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

Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

(Unaudited)

As at 12 August 2015, the board of directors of Hong Kong Exchanges and Clearing Limited (HKEx) comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, Ms FUNG Yuen Mei, Anita, Mr Rafael GIL-TIENDA, Mr John Barrie HARRISON, Dr HU Zuli, Fred, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mrs LEUNG KO May Yee, Margaret, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEx's Chief Executive.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Trading fees and trading tariff	3	2,941	1,765
Stock Exchange listing fees		564	541
Clearing and settlement fees		1,676	843
Depository, custody and nominee services fees		483	379
Market data fees		386	382
Other revenue		407	353
REVENUE	2	6,457	4,263
Investment income		402	351
Interest rebates to Participants		(11)	(2)
Net investment income	4	391	349
Sundry income		5	9
REVENUE AND OTHER INCOME		6,853	4,621
OPERATING EXPENSES			
Staff costs and related expenses	5	(1,034)	(822)
Information technology and computer maintenance expenses		(251)	(261)
Premises expenses		(139)	(145)
Product marketing and promotion expenses		(21)	(18)
Legal and professional fees		(29)	(103)
Other operating expenses:			
Reversal of provision for impairment losses arising from Participants' default on market contracts	6	77	54
Others		(183)	(128)
		(1,580)	(1,423)
EBITDA*		5,273	3,198
Depreciation and amortisation		(325)	(324)
OPERATING PROFIT		4,948	2,874
Finance costs	7	(77)	(98)
Share of loss of a joint venture		(5)	(5)
PROFIT BEFORE TAXATION	2	4,866	2,771
TAXATION	8	(783)	(417)
PROFIT FOR THE PERIOD		4,083	2,354
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEx		4,095	2,367
- Non-controlling interests		(12)	(13)
		4,083	2,354
Basic earnings per share	9(a)	\$3.49	\$2.04
Diluted earnings per share	9(b)	\$3.47	\$2.04

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
PROFIT FOR THE PERIOD	4,083	2,354
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	(3)	604
OTHER COMPREHENSIVE INCOME	(3)	604
TOTAL COMPREHENSIVE INCOME	4,080	2,958
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEx	4,092	2,971
- Non-controlling interests	(12)	(13)
TOTAL COMPREHENSIVE INCOME	4,080	2,958

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	At 30 Jun 2015			At 31 Dec 2014		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	11	145,081	-	145,081	136,778	-	136,778
Financial assets measured at fair value through profit or loss	11	76,206	-	76,206	62,686	-	62,686
Financial assets measured at amortised cost	11	31,996	58	32,054	10,199	57	10,256
Accounts receivable, prepayments and deposits	11, 12	27,751	6	27,757	22,517	6	22,523
Taxation recoverable		2	-	2	8	-	8
Interest in a joint venture		-	72	72	-	77	77
Goodwill and other intangible assets		-	17,886	17,886	-	17,901	17,901
Fixed assets		-	1,491	1,491	-	1,603	1,603
Lease premium for land		-	22	22	-	23	23
Deferred tax assets		-	33	33	-	5	5
		281,036	19,568	300,604	232,188	19,672	251,860
Non-current assets held for sale	13	59	-	59	-	-	-
Total assets		281,095	19,568	300,663	232,188	19,672	251,860
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities at fair value through profit or loss	14	71,937	-	71,937	59,680	-	59,680
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants	15	154,546	-	154,546	129,484	-	129,484
Accounts payable, accruals and other liabilities	16	27,039	-	27,039	22,835	14	22,849
Deferred revenue		437	-	437	646	-	646
Taxation payable		968	-	968	348	-	348
Other financial liabilities		52	-	52	84	-	84
Participants' contributions to Clearing House Funds	17	13,355	-	13,355	9,426	-	9,426
Borrowings	18	-	3,329	3,329	-	7,026	7,026
Provisions		78	65	143	61	58	119
Deferred tax liabilities		-	826	826	-	839	839
Total liabilities		268,412	4,220	272,632	222,564	7,937	230,501
Equity							
Share capital	19			17,404			12,225
Shares held for Share Award Scheme	19			(475)			(482)
Employee share-based compensation reserve	20			209			142
Exchange reserve				(250)			(247)
Convertible bond reserve	18(a)			-			409
Designated reserves	21			742			643
Reserve relating to written put options to non-controlling interests				(217)			(217)
Retained earnings							
- Proposed dividend				3,679			2,505
- Others				6,830			6,295
Equity attributable to shareholders of HKEx				27,922			21,273
Non-controlling interests				109			86
Total equity				28,031			21,359
Total liabilities and equity				300,663			251,860
Net current assets				12,683			9,624

