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)

2014 INTERIM RESULTS, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to submit the unaudited consolidated results of the Group for the six months ended 30 June 2014.

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Change
KEY MARKET STATISTICS			
ADT of equity products on the Stock Exchange ($bn)	**51.6**	53.9	(4%)
ADT of DWs, CBBCs and warrants on the Stock Exchange ($bn)	**11.3**	14.4	(22%)
ADT on the Stock Exchange ($bn)	**62.9**	68.3	(8%)
Average daily number of derivatives contracts traded on the Futures Exchange	**262,653**	291,171	(10%)
Average daily number of stock options contracts traded on the Stock Exchange	**263,163**	267,047	(1%)
Average daily volume of metals contracts traded on LME (lots)	**719,435**	699,863	3%

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Revenue and other income	**4,621**	4,440	4%
Operating expenses	**1,423**	1,341	6%
EBITDA*	**3,198**	3,099	3%
Profit attributable to shareholders	**2,367**	2,328	2%
Basic earnings per share	**$2.04**	$2.03	0%
Interim dividend per share	**$1.83**	$1.82	1%

- For the six months ended 30 June 2014 (1H 2014), compared with the same period in 2013 (1H 2013), revenue and other income increased by 4 per cent or $181 million to reach $4,621 million.
- The overall growth in revenue and other income reflects increases in non-trading income, in particular listing related fees, hosting fees and investment income, which have more than offset the decline in trading fees following an 8 per cent reduction in ADT and the one-off gain of $108 million recorded in 1H 2013 on the investment in LCH.Clearnet Group Limited.
- Operating expenses increased by 6 per cent against 1H 2013 due mainly to higher staff costs attributable to increased headcount of the LME Group and higher legal fees for defending litigation in the UK and US, but partly offset by a reversal of provision for impairment losses following a distribution from the liquidators of LBSA.
- EBITDA increased by 3 per cent compared to 1H 2013. The overall EBITDA margin remained stable at 69 per cent, consistent with the EBITDA margin of 68 per cent achieved for the year ended 31 December 2013.
- Profit attributable to shareholders increased by 2 per cent or $39 million to $2,367 million as the higher EBITDA was partly offset by an increase in depreciation and amortisation. This was principally attributable to higher depreciation of the Hong Kong data centre at Tseung Kwan O and the roll-out of various new technology systems and upgrades.
- Profit attributable to shareholders for the three months ended 30 June 2014 (Q2 2014) was marginally better than the immediately previous quarter (Q1 2014) by 1 per cent. The increase in scrip fee income in Q2 2014, due to seasonal fluctuations and the distribution from the liquidators of LBSA were mostly offset by the drop in trading revenue, reflecting weaker market activity.

* 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.

CHAIRMAN'S STATEMENT

In the first half of 2014, there were signs of renewed optimism in the capital markets. We saw companies return to the IPO market to raise funds. Amongst 4 of the 20 largest IPOs on the Asian exchanges, 3 were in Hong Kong. As a result, IPO funds raised on the Stock Exchange during the first half of 2014 doubled the amount raised in the same period last year. We will continue to provide support to companies wishing to list in Hong Kong to raise funds for further growth and development.

The improving IPO market sentiment, however, did not provide momentum for strong turnover in our secondary market during the period under review. Trading in our securities and derivatives markets dropped 8 per cent and 6 per cent respectively in the first six months of this year against the same period last year. Trading at LME, benefiting from the revived market demand for commodities, continued to grow during the period and recorded a 10 per cent increase in volume compared with the second half of 2013.

For the six months ended 30 June 2014, the Group's consolidated revenue and other income rose 4 per cent against the corresponding period of 2013, resulting in an increase of 2 per cent in the profit attributable to shareholders. The Board declared an interim dividend of $1.83 per share, which is 90 per cent of the profit attributable to shareholders.

We continued to make progress in various initiatives under our strategic plan for 2013 to 2015. The status of our initiatives is set out in the Business Review section of this announcement.

Looking forward, the launch of Shanghai-Hong Kong Stock Connect is one of the main strategic initiatives to be accomplished in the second half of this year. We welcome the Central Government's endorsement of mutual stock market access between Shanghai and Hong Kong. With this unprecedented project, we have turned an important new page in the further development of the country's capital markets.

