1,568**	1,558	1,520	1%	3%
Preference Shares	**3**	3	3	0%	0%
Warrants	**4,905**	4,495	4,048	9%	21%
CBBCs	**1,222**	1,276	1,021	(4%)	20%
Unit Trusts	**121**	111	103	9%	17%
Debt Securities	**355**	299	231	19%	54%
Total	**8,174**	7,742	6,926	6%	18%

Market Value by Type of Securities – Main Board and GEM

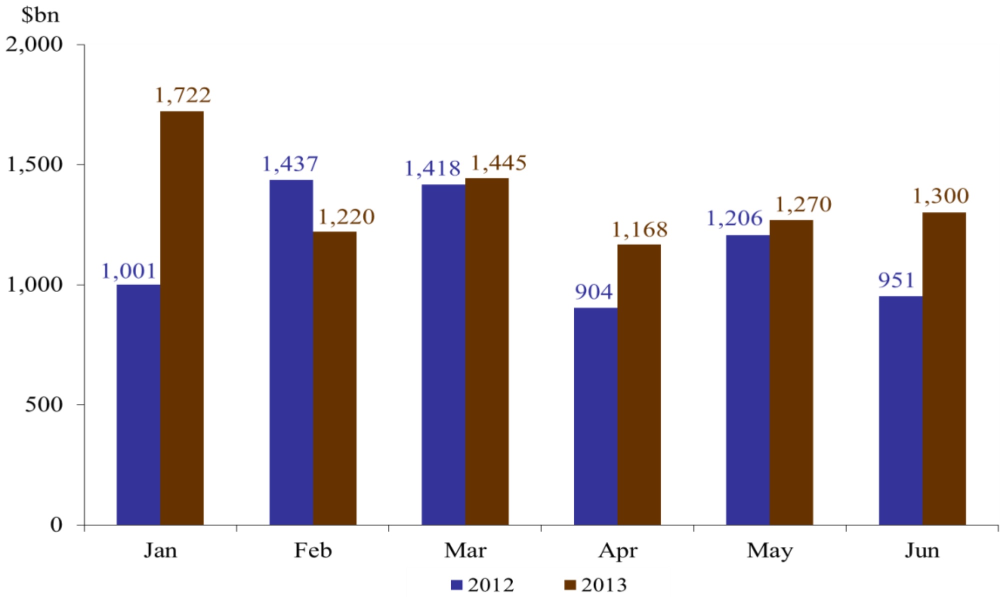
	As at 30 Jun 2013 $bn	As at 31 Mar 2013 $bn	As at 30 Jun 2012 $bn	Change Mar 2013	Change Jun 2012
Equities	**20,706**	21,953	18,429	(6%)	12%
Warrants	**57**	71	65	(20%)	(12%)
CBBCs	**53**	45	47	18%	13%
Unit Trusts	**754**	999	850	(25%)	(11%)
Debt Securities *	**1,186**	961	754	23%	57%
Total	**22,756**	24,029	20,146	(5%)	13%

* Nominal value
Note: Figures have been rounded and may not add up to the total.

Turnover Value by Type of Securities – Main Board and GEM

	Six months ended 30 Jun 2013 $bn	Six months ended 30 Jun 2012 $bn	Change
Equities	**5,815**	4,918	18%
Warrants	**1,035**	909	14%
CBBCs	**682**	850	(20%)
Unit Trusts	**591**	239	147%
Debt Securities	**2**	1	100%
Total	**8,125**	6,917	17%

Turnover Value of Listed Securities – Main Board and GEM



Derivatives Trading

In the first half of 2013, 66,427,957 contracts were traded in the Derivatives Market, comprising 25,625,011 futures contracts and 40,802,946 options contracts. The average daily volumes were 215,336 contracts for futures and 342,882 contracts for options. The total open interest as of 30 June 2013 was 6,526,220 contracts, comprising 416,109 futures contracts and 6,110,111 options contracts.

Record High Volume and Open Interest for Major Derivatives in the First Half of 2013

	Volume		Open interest	
	Date	**Number of contracts**	**Date**	**Number of contracts**
HSI Futures	25 Jun	271,426	–	–
H-shares Index Futures	25 Jun	389,031	26 Jun	332,727
Mini H-shares Index Futures	–	–	24 Jun	6,743
Stock Futures	–	–	27 Mar	47,050
USD/CNH Futures	31 May	2,455	28 Jun	7,028
Flexible HSI Options	8 Jan	4,730	–	–
H-shares Index Options	21 Jun	70,518	26 Jun	1,209,302
Flexible H-shares Index Options	–	–	30 May	26,731

Major Derivatives Market Statistics

	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012		**As at 30 Jun 2013**	As at 30 Jun 2012	
	Average daily volume (contracts)		Change	**Open interest (contracts)**		Change
Futures						
HSI Futures	**86,890**	86,446	1%	**101,093**	103,069	(2%)
Mini-HSI Futures	**33,975**	37,931	(10%)	**7,096**	6,063	17%
H-shares Index Futures	**82,427**	64,209	28%	**197,763**	127,099	56%
Mini H-shares Index Futures	**8,237**	6,947	19%	**4,047**	3,236	25%
HSI Dividend Point Index Futures	**51**	80	(36%)	**5,259**	5,412	(3%)
HSCEI Dividend Point Index Futures	**747**	818	(9%)	**75,519**	59,548	27%
Stock Futures	**2,406**	1,140	111%	**18,258**	10,510	74%
USD/CNH Futures *	**599**	N/A	N/A	**7,028**	N/A	N/A
Options						
HSI Options	**40,904**	39,554	3%	**282,528**	346,519	(18%)
Mini-HSI Options	**5,272**	4,677	13%	**8,909**	12,617	(29%)
Flexible HSI Options	**76**	29	162%	**10,932**	11,010	(1%)
H-shares Index Options	**29,385**	23,734	24%	**973,057**	361,728	169%
Flexible H-shares Index Options	**198**	35	466%	**24,516**	7,125	244%
Stock Options	**267,047**	231,856	15%	**4,810,169**	5,060,742	(5%)

* Launched on 17 September 2012

On 20 March 2013, HKEx launched the Stock Options Corner on the HKEx website (www.hkex.com.hk/stockoptions) to provide investors with information about stock options. The Stock Options Corner includes over 10 analytical tools and educational videos for beginners and more advanced market participants.

On 2 May 2013, HKEx rolled out several stock options revamp initiatives to improve the competitiveness of its stock options market. They included: (i) trading fee reductions for 26 option classes, mainly with small notional value per contract; (ii) a new market maker programme to improve price transparency; (iii) the addition of an expiry month to facilitate trading of institutional investors; and (iv) a market data fee waiver.

AHFT was introduced for HSI Futures and H-shares Index Futures on 8 April 2013. Up to the end of June, 327,775 contracts were traded during that session (with an average daily of 3,279 HSI Futures contracts and 2,574 H-shares Index Futures contracts, which were about 4 per cent and 3 per cent of the average daily volume of the two products respectively traded in the day session). The highest AHFT volume, 18,813 contracts was recorded on 25 June 2013. HKEx is exploring the possibility of adding more products such as mini stock index futures contracts, and in the long term, including new asset classes such as foreign exchange and commodities for AHFT.

Futures contracts on China AMC CSI 300 Index ETF, CSOP FTSE China A50 ETF and iShares FTSE A50 China Index ETF were introduced on 10 June 2013. These new contracts, HKEx's first futures on A-shares ETFs, allow investors to manage their risk exposure from A-shares ETFs.

HKEx had appointed 3 liquidity providers for CES 120 Futures which were introduced to the market for trading on 12 August 2013. The CES 120 futures contract is the world's first exchange-listed derivatives product designed to provide a convenient, cost efficient and simultaneous exposure to leading China stocks from the Mainland and Hong Kong markets through a single exchange-traded futures contract that can be used for trading or hedging purposes. To facilitate market readiness, HKEx has arranged product seminars for retail and institutional investors in Hong Kong and Singapore. In addition, HKEx plans to organise educational activities for potential investors in Mainland China, Korea, the UK and the US.

LME

In the first half of 2013, average daily volume was 699,863 lots, an increase of 9 per cent from the corresponding period last year. June 2013 was the busiest month on record, with 16,319,351 lots traded and an average of 815,968 lots per day, up 111,502 lots per day from the previous record in September 2012. Among the various products, aluminium, the LME's largest contract, experienced an average daily volume growth of 14 per cent year-on-year in the first half of 2013. Copper and zinc grew 6 per cent and 7 per cent respectively over the same period year-on-year. Tin and nickel exhibited the strongest growth of the major contracts with increases of 19 per cent and 23 per cent year-on-year respectively.

Futures trading volume increased over 9 per cent year-on-year, while combined options and Traded Average Price Options, or TAPOs, trading increased 5 per cent over the same period. The total futures market open interest, or MOI, at the end of June 2013 was 2,575,963 lots, 10 per cent above the MOI reported at the end of 2012.