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEx									
	Share capital and shares held for Share Award Scheme (note 19)	Employee share-based compensation reserve (note 20)	Exchange reserve	Convertible bond reserve (note 18(a))	Designated reserves (note 21)	Reserve relating to written put options to non-controlling interests	Retained earnings	Total	Non- controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 Jan 2015	11,743	142	(247)	409	643	(217)	8,800	21,273	86	21,359
Profit/(loss) for the period	-	-	-	-	-	-	4,095	4,095	(12)	4,083
Other comprehensive income	-	-	(3)	-	-	-	-	(3)	-	(3)
Total comprehensive income	-	-	(3)	-	-	-	4,095	4,092	(12)	4,080
Total contributions by and distributions to shareholders of HKEx, recognised directly in equity:										
- 2014 final dividend at \$2.15 per share	-	-	-	-	-	-	(2,533)	(2,533)	-	(2,533)
- Unclaimed HKEx dividends forfeited (note 16)	-	-	-	-	-	-	9	9	-	9
- Shares issued upon exercise of employee share options	3	-	-	-	-	-	-	3	-	3
- Shares issued in lieu of cash dividends	1,293	-	-	-	-	-	-	1,293	-	1,293
- Vesting of shares of Share Award Scheme	13	(13)	-	-	-	-	-	-	-	-
- Employee share-based compensation benefits	-	80	-	-	-	-	-	80	-	80
- Tax credit relating to Share Award Scheme (note 8(b))	-	-	-	-	-	-	6	6	-	6
- Conversion of convertible bonds (notes 18(a) and 19)	3,877	-	-	(409)	-	-	266	3,734	-	3,734
- Transfer of reserves	-	-	-	-	(1)	-	1	-	-	-
- Transfer of reserves – surplus of reversal of provision for closing-out losses by a defaulting Clearing Participant (note 6)	-	-	-	-	100	-	(100)	-	-	-
Total changes in ownership interests in subsidiaries that do not result in a loss of control:										
- Changes in ownership interest in a subsidiary (note 25)	-	-	-	-	-	-	(35)	(35)	35	-
Total transactions with shareholders recognised directly in equity	5,186	67	-	(409)	99	-	(2,386)	2,557	35	2,592
At 30 Jun 2015	16,929	209	(250)	-	742	(217)	10,509	27,922	109	28,031

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEx									
	Share capital, share premium and shares held for Share Award Scheme \$m	Employee share-based compensation reserve \$m	Exchange reserve \$m	Convertible bond reserve \$m	Designated reserves \$m	Reserve relating to written put options to non-controlling interests \$m	Retained earnings \$m	Total \$m	Non- controlling interests \$m	Total equity \$m
At 1 Jan 2014	11,154	105	568	409	586	(217)	7,800	20,405	113	20,518
Profit/(loss) for the period	-	-	-	-	-	-	2,367	2,367	(13)	2,354
Other comprehensive income	-	-	604	-	-	-	-	604	-	604
Total comprehensive income	-	-	604	-	-	-	2,367	2,971	(13)	2,958
Total contributions by and distributions to shareholders of HKEx, recognised directly in equity:										
- 2013 final dividend at \$1.72 per share	-	-	-	-	-	-	(1,996)	(1,996)	-	(1,996)
- Unclaimed HKEx dividends forfeited (note 16)	-	-	-	-	-	-	17	17	-	17
- Shares issued upon exercise of employee share options	9	-	-	-	-	-	-	9	-	9
- Shares issued in lieu of cash dividends	713	-	-	-	-	-	-	713	-	713
- Vesting of shares of Share Award Scheme	2	(2)	-	-	-	-	-	-	-	-
- Employee share-based compensation benefits	-	59	-	-	-	-	-	59	-	59
- Transfer of reserves	2	(2)	-	-	4	-	(4)	-	-	-
- Transfer of reserves – surplus of reversal of provision for closing-out losses by a defaulting Clearing Participant (note 6)	-	-	-	-	54	-	(54)	-	-	-
Total transactions with shareholders recognised directly in equity	726	55	-	-	58	-	(2,037)	(1,198)	-	(1,198)
At 30 Jun 2014	11,880	160	1,172	409	644	(217)	8,130	22,178	100	22,278

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	22	5,452	1,852
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets and intangible assets		(268)	(395)
Net (increase)/decrease in financial assets of Corporate Funds:			
(Increase)/decrease in time deposits with original maturities more than three months		(285)	1,129
Net proceeds from sales of financial assets measured at fair value through profit or loss		187	-
Interest received from financial assets measured at fair value through profit or loss		8	13
Net cash (outflow)/inflow from investing activities		(358)	747
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares upon exercise of employee share options		3	9
Proceeds from issuance of notes		-	737
Payments of transaction costs on issuance of notes		-	(2)
Repayments of bank borrowings		-	(737)
Payments of finance costs		(38)	(40)
Dividends paid to shareholders of HKEx		(1,226)	(1,272)
Net cash outflow from financing activities		(1,261)	(1,305)
Net increase in cash and cash equivalents		3,833	1,294
Cash and cash equivalents at 1 Jan		8,067	6,375
Exchange differences on cash and cash equivalents		-	42
Cash and cash equivalents at 30 Jun (note (a))		11,900	7,711
Analysis of cash and cash equivalents			
Cash on hand and balances and deposits with banks and short-term investments of Corporate Funds	11	11,900	7,711

- (a) The cash and cash equivalents of Clearing House Funds and Margin Funds are held for specific purposes and cannot be used by the Group to finance other activities. These balances are not included in cash and cash equivalents of the Group for cash flow purposes in the condensed consolidated statement of cash flows.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar unless otherwise stated)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard (HKAS) 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2014 annual consolidated financial statements. Except the accounting policy for non-current assets held for sale as described in note 13 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 2014. Amendments to Hong Kong Financial Reporting Standards (HKFRSs) effective for the financial year ending 31 December 2015 do not have any financial impact to the Group.