Another key initiative for the second half is the migration of clearing for LME from LCH.Clearnet Limited to the new clearing house developed by LME Clear, an indirect wholly-owned subsidiary of HKEx. Subject to regulatory approval, we aim to commence our clearing services in London in September 2014. LME Clear will give us a new revenue stream as well as much more flexibility when introducing new products at LME.

The anticipated exit from unconventional monetary policy in the US might increase global capital market volatility and reduce liquidity in the latter part of this year or in 2015. We believe Hong Kong's role as a leading international financial centre and the Stock Exchange's China dimension give us a firm foundation that will help us overcome any challenges. We will continue striving to reinforce our core business and diversify our asset classes, particularly through RMB-denominated products, to capture the opportunities arising from the opening up of China's capital markets.

We never lose sight of our responsibilities as an exchange controller, a regulator as well as a listed company. Therefore, we will continue to review our regulatory regime with a view towards upholding market quality, and we will explore further collaboration with our stakeholders to drive sustainable performance in the economic, social and environmental dimensions of our industry.

CHOW Chung Kong
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Update and Analysis of Results by Operating Segment

	Six months ended 30 Jun 2014		Six months ended 30 Jun 2013		Change	
	Revenue and other income $m	**EBITDA $m**	Revenue and other income $m	EBITDA $m	Revenue and other income %	EBITDA %
Results by segment:						
Cash	**1,316**	**1,093**	1,233	1,006	7%	9%
Equity and Financial Derivatives	**788**	**589**	870	648	(9%)	(9%)
Commodities	**645**	**317**	608	384	6%	(17%)
Clearing	**1,586**	**1,338**	1,446	1,169	10%	14%
Platform and Infrastructure	**196**	**123**	168	105	17%	17%
Corporate Items	**90**	**(262)**	115	(213)	(22%)	23%
	4,621	**3,198**	4,440	3,099	4%	3%

Cash Segment

Business Update

1H 2014 saw an increase in primary market activity, with total equity funds raised of $217.9 billion (1H 2013: $137.0 billion). IPOs raised $82.1 billion, an increase of 107 per cent when compared with 1H 2013. As at 30 June 2014, the total market capitalisation of companies listed on the Main Board and the GEM was $23.9 trillion.

The ADT of equity products in 1H 2014 was $50.8 billion on the Main Board and $0.8 billion on the GEM, a decline of 5 per cent for the Main Board and an increase of 226 per cent for the GEM compared with the same period in 2013.

8 ETFs were newly listed during 1H 2014, including the first RQFII ETF tracking the Mainland's bond market, as well as the first RQFII sector ETFs. As at 30 June 2014, there were 124 ETFs, 11 REITs and 531 debt securities listed on the Stock Exchange.

To prepare for market participants' readiness for northbound trading through the Shanghai-Hong Kong Stock Connect, seminars and briefings to EPs, IVs and investors were conducted in the second quarter. As at 30 June 2014, over 200 EPs had indicated interest and about 100 EPs had submitted registration forms for commencement of northbound trading upon its launch. There has also been extensive outreach to brokers and investors in the Mainland to give them more information on southbound trading.

HKEx continues to promote listing in Hong Kong and has a series of new initiatives targeting technology, media, telecommunications, consumer goods and retail sectors in the Mainland. Sector-focused events were jointly organised with the local governments in Beijing, Guangzhou and Xi'an in March and May 2014 with favourable responses. As part of the ongoing effort to strengthen cooperation with the Mainland authorities, HKEx organised training on market development and regulatory requirements for the Shenzhen Stock Exchange.

On 1 April 2014, the new publication requirement under the new sponsor regime came into effect. From 1 April to 30 June, 21 application proofs were posted on the HKExnews website and 1 listing application was returned.

During the period, the Stock Exchange published a guidance letter which consolidates and reflects its current approach in applying the reverse takeover rules in the Listing Rules and a consultation paper to seek views on proposed changes to the section of its Corporate Governance Code and Corporate Governance Report relating to internal controls (the consultation will end on 31 August 2014). The Stock Exchange also sent a questionnaire to all issuers to ascertain how they have adopted ESG reporting to prepare for the forthcoming ESG consultation paper.

As part of the market outreach effort, the Stock Exchange organised 11 half-day seminars in Hong Kong and 2 full-day seminars in Beijing and Shanghai and posted a series of 8 ESG training webcasts on the HKEx website to provide more in-depth and practical insights on how to do ESG reporting.