In the first half of 2013, an average of 153,663 lots per day traded across LMEselect (ticker value), 15 per cent above the same period last year. Like the whole LME, LMEselect experienced the highest monthly volume in June 2013. On average, 176,170 lots per day traded across LMEselect during the month, up 27 per cent year-on-year.

On 17 June 2013, LME announced the approval of Kaohsiung, Taiwan as a good delivery point for primary aluminium, aluminium alloy, copper, lead, nickel, tin and zinc, in addition to the existing 8 Asian locations, to meet the demands of the metals industry. In line with HKEx's plan on RMB development for Asia commodities business, and in light of increased Asian trading activity on LMEselect, LME initiated certain measures, including enhancing the Asian Benchmark pricing to provide the region with a more meaningful set of prices. More information is available on LME's website.

LME has, at the date of this announcement, been named as a co-defendant in 4 class action lawsuits filed in the US District Courts in early August 2013 (with LMEH named as a co-defendant in 1 lawsuit). The claims are similar in nature and seek damages and injunctive relief with respect to alleged anti-competitive and monopolistic behaviour in the warehousing market in connection with aluminium prices. In light of the class action nature of the complaints, it is not uncommon for additional follow-up suits of a similar nature to be filed in the US once a class action has commenced. LME management's initial assessment is that the suits are without merit and LME will contest them vigorously. As mentioned in the Company's announcement dated 7 August 2013, HKEx may not make further announcements each time it becomes aware of similar lawsuits unless there is new information regarding a claim which should be the subject of an announcement. The Company will update Shareholders and investors on material developments regarding the lawsuits in compliance with the SFO and the Main Board Listing Rules.

LME Week Asia

Hong Kong hosted LME Week Asia for the first time, providing an excellent opportunity for HKEx to showcase its Asia commodities strategy. Activities commenced on 24 June and were modelled after LME Week in London, which for decades has been one of the most high profile and well attended events for metals industry players each and every year.

This year's LME Week Asia was kicked off with the Chairman's Reception, which brought together over 200 top executives from metals industry traders, consumers and manufacturers. About 500 senior executives representing over 250 companies from around the world participated in the LME Metals Seminar Asia, "Exploring New Horizons" held on 25 June. Industry leaders and key market players shared their insight and views on the future development of the commodities industry in Asia, in particular, with the growing influence of Mainland China. An exhibition with over 30 booths was organised to promote the metals businesses of industry players. On the same day, over 900 guests from LME members attended the LME Asia Dinner "East meets West", which was the highlight of the week. In addition, educational workshops were held between 26 June and 28 June to introduce this relatively new industry to interested participants.

Mainland Development

HKEx continues to broaden and deepen its relationship with its Mainland counterparts, especially in light of a relaxation of regulatory requirements for Mainland enterprises to list H shares. During the first half of 2013, MOUs were signed with Anhui, Chongqing, Hunan, Jiangxi and Tianjin Financial Services/Affairs Offices on cooperation and the exchange of information. In addition, HKEx co-organised 18 seminars in 13 Mainland cities and Hong Kong to promote listing in Hong Kong, and it made over 60 presentations to thousands of Mainland enterprises from different provinces and industries.

To celebrate the 20th anniversary of H-share listings in Hong Kong, HKEx has planned a series of events which will be held in the Mainland and Hong Kong in the second half of the year to promote the Hong Kong markets.

With a view to fostering closer working relationship and introducing LME's business, HKEx arranged exchange programmes for officials from the China Securities Regulatory Commission in May 2013. HKEx will continue to organise exchange programmes for professionals from the commodities industry on the Mainland as appropriate to further strengthen its commodities business.

Market Data

In February 2013, HKEx launched the Founding Members Programme for the MMDH of its OMD to allow IVs and other interested parties to participate in the early set-up of the hub. The MMDH is scheduled for launch in Shanghai by the fourth quarter of 2013, following the implementation of the first phase of the OMD in the third quarter of 2013.

As of 30 June 2013, 8 Mainland IVs/companies had registered to connect to the MMDH and 6 of them had joined the Founding Members Programme.

CESC

To further develop its Cross Border Index Series, CESC increased the index dissemination frequency from every 15 seconds to every 5 seconds in April 2013 and updated the real-time index dissemination channels, including the real-time data feed of HKEx and CSI, as well as the information on the CESC and CSI websites.

CESC has granted licences to 3 fund managers to issue ETFs for listing on the Stock Exchange by the third quarter of this year. CESC is also exploring ETF licensing opportunities in other international exchanges.

In May 2013, CESC licensed its CES 120 futures contract to HKEx. CES 120 Futures were launched on the Futures Exchange on 12 August 2013.

Global Clearing

Cash and Derivatives Clearing

In the past, Transfer Instructions on Exchange Fund Notes, Government Bonds, Specified Instruments or Central Moneymarkets Unit (CMU) Instruments between CCASS and CMU could only be effected on free of payment basis. To further improve efficiency and mitigate the risk of the settlement process, CCASS has been enhanced and is now able to support settlement of Transfer Instructions with CMU on a delivery versus payment basis.

To prepare for the consultation on subsidiary legislation for a scripless securities market in Hong Kong, which is targeted to be conducted early next year, HKEx is actively working with the Government and the SFC on the legislative and operational changes required to take the scripless initiative forward.

HKSCC, HKCC, and SEOCH are conducting assessments on the observance of the “Principles for financial market infrastructures” issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions. Based on the assessment results, HKEx will, if necessary, develop improvement plans to further enhance the relevant systems, policies, financial resources and operations to ensure compliance with the principles.

CCASS Statistics (six months ended 30 June)

	2013	2012	Change
Average daily Exchange Trades handled by CCASS			
Number of trades	**976,469**	807,344	21%
Value of trades ($bn)	**68.3**	56.7	20%
Share quantity involved (bn)	**159.1**	147.8	8%
Average daily SIs handled by CCASS			
Number of SIs	**85,743**	75,194	14%
Value of SIs ($bn)	**244.8**	180.0	36%
Share quantity involved (bn)	**58.8**	42.3	39%
Average daily ISIs handled by CCASS			
Number of ISIs	**426**	340	25%
Value of ISIs ($m)	**245.3**	262.7	(7%)
Share quantity involved (m)	**155.1**	92.2	68%
Average daily settlement efficiency of CNS stock positions on due day (T+2)	**99.90%**	99.91%	–
Average daily settlement efficiency of CNS stock positions on the day following the due day (T+3)	**99.99%**	99.99%	–
Average daily buy-ins executed on T+3			
Number of brokers involved	**4**	4	0%
Number of buy-ins	**5**	5	0%
Value of buy-ins ($m)	**2.9**	1.4	107%
Shares deposited in the CCASS depository			
Number of shares (bn)	**3,726.3**	3,713.6	0%
Percentage of the total issued shares of the admitted securities	**70%**	70%	–
Value of shares ($bn)	**11,616.4**	10,006.9	16%
Percentage of the total market capitalisation of the admitted securities	**52%**	50%	–

OTC Clear

HKEx is in the final preparation stage for the launch of the first phase of OTC Clear, which will clear inter-dealer trades involving interest rate swaps and non-deliverable forwards conducted OTC. HKEx welcomed 12 financial institutions which will join OTC Clear as the founding shareholders and is working closely with the SFC on the application of OTC Clear to be a recognised clearing house for the provision of clearing services for OTC derivatives in Hong Kong.

To prepare for the soft launch of OCASS in the second half of 2013, OTC Clear is organising another round of simulation test in the third quarter, following the market rehearsal held in February 2013. The test will cover a complete cycle of clearing interest rate swaps and non-deliverable forwards, including the confirmation and submission of trades from the Approved Trade Registration Systems, the trade novation process, initial margin and variation margin calculation, collateral deposit and withdrawal, as well as a switchover of the system connection from the primary processing site to the back-up processing site under the contingency plan.

The Government gazetted the Securities and Futures (Amendment) Bill 2013 to provide a regulatory framework for the OTC derivatives market in Hong Kong on 28 June 2013. The Bill comprises 3 key aspects: (i) mandatory reporting, clearing and trading obligations; (ii) establishment and regulation of the necessary infrastructure through which the mandatory obligations will be fulfilled; and (iii) regulation and oversight of key players in the OTC derivatives market. OTC Clear will make reference to the framework to ensure compliance with the statutory requirements.

LME Clear

LME is now in the building stage for LME Clear, which will clear all LME-traded contracts with effect from September 2014.

LME Clear will be fully compliant with the new European Market Infrastructure Regulation, or EMIR, and is in active dialogue with regulators on the timing and content of its authorisation application. The senior management team is in place and the core technology development is on schedule. LME Clear will leverage existing core infrastructure and premises with LME.

An agreement covering the formal exit and transfer arrangements has been signed with the current clearing provider, LCH.Clearnet Limited, and work is in progress based on detailed plans for service transition. Member firms are supportive and actively involved through the LME Clear member advisory group and direct consultation.

Clearing Risk Management

OTC Clear has completed an internal risk assessment on potential clearing members, covering a review of their financial strength, risk control framework and operation readiness, and will submit the results to management for its endorsement.