The financial information relating to the year ended 31 December 2014 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2015 as comparative information does not constitute the statutory annual consolidated financial statements of Hong Kong Exchanges and Clearing Limited (HKEx or the Company) for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Chapter 622).

2. Operating Segments

HKEx and its subsidiaries (collectively the Group) determine its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision-maker.

The Group has five reportable segments ("Corporate Items" is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different information technology systems and marketing strategies. The operations in each of the Group's reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms and the Shanghai Stock Exchange through the Shanghai-Hong Kong Stock Connect (Stock Connect), sales of market data relating to these products and other related activities. Currently, the Group operates two Cash Market platforms, the Main Board and the Growth Enterprise Market (GEM). The major sources of revenue of the segment are trading fees, trading tariff and listing fees of equity products and market data fees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

2. Operating Segments (continued)

The **Equity and Financial Derivatives** segment refers to derivatives products traded on Hong Kong Futures Exchange Limited (Futures Exchange) and The Stock Exchange of Hong Kong Limited (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, derivative warrants (DWs), callable bull/bear contracts (CBBCs) and warrants and sales of market data relating to these products. The major sources of revenue are trading fees, trading tariff and listing fees of derivatives products and market data fees.

The **Commodities** segment refers to the operations of The London Metal Exchange (LME), which operates an exchange in the United Kingdom (UK) for the trading of base metals futures and options contracts. It also covers the Asia Commodities contracts traded on the Futures Exchange. 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 five clearing houses, namely Hong Kong Securities Clearing Company Limited (HKSCC), The SEHK Options Clearing House Limited (SEOCH), HKFE Clearing Corporation Limited (HKCC), OTC Clearing Hong Kong Limited (OTC Clear) and LME Clear Limited (LME Clear), which are responsible for clearing, settlement and custodian activities of the Stock Exchange, the Futures Exchange and the Shanghai Stock Exchange through Stock Connect, clearing and settlement of over-the-counter derivatives contracts, and clearing and settlement of base metals futures and options contracts traded on the LME. Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on Margin Funds and Clearing House Funds.

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

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

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

	Six months ended 30 Jun 2015						
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Clearing \$m	Platform and Infrastructure \$m	Corporate Items \$m	Group \$m
Revenue from external customers	1,886	1,100	886	2,335	248	2	6,457
Net investment income	-	-	-	317	-	74	391
Sundry income	-	-	-	5	-	-	5
Revenue and other income	1,886	1,100	886	2,657	248	76	6,853
Operating expenses	(276)	(236)	(254)	(309)	(74)	(431)	(1,580)
Reportable segment EBITDA	1,610	864	632	2,348	174	(355)	5,273
Depreciation and amortisation	(49)	(36)	(129)	(69)	(22)	(20)	(325)
Finance costs	-	-	-	-	-	(77)	(77)
Share of loss of a joint venture	-	(5)	-	-	-	-	(5)
Reportable segment profit before taxation	1,561	823	503	2,279	152	(452)	4,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

2. Operating Segments (continued)

	Six months ended 30 Jun 2014						
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Clearing \$m	Platform and Infrastructure \$m	Corporate Items \$m	Group \$m
Revenue from external customers	1,316	788	645	1,315	196	3	4,263
Net investment income	-	-	-	262	-	87	349
Sundry income	-	-	-	9	-	-	9
Revenue and other income	1,316	788	645	1,586	196	90	4,621
Operating expenses	(223)	(199)	(328)	(248)	(73)	(352)	(1,423)
Reportable segment EBITDA	1,093	589	317	1,338	123	(262)	3,198
Depreciation and amortisation	(42)	(31)	(171)	(41)	(24)	(15)	(324)
Finance costs	-	-	-	-	-	(98)	(98)
Share of loss of a joint venture	-	(5)	-	-	-	-	(5)
Reportable segment profit before taxation	1,051	553	146	1,297	99	(375)	2,771

3. Trading Fees and Trading Tariff

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Trading fees and trading tariff were derived from:		
Securities traded on the Stock Exchange (excluding stock options contracts) and the Shanghai Stock Exchange through Stock Connect	1,729	921
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	491	376
Base metals futures and options contracts traded on the LME	721	468
	2,941	1,765

4. Net Investment Income

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Gross interest income	357	292
Interest rebates to Participants	(11)	(2)
Net interest income	346	290
Net fair value gains including interest income on financial assets mandatorily measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	57	50
Others	(12)	9
Net investment income	391	349