Analysis of Results

Revenue

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Trading fees and trading tariff #	**733**	729	1%
Stock Exchange listing fees #	**313**	276	13%
Market data fees #	**215**	199	8%
Other revenue	**55**	29	90%
Total	**1,316**	1,233	7%

Excluding DWs, CBBCs and warrants which are included in the Equity and Financial Derivatives segment

Trading fees and trading tariff rose by $4 million or 1 per cent compared to 1H 2013 despite a 4 per cent drop in ADT of equity products. This was due to an increase in the number of trading days (2 per cent), higher revenue from more equity funds raised and a rise in trading tariff earned on an increased number of transactions as the average transaction size was lower in 1H 2014.

Stock Exchange listing fees rose by $37 million or 13 per cent due to more IPOs and an increase in the total number of listed companies at 30 June 2014 compared with 30 June 2013.

Market data fees increased by $16 million or 8 per cent compared with 1H 2013 due to the introduction of new datafeeds with the launch of OMD in the second half of 2013 (2H 2013) together with greater demand for non-display data services.

Other revenue increased by $26 million or 90 per cent arising from higher brokerage fees on direct IPO allotments.

Key Market Indicators

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Change
ADT of equity products on the Stock Exchange ($bn)	**51.6**	53.9	(4%)
Number of newly listed companies on Main Board ^	**46**	17	171%
Number of newly listed companies on GEM	**6**	6	0%
Number of companies listed on Main Board at 30 Jun	**1,495**	1,384	8%
Number of companies listed on GEM at 30 Jun	**194**	183	6%
Total	**1,689**	1,567	8%

^ Including 4 transfers from GEM (2013: 1)

EBITDA

Operating expenses decreased by 2 per cent mainly due to lower premises costs upon renewal of certain leases, and more staff being redeployed to strategic capital projects. As a result, the EBITDA margin increased from 82 per cent in 1H 2013 to 83 per cent.

Equity and Financial Derivatives Segment

Business Update

The average daily number of futures and options contracts traded on the Futures Exchange decreased by 10 per cent to 262,653 contracts and the average daily number of stock options contracts traded on the Stock Exchange decreased by 1 per cent to 263,163 contracts, compared with 1H 2013. The total open interest of all futures and options contracts on 30 June 2014 was 6,450,173 contracts, down 1 per cent from 6,526,220 contracts a year ago.

The ADT of DWs, CBBCs and warrants on the Stock Exchange in 1H 2014 was $11.3 billion, a decline of 22 per cent compared with 1H 2013.

There are now 77 stock option classes, including 3 new option classes introduced on 2 July 2014. 40 of these can be traded by Taiwan investors as a result of the approval obtained from the Taiwan Financial Supervisory Commission in February 2014. There are now 17 stock option classes in the Primary Market Maker programme that was introduced as part of the stock options revamp. A market maker protection function has been available since January 2014 to enable the Primary Market Makers to provide more quotes and narrower spreads with lower simultaneous execution risk.

In 1H 2014, 1,244,356 contracts were traded during the AHFT session, which accounted for 6 per cent of the volume of the day session. Following the SFC's approval in May 2014, the closing time for the after-hours trading of Stock Index Futures and RMB Currency Futures will be extended from 11:00 pm to 11:45 pm effective 3 November 2014 to increase the overlap with the US trading hours. The T+1 Clearing Session Cutoff Time will also be extended by 45 minutes. It will move from 11:45 pm to 12:30 am on the next calendar day. To facilitate Participants' verification of their system readiness for clearing activities beyond midnight, a simulation test has been scheduled for August 2014.

RMB Currency Futures – USD/CNH Futures – have been included in the AHFT session since 7 April 2014. On the same day, an additional calendar quarter month and more calendar spreads were introduced. Up to the end of June 2014, the total trading volume of USD/CNH Futures in the AHFT session was 1,381 contracts, which accounted for 5 per cent of the day session. On 22 May 2014, HKEx hosted a RMB FIC Market Strategy Forum for over 400 market participants. The forum covered topics including market development, and global regulatory developments and their impact on the RMB FIC, cash, derivatives and OTC markets in Asia.