In April 2013, the OTC Clear executives visited the Federal Reserve Bank of Chicago in the US and led a panel discussion on default management with a focus on OTC regulations, and in May, they presented HKEx's planned OTC clearing services to the GreTai Securities Market in Taiwan.

HKEx participated in the CCP 12 conference in Busan, Korea in May 2013 to discuss various regulatory developments.

Information Technology

During the first half of 2013, all major trading, clearing and settlement, and market data dissemination systems for the Cash and Derivatives Markets continued to perform reliably.

Under an ongoing initiative, HKEx will continue to implement IT security enhancement measures in phases as planned to raise IT security to a higher level of maturity.

Following the migration of the IT offices and the Cash Market data centre in October 2012 and the Derivatives Market data centre in May 2013 to the Data Centre, the relocation of the Cash Clearing data centre, the final stage of consolidation, will take place in the fourth quarter of 2013.

HKEx Orion Programme

SDNet/2 has been rolled out to the Derivatives Market and will be extended to the Cash Clearing in the third quarter of 2013 to conclude the network upgrade.

HKEx completed a readiness test with its clients in the second quarter of 2013 and plans to launch the OMD for the Cash Market in the third quarter of 2013 after completing market rehearsals. Meanwhile, there has been good progress towards the launch of OMD for the Derivatives Market targeted for the first half of 2014. The OMD feed will be rolled out in the Mainland in the fourth quarter of 2013 via the MMDH. Infrastructure work for the primary and secondary sites of the MMDH in Shanghai have been completed and clients can now connect to the MMDH for system tests.

HKEx has released the specifications and test simulators for the OCG to EPs. HKEx's testing of the OCG software is in progress and HKEx expects to launch the OCG for the Cash Market around the first quarter of 2014.

The migration of HKATS/DCASS onto the new Genium INET technology platform is at its final stage of implementation. System certification and market readiness preparation by Participants are planned for completion in the third quarter of 2013 to facilitate the rollout of the Genium INET in the fourth quarter of 2013 after comprehensive market rehearsals. The new technology will further improve capacity and latency, which will support the further development of the Derivatives Market.

Hosting Services

Following their launch for the Cash Market in December 2012, Hosting Services were expanded to support the Derivatives Market on 3 June 2013. As at the end of June 2013, there were 30 subscribers from SEHK Participants and 20 from HKFE Participants, contributing about 25 and 40 per cent of daily turnover value on the Stock Exchange and the daily contract volume on the Futures Exchange respectively.

To further promote the business, HKEx showcased its Hosting Services at the Asia Trading Summit and organised a seminar in May 2013 to share with EPs the key criteria in selecting a data centre to improve the reliability of their trading infrastructure.

Treasury

The Group's funds available for investment comprise Corporate Funds, Margin Funds and cash collateral and Clearing House Funds, totalling $56.5 billion on average for the six months ended 30 June 2013 (first half of 2012: $45.5 billion).

As compared with 31 March 2013, the overall size of funds available for investment as at 30 June 2013 increased by 9 per cent or $4.8 billion to $56.6 billion (31 March 2013: $51.8 billion). Details of the asset allocation of the investments as at 30 June 2013 against those as at 31 March 2013 are set out below.

	Investment Fund Size $bn		**Bonds ***		**Cash or Bank Deposits**		**Global Equities**	
	Jun	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar
Corporate Funds	**8.9**	9.4	**21%**	19%	**75%**	74%	**4%**	7%
Margin Funds and cash collateral	**43.2**	37.8	**4%**	5%	**96%**	95%	**0%**	0%
Clearing House Funds	**4.5**	4.6	**0%**	0%	**100%**	100%	**0%**	0%
Total	**56.6**	51.8	**6%**	7%	**93%**	92%	**1%**	1%

* Including certain principal-guaranteed structured notes

Investments are kept sufficiently liquid to meet the Group's operating needs and liquidity requirements of the Margin Funds and cash collateral and Clearing House Funds. Excluding equities held under the Corporate Funds ($0.3 billion as at 30 June 2013 and $0.6 billion as at 31 March 2013), which have no maturity date, the maturity profiles of the remaining investments as at 30 June 2013 ($56.3 billion) and 31 March 2013 ($51.2 billion) were as follows:

	Investment Fund Size $bn		Overnight		>Overnight to 1 month		>1 month to 1 year		>1 year to 3 years		>3 years	
	Jun	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar	**Jun**	Mar
Corporate Funds	**8.6**	8.8	**36%**	39%	**3%**	24%	**45%**	20%	**8%**	9%	**8%**	8%
Margin Funds and cash collateral	**43.2**	37.8	**23%**	29%	**17%**	18%	**56%**	48%	**2%**	3%	**2%**	2%
Clearing House Funds	**4.5**	4.6	**65%**	69%	**18%**	21%	**17%**	10%	**0%**	0%	**0%**	0%
Total	**56.3**	51.2	**28%**	35%	**15%**	19%	**51%**	40%	**3%**	3%	**3%**	3%

Credit exposure is well diversified. The Group's bond portfolio (which includes certain principal-guaranteed structured notes) held is of investment grade and, as at 30 June 2013, had a weighted average credit rating of Aa3 (31 March 2013: Aa3) and a weighted average maturity of 2.7 years (31 March 2013: 2.9 years). Deposits are placed only with the note-issuing banks in Hong Kong, investment grade licensed banks and restricted licence banks approved by the Board from time to time.

Risk management techniques, such as Value-at-Risk (VaR) and portfolio stress testing, are used to identify, measure, monitor and control market risks. VaR measures the expected maximum loss over a given time interval (a holding period of 10 trading days is used by the Group) at a given confidence level (95 per cent confidence interval is adopted by the Group) based on historical data (1 year is used by the Group). The overall risk, as measured by the VaR methodology, during the second quarter of 2013 and the first quarter of 2013 was as follows:

	Average VaR $m		Highest VaR $m		Lowest VaR $m	
	Apr-Jun	Jan-Mar	**Apr-Jun**	Jan-Mar	**Apr-Jun**	Jan-Mar
Corporate Funds	**8.2**	10.9	**9.2**	13.0	**6.8**	7.9
Margin Funds and cash collateral	**0.7**	0.7	**1.0**	0.9	**0.5**	0.6
Clearing House Funds	**<0.1**	<0.1	**0.1**	0.1	**<0.1**	<0.1

Details of the Group's net investment income are set out in the Revenue and Other Income section under the Financial Review.

FINANCIAL REVIEW

Overall Performance

	Note	**Six months ended 30 Jun 2013 $m**	As restated Six months ended 30 Jun 2012 $m	Change
RESULTS				
Revenue and other income:				
Revenue affected by market turnover	(A)	**3,000**	2,381	26%
Stock Exchange listing fees	(B)	**496**	462	7%
Market data fees	(C)	**370**	286	29%
Other revenue	(D)	**297**	244	22%
Net investment income	(E)	**272**	392	(31%)
Sundry income		**5**	5	0%
		4,440	3,770	18%
Operating expenses	(F)	**(1,341)**	(976)	37%
EBITDA		**3,099**	2,794	11%
Depreciation and amortisation	(G)	**(233)**	(56)	316%
Operating profit		**2,866**	2,738	5%
Costs relating to acquisition of LME Group	(H)	**–**	(110)	(100%)
Finance costs	(I)	**(92)**	–	N/A
Share of loss of a joint venture		**(4)**	–	N/A
Profit before taxation		**2,770**	2,628	5%
Taxation	(J)	**(442)**	(412)	7%
Profit attributable to shareholders		**2,328**	2,216	5%

Profit attributable to shareholders increased by 5 per cent or $112 million to $2,328 million in the first six months of 2013 against $2,216 million for the same period in 2012. The increase was mainly due to $267 million of profit contributed by the LME business and increased trading fees due to higher trading volumes on the Stock Exchange and the Futures Exchange that was offset partly by weaker net investment income and higher depreciation and amortisation.

The positive investor sentiment and market momentum of the first quarter of 2013 were undermined in the second quarter by increasing concerns over the possible tapering of quantitative easing by the US Federal Reserve and the slowdown of Mainland China’s economic growth. Nevertheless, the average daily turnover for products (excluding stock options) traded on the Stock Exchange rose by 20 per cent while the average daily number of futures and options contracts traded in the Derivatives Market rose by 12 per cent in the first six months of 2013 against the same period in 2012. Including the trading fees of LME of $436 million (2012: $Nil), market turnover related revenues increased by 26 per cent, or $619 million, to $3,000 million.

Net investment income declined by 31 per cent due to lower fair value gains on investments and a drop in interest income from lower bank deposit rates, that were partially offset by a $108 million fair value gain on investment in LCH.Clearnet shares held by LME.

Operating expenses increased by 37 per cent over the same period last year, or $365 million, to $1,341 million mainly due to the inclusion of $341 million of operating expenses of the LME business (2012: $Nil).

Depreciation and amortisation rose from $56 million in 2012 to $233 million in 2013. Of the $177 million increase, $70 million was related to the fixed assets and IT systems of the LME business and $64 million was attributable to amortisation of customer relationship intangibles arising from the acquisition of the LME Group.