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**5. Staff Costs and Related Expenses**

Staff costs and related expenses comprised the following:

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Salaries and other short-term employee benefits	879	697
Employee share-based compensation benefits of HKEx Share Award Scheme (Share Award Scheme)	80	59
Termination benefits	7	5
Retirement benefit costs (note 26(b))	68	61
	1,034	822

6. Reversal of Provision for Impairment Losses Arising from Participants' Default on Market Contracts

In prior years, the Group lodged claims with the liquidators of Lehman Brothers Securities Asia Limited (LBSA) in respect of losses of approximately \$160 million previously recognised in the Group's results. During the six months ended 30 June 2015, the liquidators paid dividends of \$77 million (2014: \$54 million), and these were recognised in the Group's consolidated income statement, as a reversal of a provision for impairment losses booked in prior years. Following the receipt of the dividend in 2015, the full amount of the claim lodged has now been recovered.

The amount recovered of \$77 million (2014: \$54 million), together with an interim dividend declared in December 2014 but received in January 2015 of \$23 million, were apportioned to the HKSCC Guarantee Fund reserve from retained earnings during the six months ended 30 June 2015.

7. Finance Costs

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Interest expenses on borrowings	78	99
Net foreign exchange gains on financing activities	(1)	(1)
	77	98

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**8. Taxation**

Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2014: 16.5 per cent) and overseas profits tax at the rates of taxation prevailing in the countries in which the Group operates, with the average corporation rate applicable to the subsidiaries in the UK being 20.25 per cent (2014: 21.5 per cent).

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

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Current tax - Hong Kong Profits Tax	648	427
Current tax - Overseas Tax	172	-
	820	427
Deferred tax	(37)	(10)
	783	417

(b) Taxation credited directly to retained earnings represented:

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Current tax – Overseas Tax	(2)	-
Deferred tax	(4)	-
	(6)	-

Under the tax rules in the UK, tax deduction on employee share awards is available at the time of vesting based on the prevailing market value. The tax credits relate to tax deductions arising from increases in the value of Awarded shares to employees of the LME Group under the Share Award Scheme since award date.

9. 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 2015	Six months ended 30 Jun 2014
Profit attributable to shareholders (\$m)	4,095	2,367
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,172,838	1,161,380
Basic earnings per share (\$)	3.49	2.04

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

9. Earnings Per Share (continued)

(b) Diluted earnings per share

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014
Profit attributable to shareholders (\$m)	4,095	2,367
Interest expenses on convertible bonds (net of tax) (\$m)	41	-
Adjusted profit attributable to shareholders (\$m)	4,136	2,367
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,172,838	1,161,380
Effect of employee share options (in '000)	12	458
Effect of shares awarded under Share Award Scheme (in '000)	2,821	1,281
Effect of convertible bonds (in '000)	17,829	-
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,193,500	1,163,119
Diluted earnings per share (\$)	3.47	2.04

- (i) The effects of the outstanding convertible bonds (note 18) were not included in the computation of diluted earnings per share during the six months ended 30 June 2014 as they were anti-dilutive during that period.

10. Dividends

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Interim dividend declared of \$3.08 (2014: \$1.83) per share at 30 Jun	3,688	2,136
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(9)	(3)
	3,679	2,133

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

11. Financial Assets

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

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
<u>Clearing House Funds</u> (note 17)		
Cash and cash equivalents	14,070	10,189
Financial assets measured at amortised cost	215	100
	14,285	10,289
<u>Margin Funds</u> (note 15)		
Cash and cash equivalents	119,111	117,903
Financial assets measured at fair value through profit or loss	2,705	895
Financial assets measured at amortised cost	31,468	10,071
Accounts receivable and deposits	1,262	615
	154,546	129,484
<u>Base metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss (note (a))	71,928	59,679
<u>Cash prepayments for A shares</u>		
Cash and cash equivalents	-	619
<u>Corporate Funds</u>		
Cash and cash equivalents	11,900	8,067
Financial assets measured at fair value through profit or loss	1,573	2,112
Financial assets measured at amortised cost	371	85
	13,844	10,264
	254,603	210,335

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

	At 30 Jun 2015						At 31 Dec 2014					
	Clearing House Funds	Margin Funds	Base metals derivatives contracts	Cash prepayments for A shares	Corporate Funds	Total	Clearing House Funds	Margin Funds	Base metals derivatives contracts	Cash prepayments for A shares	Corporate Funds	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Within twelve months	14,285	154,546	71,928	-	13,786	254,545	10,289	129,484	59,679	619	10,207	210,278
Over twelve months	-	-	-	-	58	58	-	-	-	-	57	57
	14,285	154,546	71,928	-	13,844	254,603	10,289	129,484	59,679	619	10,264	210,335

- (a) The amount represents the fair value of outstanding base metals futures and options contracts of LME Clear that do not qualify for netting under HKAS 32, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME. A corresponding amount was recorded under financial liabilities at fair value through profit or loss (note 14).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**12. Accounts Receivable, Prepayments and Deposits**

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable under the T+2 settlement cycle, which accounted for 89 per cent (31 December 2014: 91 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within two 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 three months.