To complement the large-cap CES 120, which includes the 80 largest A-share companies based on market capitalisation and the 40 largest Hong Kong-listed Mainland enterprises by market capitalisation, CESC launched the CES 280 on 7 July 2014. The new index is comprised of the 200 largest A-share companies and the 80 largest Hong Kong-listed Mainland enterprises not covered by the CES 120. Together, the 2 indices account for 70 per cent of the market value of the stocks in the CESC universe. In June 2014, HKEx renewed the Liquidity Provider Programme for CES 120 Futures, and introduced a 50 per cent trading discount for 6 months and a new active trader programme. The programmes had 3 liquidity providers and 5 active traders as at 30 June 2014.

HKEx announced a new marketing programme for Asia Commodities and Derivatives New Products in June 2014. The new programme will waive subscriber fees for streaming Level 2 derivatives data for the users in Australia, India, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan and the Mainland until the end of 2016.

Analysis of Results

Revenue

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Trading fees and trading tariff	**479**	560	(14%)
Stock Exchange listing fees	**228**	220	4%
Market data fees	**77**	83	(7%)
Other revenue	**4**	7	(43%)
Total	**788**	870	(9%)

Trading fees and trading tariff decreased by $81 million or 14 per cent due to lower ADT of DWs, CBBCs and warrants, a drop in the average daily number of derivatives contracts traded on the Futures Exchange, and a higher proportion of trades being lower fee H-shares index products. The decrease was partially offset by an increase in the number of trading days (2 per cent) when compared to 1H 2013.

Stock Exchange listing fees rose by $8 million or 4 per cent as there were more newly listed CBBCs during 1H 2014.

Key Market Indicators

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Change
ADT of DWs, CBBCs and warrants on the Stock Exchange ($bn)	**11.3**	14.4	(22%)
Average daily number of derivatives contracts traded on the Futures Exchange	**262,653**	291,171	(10%)
Average daily number of stock options contracts traded on the Stock Exchange	**263,163**	267,047	(1%)
Number of newly listed DWs	**3,623**	3,564	2%
Number of newly listed CBBCs	**5,194**	4,337	20%

EBITDA

Operating expenses dropped by 10 per cent mainly due to lower premises costs upon renewal of certain leases, and more staff being redeployed to strategic capital projects. As a result, EBITDA margin increased marginally by 1 per cent to 75 per cent.

Commodities Segment

Business Update

During 1H 2014, the average daily volume at LME was 719,435 lots, an increase of 10 per cent compared to 2H 2013 and 3 per cent higher than 1H 2013. March 2014 and June 2014 were the second and third busiest months on record with average daily trading of 796,487 lots and 772,552 lots respectively. In 1H 2014, zinc and lead average daily volume increased by 1 and 2 per cent year-on-year respectively. Trading of aluminium, the biggest contract in terms of average daily volume, was flat year-on-year, albeit up 13 per cent from 2H 2013. Nickel, one of the smallest LME contracts by turnover over 1H 2014, grew by 54 per cent year-on-year. The copper contract's turnover fell by 6 per cent year-on-year, and declines in turnover were also experienced by steel billet, molybdenum and aluminium alloy.

Futures MOI at the end of June 2014 was 2,453,440 lots, representing a 4 per cent decrease from the MOI reported at the end of 2013.

In 1H 2014, an average of 154,143 lots per day traded across LMEselect, up 7 per cent from 2H 2013.

On 1 May 2014, LME brought its previously outsourced technology team in-house. The insourcing of IT is an indication of the function's increasing importance to LME and the integral part it will play in the delivery of strategic initiatives, including the launch of LME Clear in September 2014. As a result of the insourcing, LME welcomed more than 100 new employees.

On 23 June 2014, LME announced its decision to maintain and further invest in the Ring, its open-outcry trading floor, following a 6-month internal review and extensive discussions with market participants.

LME Week Asia 2014 was held from 23 to 25 April 2014 in Hong Kong. Industry leaders and key market players shared their insights and views on how Asia interacts with the rest of the world in the commodity business, and the next phase in the internationalisation of the Mainland commodity markets. The seminar and the following dinner respectively attracted more than 700 and 1,500 participants including government officials as well as executives of LME Members, financial institutions, software companies and IVs from many different parts of the world. The next LME Week Asia will be held on 20 May 2015 and details are available on the HKEx Group website.