During the six months ended 30 June 2013, the Group incurred $92 million of finance costs for funding the acquisition of the LME Group (2012: $Nil).

Revenue and Other Income

(A) Revenue Affected by Market Turnover

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Trading fees and trading tariff	**1,816**	1,239	47%
Clearing and settlement fees	**839**	723	16%
Depository, custody and nominee services fees	**345**	419	(18%)
Total	**3,000**	2,381	26%

The increase in trading fees and trading tariff of $577 million was mainly attributable to the inclusion of the trading fees of the LME business of $436 million for the six months ended 30 June 2013 (2012: $Nil as the LME Group was acquired in December 2012). The revenue from products traded on the Stock Exchange (excluding stock options) increased by 16 per cent or $128 million, during the period to $950 million (2012: $822 million). The increase was less than the 20 per cent increase in average daily turnover value on the Stock Exchange as there were more exempt ETF trades from market makers and the number of trading days was 2 per cent lower than that in the corresponding period in 2012. The revenue from derivatives contracts traded on the Futures Exchange and stock options only increased by 3 per cent despite 12 per cent higher average daily number of contracts traded mainly due to a higher proportion of trading in lower fee products such as stock options and H-shares Index futures and options during the first six months of 2013.

Clearing and settlement fees are derived predominantly from Stock Exchange transactions. Clearing and settlement fees are also affected by the volume of settlement instructions. Despite being mostly ad valorem, the fees are subject to a minimum and a maximum per transaction, and may not always correlate exactly with changes in the turnover value on the Stock Exchange. In the first six months of 2013, the percentage increase in clearing and settlement fees was lower than that of the average daily turnover value on the Stock Exchange compared with the corresponding period in 2012 as the number of trading days was 2 per cent lower than the corresponding period in 2012 and there was a higher proportion of cross trades which have a fee rate of only 50 per cent of non-cross trades.

Depository, custody and nominee services fees, which mainly comprise scrip fees, corporate action fees, stock custody fees, dividend collection fees, and stock withdrawal fees, decreased primarily due to a drop in scrip fees.

Key Market Indicators

	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012	Change
Average daily turnover value on the Stock Exchange ($bn)	**68.3**	56.7	20%
Average daily number of derivatives contracts traded on the Futures Exchange	**291,171**	265,609	10%
Average daily number of stock options contracts traded on the Stock Exchange	**267,047**	231,856	15%
Average daily volume of metals contracts traded on LME (lots)	**699,863**	641,646*	9%

* HKEx completed the acquisition of the LME Group on 6 December 2012.

(B) Stock Exchange Listing Fees

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Annual listing fees	**235**	232	1%
Initial and subsequent issue listing fees	**259**	228	14%
Others	**2**	2	0%
Total	**496**	462	7%

The increase in annual listing fees was attributable to a higher number of listed companies. The rise in initial and subsequent issue listing fees was mainly due to higher numbers of newly listed DWs and CBBCs which were partly offset by fewer IPOs in the first six months of 2013 compared to the same period in 2012.

Key Drivers for Annual Listing Fees

	At 30 Jun 2013	At 30 Jun 2012	Change
Number of companies listed on Main Board	**1,384**	1,342	3%
Number of companies listed on GEM	**183**	177	3%
Total	**1,567**	1,519	3%

Key Drivers for Initial and Subsequent Issue Listing Fees

	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012	Change
Number of newly listed DWs	**3,564**	2,953	21%
Number of newly listed CBBCs	**4,337**	2,949	47%
Number of newly listed companies on Main Board *	**17**	25	(32%)
Number of newly listed companies on GEM	**6**	7	(14%)
Total equity funds raised on Main Board			
– IPOs ($bn)	**38.8**	30.0	29%
– Post-IPO ($bn)	**94.2**	96.5	(2%)
Total equity funds raised on GEM			
– IPOs ($bn)	**0.9**	0.8	13%
– Post-IPO ($bn)	**2.9**	1.0	190%

* Including 1 transfer from GEM (2012: Nil)

(C) Market Data Fees

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Market data fees	**370**	286	29%

Market data fees increased mainly due to the inclusion of $88 million of market data fees of the LME business that was partly offset by a decline in the volume of certain Cash Market data fees charged on a per quote basis.

(D) Other Revenue

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Network, terminal user, dataline and software sub-license fees	**129**	198	(35%)
Commodities stock levies and warehouse listing fees	**60**	–	N/A
Participants' subscription and application fees	**32**	18	78%
Hosting services	**34**	–	N/A
Brokerage on direct IPO allotments	**6**	–	N/A
Trading booth user fees	**6**	6	0%
Sales of Trading Rights	**4**	9	(56%)
Miscellaneous revenue	**26**	13	100%
Total	**297**	244	22%

Other revenue increased in the first six months of 2013 compared to the same period in 2012 mainly due to $84 million (2012: $Nil) of income generated by the LME business and $34 million (2012: $Nil) of Hosting Services revenue that was partly offset by a decrease in network, terminal user, dataline and software sub-license fees.

Network, terminal user, dataline and software sub-license fees declined mainly due to lower sales of additional throttles and a decrease in Stock Exchange trading network line rental income following the migration of the Group's network services in Hong Kong to SDNet/2 in the second half of 2012. As a result of the migration, EPs can directly contract with accredited vendors for the Stock Exchange trading network line rental services instead of HKEx. There was a corresponding drop in Stock Exchange trading network line rental costs consumed by Participants in the same period under IT and computer maintenance expenses in section (F).

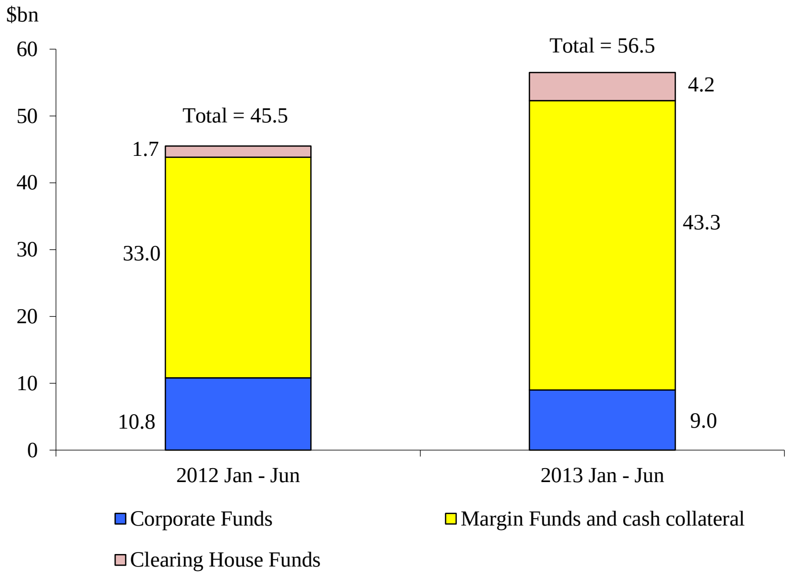
(E) Net Investment Income

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Gross investment income	**274**	393	(30%)
Interest rebates to Participants	**(2)**	(1)	100%
Net investment income	**272**	392	(31%)

Net investment income declined overall by 31 per cent due to lower fair value gains on investments reflecting market movements driven by fears of tapering of quantitative easing by the US Federal Reserve and a drop in interest income from lower bank deposit rates that were partly offset by a $108 million fair value gain on LME's investment in LCH.Clearnet shares.

The average amount of funds available for investment was as follows:

Average Amount of Funds Available for Investment



The increase in the average amount of funds available for investment was due to higher margin deposits from Clearing Participants arising from increases in margin rates and open interest as well as an increase in Clearing House Funds following the introduction of a dynamic guarantee fund for HKSCC. Corporate Funds have reduced as the acquisition of the LME Group was partly funded by Corporate Funds.

The movements in net investment income by Funds were as follows:

Net investment income by Funds

The lower net investment income and return on Corporate Funds in 2013 was attributable to fair value losses on fixed income investments compared to gains in the corresponding period in 2012, lower fair value gains on equities and structured investments and a drop in interest income from lower bank deposit rates and reduced fund size. This was partly offset by the fair value gain of $108 million on LME's investment in LCH.Clearnet shares.

The lower net investment income and return of the Margin Funds and cash collateral in 2013 were mainly due to a decrease in net fair value gains on investments (including certain principal-guaranteed structured notes) and a drop in interest income from lower bank deposit rates.

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

Details of the investment portfolio are set out in the Treasury section under the Business Review.

Expenses, Other Costs and Taxation

(F) Operating Expenses

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Staff costs and related expenses	**755**	593	27%
IT and computer maintenance expenses	**250**	158	58%
Premises expenses	**149**	120	24%
Product marketing and promotion expenses	**14**	13	8%
Legal and professional fees	**55**	23	139%
Other operating expenses	**118**	69	71%
Total	**1,341**	976	37%

Staff costs and related expenses increased by $162 million to $755 million, of which $132 million (2012: $Nil) was attributable to the LME business. The remainder of the increase was mainly due to salary adjustments to keep up with the market trend and an increase in performance bonus accrual in 2013 compared with 2012.