13. Non-current Assets Held for Sale

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
Leasehold land and building	59	-

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continuing use. This condition will only be satisfied when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (except for investment properties) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

On 30 June 2015, the Group entered into a provisional agreement with a third party to sell a leasehold property for a consideration of \$509 million. The sale transaction will be completed on 30 September 2015. Accordingly, the carrying value of the leasehold property used by the Group was reclassified as non-current assets held for sale. No impairment losses were recognised on the reclassification of the property as held for sale.

14. Financial Liabilities at Fair Value through Profit or Loss

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
<u>Held by LME Clear in its capacity as a central counterparty</u>		
Derivative financial instruments:		
- base metals futures and options contracts cleared through LME Clear (note 11(a))	71,928	59,679
<u>Held for trading</u>		
Derivative financial instruments:		
- forward foreign exchange contracts	9	1
	71,937	59,680

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**15. Margin Deposits, Mainland Security and Settlement Deposits, and Cash Collateral from Clearing Participants**

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
Margin deposits, Mainland Security and Settlement Deposits and cash collateral from Clearing Participants comprised (note (a)):		
SEOCH Clearing Participants' margin deposits	10,999	8,964
HKCC Clearing Participants' margin deposits	69,753	42,356
HKSCC Clearing Participants' margin deposits, Mainland security and settlement deposits, and cash collateral	13,199	7,478
OTC Clear Clearing Participants' margin deposits	55	40
LME Clear Clearing Participants' margin deposits	60,540	70,646
	154,546	129,484

(a) Amounts excluded non-cash collateral received and utilised as alternative to cash collateral.

16. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 92 per cent (31 December 2014: 92 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities mature within three months.

During the six months ended 30 June 2015, \$9 million (2014: \$17 million) of dividends declared by HKEx, which were unclaimed over a period of six years from the date of payment, were forfeited and transferred to retained earnings in accordance with HKEx's Articles of Association.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

17. Clearing House Funds

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
The Clearing House Funds comprised:		
Clearing Participants' cash contributions (note (a))	13,355	9,426
Contribution to OTC Clear Rates and FX Guarantee Resources	156	156
Designated reserves (note 21)	742	643
	14,253	10,225
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Financial assets of Clearing House Funds (note 11)	14,285	10,289
Less: Other financial liabilities of Clearing House Funds	(32)	(64)
	14,253	10,225
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	3,947	2,234
SEOCH Reserve Fund	2,034	1,326
HKCC Reserve Fund	2,953	1,879
OTC Clear Rates and FX Guarantee Fund	253	203
OTC Clear Rates and FX Guarantee Resources	158	157
LME Clear Default Fund	4,908	4,426
	14,253	10,225

(a) Amounts excluded non-cash collateral received and utilised as alternatives to cash contributions.

18. Borrowings

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
Bank borrowings	1,585	1,585
Convertible bonds (note (a))	-	3,701
Notes	1,516	1,515
Written put options to non-controlling interests	228	225
Total borrowings	3,329	7,026

(a) During the six months ended 30 June 2015, all of the US\$500 million Convertible Bonds due 2017 (Bonds) were converted into HKEx's shares at the prevailing adjusted conversion price of HK\$157.62 per share and cancelled upon the exercise of the conversion rights by the bondholders. As a result, a total number of 24,594,225 shares in HKEx were issued and credited as fully paid. As the Bonds were fully converted, the convertible bond reserve was partly transferred to share capital (\$143 million) and partly transferred to retained earnings (\$266 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

19. Share Capital, Share Premium and Shares Held for Share Award Scheme

	Number of shares '000	Share capital \$m	Share premium \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2014	1,160,119	1,161	10,167	(174)	11,154
Shares issued upon exercise of employee share options prior to 3 March 2014 (note (a))	121	-	2	-	2
Transfer on 3 March 2014 upon adoption of the new Hong Kong Companies Ordinance (Chapter 622)	-	10,169	(10,169)	-	-
Shares issued upon exercise of employee share options on or after 3 March 2014 (note (a))	539	10	-	-	10
Shares issued in lieu of cash dividends (note (b))					
- total	5,990	879	-	-	879
- to Share Award Scheme	(31)	-	-	(5)	(5)
	5,959	879	-	(5)	874
Transfer from employee share-based compensation reserve upon exercise of employee share options on or after 3 March 2014	-	3	-	-	3
Shares purchased for Share Award Scheme	(2,299)	-	-	(405)	(405)
Vesting of shares of Share Award Scheme (note (c))	825	3	-	102	105
At 31 Dec 2014	1,165,264	12,225	-	(482)	11,743
At 1 Jan 2015	1,165,264	12,225	-	(482)	11,743
Shares issued upon exercise of employee share options (note (a))	144	3	-	-	3
Shares issued in lieu of cash dividends (note (b))					
- total	4,532	1,299	-	-	1,299
- to Share Award Scheme	(21)	-	-	(6)	(6)
	4,511	1,299	-	(6)	1,293
Vesting of shares of Share Award Scheme (note (c))	78	-	-	13	13
Conversion of the Bonds (note 18(a))	24,594	3,877	-	-	3,877
At 30 Jun 2015	1,194,591	17,404	-	(475)	16,929