On 22 April 2014, HKEx announced that, subject to regulatory approval and market readiness, 4 new commodities contracts, London Aluminium Mini Futures, London Copper Mini Futures, London Zinc Mini Futures and API 8 Thermal Coal Futures, will be traded, cleared and settled in Hong Kong. Prior to launch, the Asia Commodities team is engaging extensively with potential market makers and market participants to promote the use of the contracts and establish connectivity. As at 30 June 2014, the team had established broad contacts with more than 50 professional market makers and brokers globally, and hosted more than 200 meetings to introduce the new contracts. A user committee will be set up to provide advice on the ongoing development of the contracts.

As more fully described on pages 17 to 18 under Contingent Liabilities, certain Group companies continue to be involved in litigation related to the metals warehousing industry.

Analysis of Results

Revenue

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Trading fees and trading tariff	**468**	436	7%
Market data fees	**90**	88	2%
Other revenue	**87**	84	4%
Total	**645**	608	6%

Trading fees and trading tariff rose by $32 million or 7 per cent as a result of the increase in average daily volume of metals contracts traded on LME and the appreciation of GBP.

Key Market Indicators

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013	Change
Average daily volume of metals contracts traded on LME (lots)	**719,435**	699,863	3%

EBITDA

Operating expenses rose by $104 million attributable to increases in headcount over the past year related to infrastructure and commercialisation initiatives, annual payroll adjustments as well as legal fees ($38 million) in respect of US class action lawsuits and a judicial review claim filed in the UK. As a result, EBITDA fell by 17 per cent to $317 million and EBITDA margin declined from 63 per cent in 1H 2013 to 49 per cent in 1H 2014.

Clearing Segment

Business Update

HKEx has assessed the business implications of the US Foreign Account Tax Compliance Act (FATCA) and has developed plans for the necessary operational, legal documentation and system changes to be able to meet the FATCA implementation timeline. HKSCC, HKCC, SEOCH and OTC Clear have each registered with the US Internal Revenue Service as a "Reporting Financial Institution under a Model 2 Intergovernmental Agreement".

The Financial Sector Assessment Program's Technical Note on Oversight and Supervision of Financial Market Infrastructures was issued on 16 July 2014. HKEx will, if necessary, develop and agree with the SFC on plans to ensure compliance with the Principles for Financial Market Infrastructures (PFMI). OTC Clear has published on the HKEx website its PFMI disclosure document which is based on the Disclosure Framework and Assessment Methodology published by the Committee on Payment and Settlement Systems and the International Organization of Securities Commissions. The publication of the disclosure documents for HKSCC, HKCC and SEOCH is in progress.

Since the default of LBSA in 2008, HKSCC has been pursuing recovery of its default loss in LBSA's liquidation. In May 2014, HKSCC recovered $55 million through the first dividend payment made by LBSA's liquidators, representing 35 per cent of the admitted claim. The amount ultimately recovered will depend on the outcome of further distributions from the liquidators.

The Securities and Futures and Companies Legislation (Uncertificated Securities Market Amendment) Bill 2014 was gazetted on 13 June 2014 and tabled to the Legislative Council on 25 June 2014. HKEx continues working with the SFC and the other stakeholders to finalise the technical details of the operational model, and to prepare for the relevant subsidiary legislation for an uncertificated securities market regime in Hong Kong.

OTC Clear's second phase of development, the addition of client clearing services and acceptance of non-cash financial instruments as collateral, is underway. Subject to the SFC's approval, OTC Clear aims to offer the new services in the first half of 2015. To facilitate the participation of financial institutions incorporated in the US as OTC Clear's Clearing Members, no-action relief was obtained from the US Commodity Futures Trading Commission thereby allowing OTC Clear to admit US persons as Clearing Members in connection with their own proprietary clearing businesses on an interim basis. To assist its European Union-based Clearing Members, OTC Clear has applied to the European Securities and Markets Authority for admission as a third country central counterparty.

The migration of the LME open interest from LCH.Clearnet Limited to the new clearing house developed by LME Clear (subject to regulatory approval), and the commencement of clearing services are on schedule to take effect in September 2014.

Analysis of Results

Revenue and Other Income

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Trading fees and trading tariff – allocated from Equity and Financial Derivatives segment	**85**	91	(7%)
Clearing and settlement fees	**843**	839	0%
Depository, custody and nominee services fees	**379**	345	10%
Other revenue and sundry income	**17**	12	42%
Total revenue	**1,324**	1,287	3%
Net investment income	**262**	159	65%
Total revenue and other income	**1,586**	1,446	10%

Trading fees and trading tariff allocated from Equity and Financial Derivatives segment fell due to a decrease in number of derivatives contracts traded (see Equity and Financial Derivatives Segment commentary above).