For IT and computer maintenance expenses, excluding costs of services and goods directly consumed by the Participants of $35 million (2012: $81 million), the amount consumed by the Group was $215 million (2012: $77 million), of which $134 million (2012: $Nil) was related to the LME business. The decrease in costs of services and goods directly consumed by the Participants was mainly due to lower Stock Exchange trading network line rental costs following the migration of the Group's network services in Hong Kong to SDNet/2 in the second half of 2012. Following the migration, Participants can directly contract with accredited vendors for the Stock Exchange trading network line rental services instead of HKEx. There was a corresponding drop in Stock Exchange trading network line rental income under Other Revenue in section (D).

Premises expenses went up by $29 million to $149 million, of which $13 million (2012: $Nil) was attributable to the LME business. The rest of the increase was mainly due to higher rent upon the renewal of certain leases, the lease of additional office premises to accommodate the increased headcount and higher utility costs of the Data Centre.

Legal and professional fees increased by $32 million to $55 million due to fees incurred by LME for implementing strategic projects.

Other operating expenses rose by $49 million to $118 million. The increase was mainly due to the inclusion of $27 million of expenses incurred by the LME business in 2013 (2012: $Nil), operations of the Data Centre, where phase one of the construction was completed in September 2012, and higher bank facility fees to increase the amount of committed facilities from $4,000 million at 30 June 2012 to $8,000 million at 30 June 2013 to further enhance the Group's liquidity.

(G) Depreciation and Amortisation

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Depreciation and amortisation	**233**	56	316%

Depreciation and amortisation increased by $177 million to $233 million mainly due to depreciation of the Data Centre, where phase one of the construction was completed in September 2012, depreciation and amortisation of LME's fixed assets and IT systems of $70 million (2012: $Nil), and amortisation of customer relationship intangibles arising from the acquisition of the LME Group of $64 million (2012: $Nil).

(H) Costs relating to Acquisition of LME Group

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Costs relating to acquisition of LME Group	**–**	110	(100%)

During the first six months of 2012, the Group incurred legal and professional fees of $108 million and other costs of $2 million for the acquisition of the LME Group. No such costs were incurred by the Group during the first six months of 2013.

(I) Finance Costs

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Finance costs	**92**	–	N/A

The finance costs were related to the convertible bonds issued and bank borrowing used to fund part of the consideration for the acquisition of the LME Group.

(J) Taxation

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Change
Taxation	**442**	412	7%

Taxation rose mainly due to a higher profit before taxation and a higher tax rate on LME's profit.

Comparison of 2013 Second Quarter Performance with 2013 First Quarter Performance

	Three months ended 30 Jun 2013 $m	Three months ended 31 Mar 2013 $m	Change
Revenue and other income:			
Revenue affected by market turnover:			
Trading fees and trading tariff	**894**	922	(3%)
Clearing and settlement fees	**408**	431	(5%)
Depository, custody and nominee services fees	**276**	69	300%
	1,578	1,422	11%
Stock Exchange listing fees	**241**	255	(5%)
Market data fees	**182**	188	(3%)
Other revenue	**157**	140	12%
Net investment income	**56**	216	(74%)
Sundry income	**4**	1	300%
	2,218	2,222	(0%)
Operating expenses	**(672)**	(669)	0%
EBITDA	**1,546**	1,553	(0%)
Depreciation and amortisation	**(117)**	(116)	1%
Operating profit	**1,429**	1,437	(1%)
Finance costs	**(43)**	(49)	(12%)
Share of loss of a joint venture	**(2)**	(2)	0%
Profit before taxation	**1,384**	1,386	(0%)
Taxation	**(214)**	(228)	(6%)
Profit attributable to shareholders	**1,170**	1,158	1%

Profit attributable to shareholders rose slightly from $1,158 million in the first quarter of 2013 to $1,170 million in the second quarter. The increase was mainly driven by higher depository, custody and nominee services fees, which were offset partly by a decline in net investment income.

Trading and clearing fees fell in the second quarter mainly due to lower turnover on the Cash Market. Depository, custody and nominee services fees rose significantly as a result of an increase in scrip fee income due to seasonal fluctuations.

Net investment income dropped in the second quarter mainly due to net fair value losses on equities and fixed income investments in the second quarter of 2013 reflecting market movements driven by fears of tapering of quantitative easing by the US Federal Reserve, compared to net fair value gains in the first quarter.

Key Market Indicators

	Three months ended 30 Jun 2013	Three months ended 31 Mar 2013	Change
Average daily turnover value on the Stock Exchange ($bn)	**62.3**	74.4	(16%)
Average daily number of derivatives contracts traded on the Futures Exchange	**307,496**	274,571	12%
Average daily number of stock options contracts traded on the Stock Exchange	**256,162**	278,115	(8%)
Average daily volume of metals contracts traded on LME (lots)	**732,811**	666,914	10%

Working Capital

Working capital rose by $1,150 million or 22 per cent to $6,390 million as of 30 June 2013 (31 December 2012: $5,240 million). The increase was primarily due to the profit of $2,328 million generated during the six months ended 30 June 2013, which was partly offset by the payment of the 2012 final dividend, net of scrip dividend, of $1,139 million in May 2013.

At 30 June 2013, the Group had floating rate borrowings of $3,103 million from a bank (31 December 2012: $3,100 million) and $3,562 million from fixed rate convertible bonds issued (31 December 2012: $3,515 million) with an annual coupon of 0.5 per cent that mature in 2017, which were both denominated in USD and used to fund part of the consideration for the acquisition of the LME Group.

At 30 June 2013, the Group had a gearing ratio (ie, net debt divided by adjusted capital) of 3 per cent (31 December 2012: 15 per cent). For this purpose, net debt is defined as bank borrowings and convertible bonds (total borrowings) less cash and cash equivalents of Corporate Funds, and adjusted capital as all components of shareholders’ equity other than designated reserves.

Banking facilities have been put in place for contingency purposes. During the first half of 2013, the Group secured additional facilities (which were executed in April 2013), bringing the total committed banking facilities to $8,000 million (31 December 2012: $7,000 million). The repurchase facilities were reduced to $7,000 million (31 December 2012: $9,000 million) as they were in excess of the Group’s total bond investments eligible for repurchase transactions and could not therefore be fully utilised.

The Group also put in place foreign exchange facilities for the RMB Trading Support Facility to support the trading of RMB stocks. At 30 June 2013, the total amount of the facilities was RMB17,000 million (31 December 2012: RMB17,000 million).

At 30 June 2013, 91 per cent (31 December 2012: 92 per cent) of the Group’s cash and cash equivalents (comprising cash on hand, bank balances, and time deposits within 3 months of maturity when acquired) were denominated in HKD or USD.

Capital Expenditures and Commitments

During the first six months of 2013, the Group incurred capital expenditures of $277 million (2012: $572 million) which were mainly related to the Data Centre, development of a new market data system and a commodities clearing system, and upgrade and enhancement of various IT systems.

The Group's capital expenditure commitments at 30 June 2013, including those authorised by the Board but not yet contracted for, amounted to $1,086 million (31 December 2012: $832 million) and were mainly related to the relocation of the primary data centres to the Data Centre, the development of Hosting Services, a new market data system, clearing systems for OTC derivatives and commodities, the OCG for the Cash Market, and the upgrade and enhancement of the Derivatives Market trading and clearing systems as well as various IT systems. The Group has adequate resources to fund its capital expenditure commitments.

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 any material acquisitions or disposals of subsidiaries during the period under review. Apart from those disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Charges on Assets

None of the Group's assets was pledged as of 30 June 2013 or 31 December 2012.

Exposure to Fluctuations in Exchange Rates and Related Hedges

In respect of its funds available for investment in Hong Kong, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts have been used to hedge the currency exposure of the Group's non-HKD investments to mitigate risks arising from fluctuations in exchange rates.

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

LME is exposed to foreign exchange risk arising from revenues and investments denominated in foreign currencies (mainly USD and Euro). Its risk management policy in the normal course of events is to convert non-GBP currencies into GBP as soon as deemed appropriate. However, some may be held to hedge other GBP/USD exposures within the Group. Forward foreign exchange contracts also may be used to hedge LME's currency exposure resulting from its foreign currency revenues.

At 30 June 2013, the aggregate net open foreign currency positions amounted to HK$1,858 million, of which HK$401 million was non-USD exposure (31 December 2012: HK$2,702 million, of which HK$1,112 million was non-USD exposure) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$1,159 million (31 December 2012: HK$1,114 million). All forward foreign exchange contracts will mature within 2 months (31 December 2012: 3 months).

Contingent Liabilities

At 30 June 2013, the Group's material contingent liabilities were as follows:

(a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding $71 million (31 December 2012: $71 million). Up to 30 June 2013, 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 507 trading Participants covered by the indemnity at 30 June 2013 (31 December 2012: 511) defaulted, the maximum contingent liability of the Group under the indemnity would amount to $101 million (31 December 2012: $102 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.