- (a) During the six months ended 30 June 2015, employee share options granted under the Post-Listing Share Option Scheme were exercised to subscribe for 144,000 shares (year ended 31 December 2014: 660,500 shares) in HKEx at a consideration of \$3 million (year ended 31 December 2014: \$12 million).
- (b) In June 2015, 4,532,307 new fully paid HKEx shares (year ended 31 December 2014: 5,989,983 shares) were issued and allotted at \$286.64 per share (year ended 31 December 2014: weighted average price of \$146.68 per share) to the shareholders (including 21,660 new shares (year ended 31 December 2014: 30,930 shares) allotted to the Share Award Scheme) who elected to receive HKEx shares in lieu of cash dividends pursuant to the scrip dividend scheme.
- (c) During the six months ended 30 June 2015, the Share Award Scheme transferred 78,058 HKEx shares (year ended 31 December 2014: 825,261 shares) to the awardees upon vesting of certain Awarded Shares and the shares arising from related dividends reinvested. The total cost of the vested shares was \$13 million (year ended 31 December 2014: \$102 million). During the year ended 31 December 2014, \$3 million was credited to share capital in respect of vesting of certain shares whose fair values were higher than the costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**20. Employee Share-based Arrangements**

The Group operated a share option scheme (which expired in January 2015) and operates the Share Award Scheme as part of the benefits of its employees. Under the Share Award Scheme, the Board is allowed to make awards as long-term incentives for selected senior executives of the Group (Senior Executive Awards) in addition to any other awards (Employee Share Awards) which they may be eligible to receive under the Share Award Scheme.

The employee share-based compensation expenses in relation to the options and share awards are charged to profit or loss under staff costs over the relevant vesting periods with a corresponding increase in employee share-based compensation reserve.

During the six months ended 30 June 2015, no share options, Senior Executive Awards and Employee Share Awards were granted.

21. Designated reserves

Designated reserves are segregated for their respective purposes and comprised the following:

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
Clearing House Funds reserves (note 17)		
- HKSCC Guarantee Fund reserve	282	184
- SEOCH Reserve Fund reserve	104	103
- HKCC Reserve Fund reserve	352	353
- OTC Clear Rates and FX Guarantee Fund reserve	2	2
- OTC Clear Rates and FX Guarantee Resources reserve	2	1
	742	643

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

22. Notes to the Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Profit before taxation	4,866	2,771
Adjustments for:		
Net interest income	(346)	(290)
Dividend income	(4)	(5)
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	(57)	(50)
Forfeiture of unclaimed cash dividends held by HKSCC Nominees Limited	(5)	(9)
Amortisation of lease premium for land under premises expenses	1	-
Finance costs	77	98
Depreciation and amortisation	325	324
Employee share-based compensation benefits	80	59
Reversal of provision for impairment losses of receivables	(71)	(52)
Share of loss of a joint venture	5	5
Changes in provisions	19	15
Net increase in financial assets of Margin Funds	(25,065)	(7,315)
Net increase in financial liabilities of Margin Funds	25,062	7,315
Net (increase)/decrease in Clearing House Fund financial assets	(3,996)	1,399
Net increase/(decrease) in Clearing House Fund financial liabilities	3,897	(1,457)
Net decrease/(increase) in financial assets measured at fair value through profit or loss less financial liabilities at fair value through profit or loss	391	(73)
Decrease in cash prepayments for A shares	619	-
(Increase)/decrease in accounts receivable, prepayments and deposits	(4,515)	4,883
Increase/(decrease) in other current liabilities	3,987	(5,850)
Net cash inflow from operations	5,270	1,768
Dividends received	2	3
Interest received from bank deposits	357	292
Interest received from financial assets measured at fair value through profit or loss	26	28
Interest paid to Participants	(11)	(2)
Income tax paid	(192)	(237)
Net cash inflow from operating activities	5,452	1,852

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**23. Capital Expenditures and Commitments**

During the six months ended 30 June 2015, the Group incurred capital expenditures of \$262 million (2014: \$231 million) related to the development and upgrade of various trading and clearing systems including commodities trading and clearing systems, a cash clearing system, trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong, and a corporate Enterprises Resource Planning system.

At 30 June 2015, the Group's commitments in respect of capital expenditure were as follows:

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
Contracted but not provided for		
- fixed assets	53	17
- intangible assets	59	60
Authorised but not contracted for		
- fixed assets	324	175
- intangible assets	342	322
	778	574

The Group's capital expenditure commitments were mainly related to the development and enhancement of information technology systems including clearing systems for Cash Market, over-the-counter derivatives and commodities, Cash Market and commodities trading systems, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong.