Despite a decrease in ADT on the Stock Exchange, clearing and settlement fees remained stable due to an increase in the number of trading days and a reduction in average transaction size that led to a higher proportion of clearing transactions being subject to the minimum fee.

Depository, custody and nominee services fees rose by $34 million or 10 per cent due to higher scrip fees, electronic IPO services fees and stock withdrawal fees.

The analysis of net investment income is as follows:

	Six months ended 30 Jun 2014			Six months ended 30 Jun 2013		
	Average fund size $bn	**Net investment income $m**	**Annualised net investment return %**	Average fund size $bn	Net investment income $m	Annualised net investment return %
Margin Funds and cash collateral	**41.4**	**250**	**1.21%**	43.3	152	0.70%
Clearing House Funds #	**3.8**	**12**	**0.68%**	4.2	7	0.34%
Total	**45.2**	**262**	**1.16%**	47.5	159	0.67%

In April 2014, $156 million previously earmarked for contribution to the Rates and FX Guarantee Resources of OTC Clear was segregated into designated bank accounts and separately managed. Accordingly, this amount is now disclosed under Clearing House Funds instead of Corporate Funds.

The decline in the average fund size of Margin Funds and cash collateral during the period was caused by the lower margin rates required per contract.

The reduction in the average fund size of Clearing House Funds was due to a drop in additional contributions from Participants in response to market fluctuations and changes in risk exposure.

The higher net investment income and return of the Margin Funds and cash collateral in 2014 were mainly attributable to a rise in interest income from higher bank deposit rates.

EBITDA

Operating expenses fell by 10 per cent due to the recovery from LBSA's liquidators which was partly offset by the ongoing costs of developing LME Clear. EBITDA of the segment rose by 14 per cent to $1,338 million as compared to 1H 2013, and EBITDA margin increased from 81 per cent in 1H 2013 to 84 per cent in 1H 2014.

Platform and Infrastructure Segment

Business Update

Further to the launch of the MMDH in March 2014, HKEx is working on the final phase of the OMD initiative for the derivatives market (OMD-D). HKEx is conducting readiness testing and planning to launch the OMD-D in the second half of this year (2H 2014).

On 9 June 2014, HKEx launched the OCG for the securities market. The OCG benefits EPs by reducing infrastructure costs, introducing new services such as 'drop copy', and adopting industry messaging standards. The OCG also has better performance and resilience compared to the existing Open Gateways which will be gradually replaced by the OCG.

HKEx has started the enrolment process and acceptance testing for the NSTD that will replace the legacy AMS Terminals and MWS trading devices. HKEx plans to commence the NSTD migration in 2H 2014.

Analysis of Results

Revenue

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Network, terminal user, dataline and software sub-license fees	**144**	129	12%
Hosting services fees	**47**	34	38%
Others	**5**	5	0%
Total	**196**	168	17%

Network, terminal user, dataline and software sub-license fees rose by $15 million or 12 per cent as there was an increase in sales of throttles, Cash Market trading system line rental income and Derivatives Market trading system sub-license fee income.

Hosting services fees increased by $13 million or 38 per cent due to the increased number of racks taken up by customers.

EBITDA

Operating expenses increased by $10 million, or 16 per cent due to higher operating costs of hosting services and increased IT costs consumed by Participants. EBITDA margin remained the same as 1H 2013 at 63 per cent, as revenue and operating expenses rose by similar percentages.

Corporate Items

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

Revenue and Other Income

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Net investment income	**87**	113	(23%)
Others	**3**	2	50%
Total	**90**	115	(22%)

The analysis of net investment income is as follows:

	Six months ended 30 Jun 2014			Six months ended 30 Jun 2013		
	Average fund size $bn	**Net investment income $m**	**Annualised net investment return %**	Average fund size $bn	Net investment income $m	Annualised net investment return %
Corporate Funds	**10.7**	**87**	**1.62%**	9.0	113	2.50%

The average fund size of Corporate Funds increased mainly due to profits retained from prior periods.

The lower net investment income and return of the Corporate Funds in 2014 is mainly attributable to a non-recurring fair value gain on LME's investment in shares of LCH.Clearnet Group Limited of $108 million in 1H 2013 which has been partly offset by higher fair value gains on investments and a rise in interest income from higher bank deposit rates in 1H 2014.