Changes since 31 December 2012

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2012.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS

Compliance with Corporate Governance Code

Throughout the six months ended 30 June 2013, HKEx complied with all Code Provisions and, where appropriate, adopted the Recommended Best Practices set out in the Corporate Governance Code, with the exceptions of Code Provisions A.4.1 (re-election of non-executive directors) and A.4.2 (retirement by rotation of directors).

The Government Appointed Directors, all being non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by Section 77 of the SFO. The term of office of HKEx's Chief Executive in his capacity as a Director is, pursuant to Article 90(4) of HKEx's Articles of Association, coterminous with his employment with HKEx, and he is not subject to retirement by rotation.

Sustainable Workplace

As part of a continued effort to develop a sustainable workplace, the Group organised 49 in-house courses attracting about 1,400 participants during the reporting period, which served to enhance employees' job knowledge, skills and well-being. Moreover, the Group sponsored a total of 158 employees to attend external seminars. A group of 67 employees had participated in the HKEx e-learning scheme.

As at the end of June 2013, the Group had 1,215 employees, including 69 temporary staff. HKEx's remuneration policy has remained unchanged since the 2012 Annual Report.

ESG Recognition and Disclosure

While HKEx continues to be included in the Euronext Vigeo World 120 Index and the FTSE4Good Index Series, it also received the 2013 ET Carbon Ranking Leader Award from the Environmental Investment Organisation in April 2013 and was named as one of the Icons on Corporate Governance in the 2013 Corporate Governance Asia Recognition Awards in June 2013.

In addition to giving an account of its ESG performance in annual CSR reports, which are available on the HKEx website, HKEx has continued to support initiatives to promote CSR. Recent examples include participation in the 2013 Carbon Disclosure Project and contribution to the Government's online carbon footprint repository for companies listed in Hong Kong, which demonstrated HKEx's commitment to a high level of accountability and transparency.

Details of HKEx's ESG principles and practices are set out in the About HKEx – Corporate Governance and Corporate Social Responsibility sections of the HKEx website.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**Six months ended 30 Jun 2013 $m**	As restated Six months ended 30 Jun 2012 $m	**Three months ended 30 Jun 2013 $m**	As restated Three months ended 30 Jun 2012 $m
Trading fees and trading tariff		**1,816**	1,239	**894**	580
Stock Exchange listing fees		**496**	462	**241**	218
Clearing and settlement fees		**839**	723	**408**	334
Depository, custody and nominee services fees		**345**	419	**276**	338
Market data fees		**370**	286	**182**	139
Other revenue	3	**297**	244	**157**	117
REVENUE AND TURNOVER	2	**4,163**	3,373	**2,158**	1,726
Investment income		**274**	393	**57**	165
Interest rebates to Participants		**(2)**	(1)	**(1)**	–
Net investment income	4	**272**	392	**56**	165
Sundry income		**5**	5	**4**	4
REVENUE AND OTHER INCOME		**4,440**	3,770	**2,218**	1,895
OPERATING EXPENSES					
Staff costs and related expenses		**(755)**	(593)	**(373)**	(299)
IT and computer maintenance expenses		**(250)**	(158)	**(127)**	(78)
Premises expenses		**(149)**	(120)	**(75)**	(63)
Product marketing and promotion expenses		**(14)**	(13)	**(9)**	(7)
Legal and professional fees		**(55)**	(23)	**(28)**	(13)
Other operating expenses		**(118)**	(69)	**(60)**	(32)
		(1,341)	(976)	**(672)**	(492)
EBITDA		**3,099**	2,794	**1,546**	1,403
Depreciation and amortisation		**(233)**	(56)	**(117)**	(27)
OPERATING PROFIT		**2,866**	2,738	**1,429**	1,376
Costs relating to acquisition of LME Group		–	(110)	–	(91)
Finance costs	5	**(92)**	–	**(43)**	–
Share of loss of a joint venture		**(4)**	–	**(2)**	–
PROFIT BEFORE TAXATION	2	**2,770**	2,628	**1,384**	1,285
TAXATION	6	**(442)**	(412)	**(214)**	(217)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		**2,328**	2,216	**1,170**	1,068
Basic earnings per share	7(a)	**$2.03**	$2.05	**$1.02**	$0.99
Diluted earnings per share	7(b)	**$2.02**	$2.04	**$1.02**	$0.98

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	**Three months ended 30 Jun 2013 $m**	Three months ended 30 Jun 2012 $m
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	**2,328**	2,216	**1,170**	1,068
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences of foreign subsidiaries recorded in exchange reserve	**(1,178)**	–	**(36)**	–
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS	**(1,178)**	–	**(36)**	–
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS	**1,150**	2,216	**1,134**	1,068

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		At 30 Jun 2013			At 31 Dec 2012		
	Note	Current $m	Non-current $m	Total $m	Current $m	Non-current $m	Total $m
ASSETS							
Cash and cash equivalents	9	**42,285**	**–**	**42,285**	34,077	–	34,077
Financial assets measured at fair value through profit or loss	9	**3,789**	**131**	**3,920**	4,369	123	4,492
Financial assets measured at amortised cost	9	**10,327**	**132**	**10,459**	8,442	131	8,573
Accounts receivable, prepayments and deposits	9, 10	**10,272**	**7**	**10,279**	13,689	7	13,696
Interest in a joint venture		**–**	**93**	**93**	–	97	97
Goodwill and other intangible assets		**–**	**17,033**	**17,033**	–	18,183	18,183
Fixed assets		**–**	**1,668**	**1,668**	–	1,675	1,675
Lease premium for land		**–**	**24**	**24**	–	24	24
Deferred tax assets		**–**	**32**	**32**	–	20	20
Total assets		**66,673**	**19,120**	**85,793**	60,577	20,260	80,837
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits and cash collateral from Clearing Participants	9	**43,191**	**–**	**43,191**	36,786	–	36,786
Accounts payable, accruals and other liabilities	11	**12,258**	**18**	**12,276**	15,818	20	15,838
Deferred revenue		**358**	**–**	**358**	530	–	530
Taxation payable		**474**	**–**	**474**	178	–	178
Other financial liabilities		**121**	**–**	**121**	57	–	57
Participants' contributions to Clearing House Funds	9	**3,836**	**–**	**3,836**	1,924	–	1,924
Borrowings	12	**–**	**6,665**	**6,665**	–	6,615	6,615
Provisions		**45**	**49**	**94**	44	45	89
Deferred tax liabilities		**–**	**944**	**944**	–	1,056	1,056
Total liabilities		**60,283**	**7,676**	**67,959**	55,337	7,736	63,073
Equity							
Share capital				**1,154**			1,150
Share premium				**9,268**			8,731
Shares held for Share Award Scheme				**(261)**			(305)
Employee share-based compensation reserve				**131**			122
Exchange reserve				**(989)**			189
Convertible bond reserve				**409**			409
Designated reserves				**585**			587
Retained earnings	13			**7,537**			6,881
Shareholders' funds				**17,834**			17,764
Total liabilities and equity				**85,793**			80,837
Net current assets				**6,390**			5,240
Total assets less current liabilities				**25,510**			25,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements should be read in conjunction with the 2012 annual consolidated financial statements. Except as described below and the change in operating segments as described in note 2 to the condensed consolidated financial statements, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2012.

Adoption of new/revised Hong Kong Financial Reporting Standards (HKFRSs)

In 2013, the Group has adopted the following new/revised HKFRSs:

Amendments to HKFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Annual Improvements to HKFRSs 2009 – 2011 Cycle

The amendments to HKFRS 7 require disclosure for financial assets and financial liabilities that are (i) offset in the statement of financial position; or (ii) subject to master netting arrangements or similar arrangements irrespective of whether they are offset. The adoption of amendments to HKFRS 7 only affects disclosures relating to offsetting financial assets and financial liabilities in the Group's condensed consolidated financial statements.

The Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. Of these, the following 3 amendments to Hong Kong Accounting Standards (HKASs) are pertinent to the Group's operations:

Amendments to HKAS 16	Property, Plant and Equipment
Amendments to HKAS 32	Financial Instruments: Presentation
Amendments to HKAS 34	Interim Financial Reporting

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as fixed assets when they are used for more than one period and as inventory otherwise. The adoption of the amendments to HKAS 16 does not have a material financial impact to the Group as the spare parts and equipment held by the Group are immaterial.

The amendments to HKAS 32 clarify that income tax relating to distributions to holders of equity instrument should be recognised in profit or loss and income tax relating to transaction costs of an equity transaction should be recognised in equity. The adoption of the amendments to HKAS 32 does not have any financial impact to the Group as it currently does not have distributions subject to tax or costs of equity transactions that are tax-deductible.

Following the amendments to HKAS 34, the disclosure of total liabilities for a particular reportable segment is required in the interim financial statements if such information is regularly provided to the chief operating decision-maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The adoption of the amendments to HKAS 34 does not have any impact to the Group as information relating to segment liabilities is not regularly reported to the chief operating decision-maker.

The Group has applied the above new/revised HKFRSs retrospectively.