24. Contingent Liabilities

At 30 June 2015, 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 Securities and Futures Commission (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 2014: \$71 million). Up to 30 June 2015, no calls had been made by the SFC in this connection.
- (b) The Group had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 500 trading Participants covered by the indemnity at 30 June 2015 (31 December 2014: 500) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$100 million (31 December 2014: \$100 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.

24. Contingent Liabilities (continued)

(d) LME litigation

(i) US litigation concerning aluminium prices

In August 2013, the LME, LME Holdings Limited (LMEH), and HKEx were named as defendants in aluminium warehousing litigation alleging anti-competitive behaviour in the United States (US). This litigation was subsequently consolidated into three class action complaints - the “first level” purchasers complaint, the consumer end-users complaint and the commercial end-users complaint - and three individual “direct action” complaints. Following vigorous defence by the Group, the US District Court for the Southern District of New York (US District Court) has dismissed all claims against the LME, LMEH, and HKEx in a series of orders.

The three “direct action” plaintiffs and the plaintiffs of the “first level” purchasers complaint do not have a right to appeal against the US District Court’s decisions at this time. They will have a right to appeal the decisions after the conclusion of the aluminium litigation against the other defendants or if the court grants them permission to appeal before the conclusion of the litigation. To date, no plaintiff has sought leave to appeal before the conclusion of the litigation.

The US Court of Appeals dismissed the appeals of the consumer end-users and commercial end-users on 24 July 2015, which brought an end to those class actions against the LME and LMEH. Dismissal of the appeals follows the terms of a settlement agreement entered into between those plaintiffs and the LME, LMEH and HKEx as disclosed in HKEx’s announcement dated 19 July 2015. Under the settlement agreement, the plaintiffs agreed, among others, to release all HKEx group companies and directors from existing and future claims that may relate to matters alleged in the relevant complaints or the warehousing of metals on the LME that could be asserted by the plaintiffs under US law. No monetary consideration was involved on either side in arriving at the settlement.

(ii) US litigation concerning zinc prices

In May 2014, the LME, LMEH, and HKEx were named as defendants in zinc warehousing litigation alleging anti-competitive behaviour in the US. That litigation was subsequently consolidated into a single, amended class action complaint filed in June 2015. No HKEx group company was named as a defendant in the consolidated amended complaint. There is currently no outstanding claim or appeal against HKEx group companies in the zinc litigation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**25. Transactions with Non-controlling Interests**

At 31 December 2014, the Group held 75 per cent interest of OTC Clear, while the remaining 25 per cent interest was held by non-controlling interests. The non-controlling interests do not have voting rights at general meetings of OTC Clear.

On 23 February 2015, OTC Clear issued 1,260 ordinary shares to HKEx at a consideration of \$265 million. After the issue, the Group's interest in OTC Clear increased to 80.2 per cent while the interest held by non-controlling interests dropped to 19.8 per cent. The effect of changes in ownership interest of OTC Clear on the equity attributable to HKEx's shareholders is summarised as follows:

	\$m
Carrying amount of non-controlling interests acquired	230
Consideration paid	(265)
Excess of consideration paid debited against retained earnings	(35)

To support its future development needs and product expansion plan, OTC Clear will further raise additional capital in the third quarter of 2015 by issuing 420 non-voting ordinary shares to external shareholders.

Subsequent to 30 June 2015, on 3 August 2015 (the deadline for subscription of shares by the external shareholders), confirmations have been received from the external shareholders on their subscription for 420 non-voting ordinary shares at a total consideration of \$88 million.

26. Material Related Party Transactions**(a) Key management personnel compensation**

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Salaries and other short-term employee benefits	69	59
Employee share-based compensation benefits	27	18
Retirement benefit costs	5	5
	101	82

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

26. Material Related Party Transactions (continued)

(b) Post-retirement benefit plans

The Group has sponsored a defined contribution provident fund scheme (ORSO Plan) and a Mandatory Provident Fund scheme (MPF Scheme) for the benefits of its employees in Hong Kong. The Group has also sponsored a defined contribution pension scheme for all employees of LMEH, LME and LME Clear (LME Pension Scheme). The retirement benefit costs charged to the condensed consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan, the MPF Scheme and the LME Pension Scheme and related fees (note 5). At 30 June 2015, the contributions payable to the post-retirement benefit plans were \$4 million (31 December 2014: \$3 million).

(c) Transactions and balance with a joint venture, China Exchanges Services Company Limited (CESC)

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Transactions with CESC:		
- Management fee charged to CESC	2	2
Balances with CESC:		
- Amount due from CESC	5	3

(d) Save as aforesaid, the Group has entered into other transactions in the ordinary course of business with companies that are related parties but the amounts were immaterial.

27. Pledge of Assets

LME Clear receives debt securities as non-cash collateral for margins posted by its Clearing Participants. It also holds debt securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$10,413 million (HK\$80,727 million) at 30 June 2015 (31 December 2014: US\$10,251 million (HK\$79,495 million)).