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.

Expenses, Other Costs and Taxation

Operating Expenses

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Staff costs and related expenses	**822**	755	9%
IT and computer maintenance expenses	**261**	250	4%
Premises expenses	**145**	149	(3%)
Product marketing and promotion expenses	**18**	14	29%
Legal and professional fees	**103**	55	87%
Other operating expenses	**74**	118	(37%)
Total	**1,423**	1,341	6%

Staff costs and related expenses increased by $67 million or 9 per cent mainly due to the increased headcount of the LME Group due to infrastructure and commercialisation initiatives and the development of LME Clear.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by Participants of $38 million (2013: $35 million), was $223 million (2013: $215 million). The increase was mainly caused by higher maintenance costs for OTC Clear.

Premises expenses decreased by $4 million or 3 per cent due to lower rental costs upon renewal of certain leases.

Legal and professional fees increased by $48 million or 87 per cent as a result of legal fees incurred in respect of US class action lawsuits and a judicial review claim filed in the UK ($38 million), and higher professional fees related to strategic initiatives.

Other operating expenses decreased by $44 million or 37 per cent due to the reversal of provision for impairment losses following the recovery from LBSA's liquidators but partly offset by higher maintenance costs of the Hong Kong data centre at Tseung Kwan O.

Depreciation and Amortisation

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Depreciation and amortisation	**324**	233	39%

Depreciation and amortisation increased by $91 million or 39 per cent mainly due to higher depreciation of the Hong Kong data centre at Tseung Kwan O, following completion of the final phase of construction in December 2013, and amortisation of new systems rolled out in the fourth quarter of 2013 eg, OMD, the clearing system of OTC Clear, the Genium system for the derivatives market, and enhancements to LME's trading platform and its compliance monitoring and price discovery systems.

Finance Costs

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Finance costs	**98**	92	7%

The increase in finance costs was mainly attributable to the refinancing of a portion of the floating rate bank borrowings with fixed rate notes in December 2013 and January 2014, which bear slightly higher interest rates. The refinancing was undertaken to lock in part of the interest expenses of the Group at relatively low fixed rates as interest rates are expected to rise in future.

Taxation

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m	Change
Taxation	**417**	442	(6%)

Taxation dropped mainly due to higher non-taxable investment income.

FINANCIAL REVIEW

Financial Assets by Funds

	At 30 Jun 2014 $m	At 31 Dec 2013 $m	Change
Clearing House Funds #	**3,228**	4,471	(28%)
Margin Funds and cash collateral ^	**47,108**	39,793	18%
Corporate Funds #	**10,283**	10,142	1%
Total	**60,619**	54,406	11%

Amounts of Clearing House Funds included $157 million (31 December 2013: $Nil) for contribution to the Rates and FX Guarantee Resources of OTC Clear. At 31 December 2013, $156 million had been earmarked and kept within the Group's Corporate Funds. This has now been transferred to separately designated and managed accounts and included in Clearing House Funds for presentation purpose.

^ Including margin receivable from Clearing Participants of $5 million (31 December 2013: $6 million)

Corporate Funds at 30 June 2014 increased by only 1 per cent during the period. Cash generated from profits during the period was mostly offset by the payment of 2013 final dividend and a $1.1 billion payment to LBSA's liquidators for dividends payable to LBSA's clients that were previously booked as an accrued liability by the Group.

The increase in financial assets of Margin Funds and cash collateral at 30 June 2014 against those at 31 December 2013 was due to an increase in open interest in futures and options contracts at 30 June 2014 compared to 31 December 2013.

The reduction in financial assets of Clearing House Funds at 30 June 2014 against those at 31 December 2013 was mainly due to a decrease in additional contributions from Participants arising from market fluctuations and changes in risk exposure.

Working Capital, Financial Resources and Gearing

Working capital rose by $1,357 million or 18 per cent to $8,965 million at 30 June 2014 (31 December 2013: $7,608 million). The increase was primarily due to the profit of $2,367 million generated during 1H 2014 and the increase in working capital of the LME Group as a result of appreciation of GBP, but was partly offset by the payment of the 2013 final dividend, net of scrip dividend, of $1,283 million in May 2014.