Change in presentation of the condensed consolidated statement of comprehensive income

Prior to the acquisition of the LME Group, the Group did not have any other comprehensive income and presented all items of income and expense in a single statement – consolidated statement of comprehensive income. Following this acquisition, more items of other comprehensive income are expected to arise from the Group's enlarged operations and from 2013 onwards, the Group has therefore decided to separately present a consolidated income statement and a consolidated statement of comprehensive income.

Also, from 2013 onwards, an additional subtotal for EBITDA has been included in the consolidated income statement, which is a non-HKFRS measure used by management as a measure for monitoring business performance.

2. Operating Segments

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision-maker. Effective from January 2013, the Group's reportable segments have been reorganised as explained below.

In 2012, the Group had 5 reportable segments:

The **Cash Market** segment mainly referred to the operations of the Stock Exchange, which cover all products traded on the Cash Market platforms, such as equities, CBBCs and DWs. The major sources of revenue of the segment were trading fees, trading tariff and listing fees. Results of the Listing Function were included in the Cash Market.

The **Derivatives Market** segment referred to the derivatives products traded on the Futures Exchange and stock options traded on the Stock Exchange. Its revenue and other income mainly comprised trading fees, trading tariff and net investment income on the Margin Funds on derivatives contracts invested.

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

The **Clearing** segment referred to the operations of the 3 clearing houses, namely HKSCC, SEOCH and HKCC, which are responsible for clearing, settlement and custodian activities of the Cash and Derivatives Markets operated by the Group. Its revenue and other income were derived primarily from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Clearing House Funds and Margin Funds and cash collateral from HKSCC CPs.

The **Market Data** segment was responsible for developing, promoting, compiling and sales of real-time, historical as well as statistical market data and issuer information. Its revenue comprised primarily market data fees of the Cash and Derivatives Markets.

Central income (mainly net investment income of the Corporate Funds) and central costs (mainly costs of support functions that centrally provided services to all of the operating segments and other costs not directly related to any of the operating segments) were included as "Corporate Items". Costs of developing new business initiatives incurred before launch were absorbed as support function costs under "Corporate Items".

Following the acquisition of the LME Group in December 2012, the Group underwent an internal reorganisation to better align its business activities to its strategic objective of becoming a vertically and horizontally integrated multi-asset class exchange. As a result, the reportable segments have been reorganised. After the reorganisation, effective from January 2013, the Group has 5 reportable segments ("Corporate Items" is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different IT systems and marketing strategies. The operations in each of the Group's new reportable segments are as follows:

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

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

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

The **Clearing** segment refers to the operations of the 3 clearing houses, namely HKSCC, SEOCH and HKCC, which are responsible for clearing, settlement and custodian activities of the Stock Exchange and the Futures Exchange, and the development and operations of the new clearing houses for clearing OTC derivatives contracts (OTC Clear) and clearing base metals futures and options contracts traded on LME (LME Clear). Its revenue and other income are derived primarily from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Margin Funds and cash collateral and Clearing House Funds.

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

Central income (mainly net investment income of the Corporate Funds) and central costs (mainly costs of support functions that centrally provide services to all of the operating segments, finance costs and other costs not directly related to any of the operating segments) are included as "Corporate Items". Costs of developing new business initiatives before launch (such as OTC Clear and LME Clear) are included under the respective reportable segments.

Comparative figures have been restated to conform to the current period's presentation.

The chief operating decision-maker assesses the performance of the operating segments principally based on their EBITDA. An analysis of the Group's EBITDA and profit before taxation for the period by operating segment is as follows:

	Six months ended 30 Jun 2013						
	Cash $m	**Equity and Financial Derivatives $m**	**Commodities $m**	**Clearing $m**	**Platform and Infrastructure $m**	**Corporate Items $m**	**Group $m**
Revenue from external customers	**1,233**	**870**	**608**	**1,282**	**168**	**2**	**4,163**
Net investment income	–	–	–	**159**	–	**113**	**272**
Sundry income	–	–	–	**5**	–	–	**5**
Revenue and other income	**1,233**	**870**	**608**	**1,446**	**168**	**115**	**4,440**
Operating expenses	**(227)**	**(222)**	**(224)**	**(277)**	**(63)**	**(328)**	**(1,341)**
Reportable segment EBITDA	**1,006**	**648**	**384**	**1,169**	**105**	**(213)**	**3,099**
Depreciation and amortisation	**(24)**	**(21)**	**(132)**	**(29)**	**(19)**	**(8)**	**(233)**
Finance costs	–	–	–	–	–	**(92)**	**(92)**
Share of loss of a joint venture	–	**(4)**	–	–	–	–	**(4)**
Reportable segment profit before taxation	**982**	**623**	**252**	**1,140**	**86**	**(313)**	**2,770**

	As restated Six months ended 30 Jun 2012						
	Cash $m	Equity and Financial Derivatives $m	Commodities $m	Clearing $m	Platform and Infrastructure $m	Corporate Items $m	Group $m
Revenue from external customers	1,115	840	–	1,214	204	–	3,373
Net investment income	–	–	–	232	–	160	392
Sundry income	–	–	–	5	–	–	5
Revenue and other income	1,115	840	–	1,451	204	160	3,770
Operating expenses	(235)	(209)	–	(202)	(102)	(228)	(976)
Reportable segment EBITDA	880	631	–	1,249	102	(68)	2,794
Depreciation and amortisation	(18)	(12)	–	(22)	–	(4)	(56)
Costs relating to acquisition of LME Group	–	–	–	–	–	(110)	(110)
Reportable segment profit before taxation	862	619	–	1,227	102	(182)	2,628

3. Other Revenue

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	**Three months ended 30 Jun 2013 $m**	Three months ended 30 Jun 2012 $m
Network, terminal user, dataline and software sub-license fees	**129**	198	**67**	95
Commodities stock levies and warehouse listing fees	**60**	–	**33**	–
Participants' subscription and application fees	**32**	18	**16**	9
Hosting services	**34**	–	**18**	–
Brokerage on direct IPO allotments	**6**	–	**5**	–
Trading booth user fees	**6**	6	**3**	3
Sales of Trading Rights	**4**	9	**1**	4
Miscellaneous revenue	**26**	13	**14**	6
	297	244	**157**	117

4. Net Investment Income

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	**Three months ended 30 Jun 2013 $m**	Three months ended 30 Jun 2012 $m
Gross interest income	**165**	182	**86**	92
Interest rebates to Participants	**(2)**	(1)	**(1)**	–
Net interest income	**163**	181	**85**	92
Net fair value gains/(losses) including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	**117**	203	**(32)**	67
Others	**(8)**	8	**3**	6
Net investment income	**272**	392	**56**	165

5. Finance Costs

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Three months ended 30 Jun 2013 $m	Three months ended 30 Jun 2012 $m
Interest expenses on borrowings	**90**	–	**46**	–
Net foreign exchange losses/(gains) on financing activities	**2**	–	**(3)**	–
	92	–	**43**	–

6. Taxation

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

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	Three months ended 30 Jun 2013 $m	Three months ended 30 Jun 2012 $m
Current tax - Hong Kong Profits Tax	**401**	412	**209**	212
Current tax - Overseas Tax	**100**	–	**76**	–
	501	412	**285**	212
Deferred taxation	**(59)**	–	**(71)**	5
	442	412	**214**	217

Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2012: 16.5 per cent) and overseas profits tax at the rates of taxation prevailing in the countries in which the Group operates.

7. Earnings Per Share

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

(a) Basic earnings per share

	Six months ended 30 Jun 2013	As restated Six months ended 30 Jun 2012	Three months ended 30 Jun 2013	As restated Three months ended 30 Jun 2012
Profit attributable to shareholders ($m)	**2,328**	2,216	**1,170**	1,068
Weighted average number of shares in issue less shares held for Share Award Scheme (in ’000)	**1,148,265**	1,082,497	**1,149,072**	1,082,740
Basic earnings per share ($)	**2.03**	2.05	**1.02**	0.99

(b) Diluted earnings per share

	Six months ended 30 Jun 2013	As restated Six months ended 30 Jun 2012	**Three months ended 30 Jun 2013**	As restated Three months ended 30 Jun 2012
Profit attributable to shareholders ($m)	**2,328**	2,216	**1,170**	1,068
Weighted average number of shares in issue less shares held for Share Award Scheme (in ’000)	**1,148,265**	1,082,497	**1,149,072**	1,082,740
Effect of employee share options (in ’000)	**734**	838	**719**	822
Effect of Awarded Shares (in ’000)	**2,221**	2,083	**2,110**	1,984
Weighted average number of shares for the purpose of calculating diluted earnings per share (in ’000)	**1,151,220**	1,085,418	**1,151,901**	1,085,546
Diluted earnings per share ($)	**2.02**	2.04	**1.02**	0.98

(i) The effects of the outstanding convertible bonds were not included in the computation of diluted earnings per share for the six months and three months ended 30 June 2013 as they were anti-dilutive.