This non-cash collateral, which was not recorded on the condensed consolidated statement of financial position of the Group at 30 June 2015, together with certain financial assets amounting to US\$685 million (HK\$5,310 million) at 30 June 2015 (31 December 2014: US\$590 million (HK\$4,575 million)), have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

28. Fair Value of Financial Assets and Financial Liabilities

(a) Financial assets and financial liabilities carried at fair value

At 30 June 2015 and 31 December 2014, no non-financial assets or non-financial liabilities were carried at fair value.

The following tables present the carrying value of financial assets and financial liabilities measured at fair value according to the levels of the fair value hierarchy defined in HKFRS 13: Fair Value Measurement, with the fair value of each financial asset and financial liability categorised based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair values measured using valuation techniques in which all significant inputs other than quoted prices included within Level 1 are directly or indirectly based on observable market data.
- Level 3: fair values measured using valuation techniques in which any significant input is not based on observable market data.

	At 30 Jun 2015			Total \$m
	Level 1 \$m	Level 2 \$m	Level 3 \$m	
Recurring fair value measurements:				
Financial assets				
Financial assets measured at fair value through profit or loss:				
- equity securities	188	-	-	188
- debt securities	1,814	2,270	-	4,084
- forward foreign exchange contracts	-	6	-	6
- base metals futures and options contracts cleared through LME Clear	-	71,928	-	71,928
	2,002	74,204	-	76,206
Recurring fair value measurements:				
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
- forward foreign exchange contracts	-	9	-	9
- base metals futures and options contracts cleared through LME Clear	-	71,928	-	71,928
	-	71,937	-	71,937

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

28. Fair Value of Financial Assets and Financial Liabilities (continued)

(a) Financial assets and financial liabilities carried at fair value (continued)

	At 31 Dec 2014			Total \$m
	Level 1 \$m	Level 2 \$m	Level 3 \$m	
Recurring fair value measurements:				
Financial assets				
Financial assets measured at fair value through profit or loss:				
- equity securities	243	-	156	399
- debt securities	-	2,594	-	2,594
- forward foreign exchange contracts	-	14	-	14
- base metals futures and options contracts cleared through LME Clear	-	59,679	-	59,679
	243	62,287	156	62,686
Recurring fair value measurements:				
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
- forward foreign exchange contracts	-	1	-	1
- base metals futures and options contracts cleared through LME Clear	-	59,679	-	59,679
	-	59,680	-	59,680

During the six months ended 30 June 2015, there were no transfers of instruments between Level 1 and Level 2.

Level 2 fair values of debt securities, forward foreign exchange contracts and base metals futures and options contracts have been determined based on quotes from market makers or alternative pricing sources supported by observable inputs. The most significant input is market interest rates and market prices of metals.

The Group's policy is to recognise transfer into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Fair value measurements using significant unobservable inputs (Level 3)

	Investment in an unlisted company	
	2015 \$m	2014 \$m
At 1 Jan	156	141
Gains recognised in profit or loss, under net investment income	31	23
Disposals	(187)	-
Exchange differences recognised in other comprehensive income, under currency translation differences of foreign subsidiaries	-	(8)
At 30 Jun 2015/31 Dec 2014	-	156
Change in unrealised gains for the period/year included in profit or loss for assets held at 30 Jun 2015/31 Dec 2014, under net investment income	-	23

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)

28. Fair Value of Financial Assets and Financial Liabilities (continued)

(b) Fair values of financial assets and financial liabilities not reported at fair values

Summarised in the following table are the carrying amounts and fair values of financial assets and financial liabilities not presented in the condensed consolidated statement of financial position at their fair values. These assets and liabilities were classified under Level 2 in the fair value hierarchy. The carrying amounts of bank borrowings with floating interest rates, short-term receivables (eg, accounts receivable, deposits and cash and cash equivalents) and short-term payables (eg, accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

	At 30 Jun 2015		At 31 Dec 2014	
	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m
Assets				
Financial assets measured at amortised cost:				
- other financial assets maturing over one year ¹	58	53	57	51
Liabilities				
Borrowings:				
- liability component of convertible bonds ²	-	-	3,701	3,812
- notes ²	1,516	1,552	1,515	1,521
- written put options to non-controlling interests ²	228	235	225	227
Financial guarantee to the Collector of Stamp Revenue ³	20	71	20	67

¹ The fair values are based on cash flows discounted using Hong Kong Government bond rates of a tenor similar to the contractual maturity of the respective assets, adjusted by an estimated credit spread. The discount rates used ranged from 0.83 per cent to 2.62 per cent at 30 June 2015 (31 December 2014: 0.83 per cent to 2.78 per cent).

² The fair values are based on cash flows discounted using the prevailing market interest rates for loans with similar credit rating and similar tenor of the respective loans. The discount rate used was 2.10 per cent to 2.20 per cent at 30 June 2015 (31 December 2014: 2.05 per cent to 2.83 per cent).

³ The fair values are based on the fees charged by financial institutions for granting such guarantees discounted using a ten-year Hong Kong Government bond rate to perpetuity but capped at the maximum exposure of the financial guarantee. The discount rate used was 1.76 per cent at 30 June 2015 (31 December 2014: 1.85 per cent).