(ii) In December 2012, 65,705,000 HKEx shares were issued upon placement at a discount. The effects of the bonus element of the share placement have been included within the calculation of basic and diluted earnings per share for the six months and three months ended 30 June 2012 retrospectively, which increased the weighted average number of ordinary shares for the six months and three months ended 30 June 2012 by 4,564,000 and 4,565,000 respectively.

8. Dividends

	Six months ended 30 Jun 2013 $m	Six months ended 30 Jun 2012 $m	**Three months ended 30 Jun 2013 $m**	Three months ended 30 Jun 2012 $m
Interim dividend declared of $1.82 (2012: $1.85) per share at 30 Jun	**2,100**	2,000	**2,100**	2,000
Less: Dividend for shares held by Share Award Scheme at 30 Jun	**(4)**	(4)	**(4)**	(4)
	2,096	1,996	**2,096**	1,996

9. Financial Assets

The Group's financial assets comprised financial assets of the Clearing House Funds, Margin Funds and cash collateral, and Corporate Funds. The amounts attributable to the respective Funds were as follows:

	At 30 Jun 2013 $m	At 31 Dec 2012 $m
Clearing House Funds		
Cash and cash equivalents	**4,311**	2,325
Financial assets measured at amortised cost	**209**	217
	4,520	2,542
Margin Funds and cash collateral		
Cash and cash equivalents	**31,763**	27,717
Financial assets measured at fair value through profit or loss	**1,792**	2,186
Financial assets measured at amortised cost	**9,628**	6,880
Accounts receivable, prepayments and deposits	**8**	3
	43,191	36,786
Corporate Funds		
Cash and cash equivalents	**6,211**	4,035
Financial assets measured at fair value through profit or loss	**2,128**	2,306
Financial assets measured at amortised cost	**622**	1,476
	8,961	7,817
	56,672	47,145

10. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's CNS money obligations receivable under the T+2 settlement cycle, which accounted for 90 per cent (31 December 2012: 93 per cent) of the total accounts receivable, prepayments and deposits. CNS money obligations receivable mature within 2 days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

11. 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 75 per cent (31 December 2012: 80 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within 3 months.

12. Borrowings

	At 30 Jun 2013 $m	At 31 Dec 2012 $m
Bank borrowings	**3,103**	3,100
Convertible bonds	**3,562**	3,515
Total borrowings	**6,665**	6,615

During the six months ended 30 June 2013, there were no repayments of the bank borrowings, and none of the convertible bonds were redeemed or converted.

13. Retained Earnings (Including Proposed Dividend)

	2013 $m	2012 $m
At 1 Jan	**6,881**	7,053
Profit attributable to shareholders	**2,328**	4,084
Transfer from/(to) Clearing House Funds reserves	**2**	(10)
Dividends:		
2012/2011 final dividend	**(1,675)**	(2,252)
2012 interim dividend	**–**	(1,996)
Unclaimed HKEx dividends forfeited	**5**	7
Vesting of shares of Share Award Scheme	**(4)**	(5)
At 30 Jun 2013/31 Dec 2012	**7,537**	6,881
Representing:		
Retained earnings	**5,441**	5,206
Proposed dividend	**2,096**	1,675
At 30 Jun 2013/31 Dec 2012	**7,537**	6,881

14. Events after the Reporting Period

LME, a wholly-owned subsidiary of HKEx, has, at the date of this announcement, been named as a co-defendant in 4 class actions filed in the US in early August 2013 (with LMEH named as co-defendant in 1 lawsuit). The claims are similar in nature and seek damages and injunctive relief with respect to anti-competitive and monopolistic behaviour in the warehousing market in connection with aluminium prices. In light of the class action nature of the complaints, it is not uncommon for additional follow-up suits of a similar nature to be filed in the US once a class action has commenced.

LME is currently seeking legal advice in relation to the legal proceedings.

Due to the preliminary nature of the proceedings, LME does not currently have sufficient information to estimate the financial effect (if any) relating to the class actions, the timing of the ultimate resolution of the actions, or what the eventual outcomes might be. However, LME management's initial assessment is that the suits are without merit and LME will contest them vigorously.

REVIEW OF FINANCIAL STATEMENTS

Disclosure of financial information in this announcement complies with Appendix 16 to the Main Board Listing Rules. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2013 in conjunction with HKEx's external and internal auditors.

INTERIM DIVIDEND

The Board has declared an interim dividend of $1.82 per share (2012: $1.85 per share), amounting to a total of about $2.1 billion (2012: $2.0 billion) for the year ending 31 December 2013 which includes dividends of about $4 million (2012: $4 million) for shares held in trust under the Share Award Scheme.

SCRIP DIVIDEND ALTERNATIVE

The interim dividend will be payable in cash with a scrip dividend alternative to Shareholders whose names appear on the ROM on Friday, 30 August 2013. The scrip dividend alternative is conditional upon the SFC's granting the listing of, and permission to deal in, new shares of HKEx to be issued pursuant thereto.

A circular containing details of the scrip dividend alternative together with an election form will be despatched to Shareholders on or about Thursday, 5 September 2013. Definitive share certificates in respect of the scrip dividend and dividend warrants will be despatched to Shareholders on or about Monday, 30 September 2013.

CLOSURE OF REGISTER OF MEMBERS

The ROM will be closed and no transfer of shares will be registered from Thursday, 29 August 2013 to Friday, 30 August 2013, both dates inclusive, for the purpose of determining Shareholders' respective entitlements to the interim dividend.

To qualify for the 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, Wanchai, Hong Kong no later than 4:30 pm on Wednesday, 28 August 2013.

PURCHASE, SALE OR REDEMPTION OF HKEx'S LISTED SECURITIES

During the six months ended 30 June 2013, neither HKEx nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Scheme, purchased on the Exchange a total of 19,300 HKEx shares at a total consideration of about $2.7 million.

PUBLICATION OF 2013 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKExnews website at www.hkexnews.hk and the HKEx website at www.hkex.com.hk/eng/exchange/invest/results/2013Results.htm. The 2013 Interim Report will be available on the HKExnews and HKEx websites, and despatched to Shareholders on or about Thursday, 29 August 2013.

BOARD OF DIRECTORS

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

By Order of the Board
Hong Kong Exchanges and Clearing Limited
CHOW Chung Kong
Chairman

Hong Kong, 15 August 2013

GLOSSARY

AHFT	After-Hours Futures Trading
Awarded Shares	Shares awarded under the Share Award Scheme
Board	HKEx's board of directors
Cash Market	HKEx's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CCASS	The Central Clearing and Settlement System
CES 120	CES China 120 Index
CESC	China Exchanges Services Company Limited
CNH	RMB traded in Hong Kong
CNS	Continuous Net Settlement
Corporate Governance Code	Refers to Appendix 14 to the Main Board Listing Rules
CPs	Clearing Participants
CSI	China Securities Index Company Limited
CSR	Corporate Social Responsibility
Data Centre	HKEx's data centre in Tseung Kwan O, Hong Kong
DCASS	The Derivatives Clearing and Settlement System
Derivatives Market	HKEx's derivatives related business including stock options
Director(s)	HKEx's director(s)
Dual Counter	Two counters (one RMB counter and one HKD counter) for trading and settlement purposes
DWs	Derivative Warrants
EP(s) or Participant(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
Euro	The official currency of the Eurozone
GBP	Pound sterling
GEM	The Growth Enterprise Market
Government	Government of the Hong Kong Special Administrative Region of the People's Republic of China
Government Appointed Directors	Directors appointed by the Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China pursuant to Section 77 of the SFO
Group	HKEx and its subsidiaries
HKATS	The Hong Kong Futures Automated Trading System
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKFE or the Futures Exchange	Hong Kong Futures Exchange Limited
HKSCC	Hong Kong Securities Clearing Company Limited
H-shares Index or HSCEI	Hang Seng China Enterprises Index
HSI	Hang Seng Index
IPO(s)	Initial Public Offering(s)
ISIs	Investor SIs
IT	Information Technology
IVs	Information Vendors
LCH.Clearnet	LCH.Clearnet Group Limited
Listing Rules or Rule(s)	Main Board Listing Rules and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
LME	The London Metal Exchange
LME Clear	LME Clear Limited
LME Group	LMEH and its subsidiaries
LMEH	LME Holdings Limited

LMEselect	The electronic platform for the trading of all LME contracts
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MMDH	Mainland Market Data Hub
MOU(s)	Memorandum(s) of Understanding
OCASS	OTC clearing and settlement system
OCG	HKEx Orion Central Gateway
OMD	HKEx Orion Market Data Platform
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
REITs	Real Estate Investment Trusts
RMB	Renminbi
ROM	HKEx's Register of Members
SDNet	The Securities and Derivatives Network
SEHK or the Exchange or the Stock Exchange	The Stock Exchange of Hong Kong Limited
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)
Shareholders	HKEx's shareholders
Share Award Scheme or the Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006 and 13 May 2010
SIs	Settlement Instructions
UK	United Kingdom
US	United States of America
USD	United States dollar
$/HK$/HKD	Hong Kong dollar
$bn/bn	Hong Kong dollar in billion/billion
$m/m	Hong Kong dollar in million/million