At 30 June 2014, the Group had floating rate borrowings of $1,589 million from a bank (31 December 2013: $2,326 million) that will mature within 9 years (31 December 2013: 9 years), 2 fixed rate notes issued totalling $1,513 million (31 December 2013: $770 million) with an average annual coupon of 2.8 per cent that will mature in 2018 and 2019, and $3,652 million of convertible bonds (31 December 2013: $3,607 million) with an annual coupon of 0.5 per cent that will mature in 2017. All of these debts are denominated in USD and were used to fund part of the consideration for the acquisition of the LME Group. The Group also had a financial liability of $222 million (31 December 2013: $218 million) in relation to put options granted to the non-controlling shareholders of OTC Clear. In July 2014, the Group refinanced the existing bank borrowings with a new bank loan of US$205 million. The new bank loan will mature within 7 years, and bears a lower interest rate than the refinanced borrowings.

At 30 June 2014, the Group had a gearing ratio (net debt divided by adjusted capital) of zero per cent (31 December 2013: 2 per cent). For this purpose, net debt is defined as total borrowings less cash and cash equivalents of Corporate Funds (and will be zero when the amount of cash and cash equivalents of Corporate Funds is greater than total borrowings), and adjusted capital as all components of shareholders' equity other than designated reserves.

Apart from the borrowings used to fund the acquisition of the LME Group, banking facilities have been put in place for contingency purposes. At 30 June 2014, the Group's total available banking facilities for its daily operations amounted to $15,012 million (31 December 2013: $15,012 million), which included $8,000 million (31 December 2013: $8,000 million) of committed banking facilities and $7,000 million (31 December 2013: $7,000 million) of repurchase facilities.

The Group has also put in place foreign exchange facilities for the RMB Trading Support Facility to support the trading of RMB stocks. At 30 June 2014, the total amount of the facilities was RMB17,000 million (31 December 2013: RMB17,000 million).

At 30 June 2014, 90 per cent (31 December 2013: 94 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, whereas 3 per cent (31 December 2013: 2 per cent) were denominated in GBP and are held by the LME Group.

Capital Expenditure and Commitments

During 1H 2014, the Group incurred capital expenditure of $231 million (2013: $277 million) on the development and upgrade of various trading and clearing systems including a commodities clearing system, a Central Gateway for Cash Market trading, a new market data platform, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong.

The Group's capital expenditure commitments at 30 June 2014, including those authorised by the Board but not yet contracted for, amounted to $661 million (31 December 2013: $878 million) and were related to the development and enhancement of IT systems including a market data system, clearing systems for OTC derivatives and commodities, a Central Gateway for Cash Market trading, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong. The Group has adequate resources to fund its capital expenditure commitments.

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

One of the Group's subsidiaries, LME Clear, holds securities as collateral against overnight triparty reverse repurchase agreements under which its investment services agent, Citibank N.A., is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was GBP65 million (HK$865 million) as at 30 June 2014 (31 December 2013: HK$Nil).

This collateral, which was not recorded on the Unaudited Condensed Consolidated Statement of Financial Position of the Group at 30 June 2014, has been repledged to Citibank N.A. under a first floating charge arrangement for the settlement and depository services it provides in respect of the collateral held. The floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

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 appropriate. However, some foreign currencies may be held to hedge other GBP/USD exposures within the Group. Forward foreign exchange contracts may also be used to hedge LME's currency exposure resulting from its foreign currency revenues.

In respect of the investment in the LME Group in the UK (including goodwill and other intangible assets arising from its acquisition) totalling HK$19,766 million at 30 June 2014 (31 December 2013: HK$18,455 million), movements in the GBP exchange rate do not impact profit attributable to shareholders but are recorded as movements on the exchange reserve, which is a component of equity.

LME Clear's clearing services are expected to commence in September 2014 and all fees will be denominated in USD. LME Clear's functional currency will therefore be changed from GBP to USD shortly before launch. LME Clear will remain exposed to foreign exchange risk related to those operating costs that are denominated in GBP which will be managed through forward foreign exchange contracts and other hedging strategies.

The remaining aggregate net open foreign currency positions at 30 June 2014 amounted to HK$1,855 million, of which HK$505 million was non-USD exposure (31 December 2013: HK$1,821 million, of which HK$413 million was non-USD exposure) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK$1,072 million (31 December 2013: HK$1,120 million). All forward foreign exchange contracts will mature within 2 months (31 December 2013: 3 months).

Contingent Liabilities

At 30 June 2014, 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 2013: \$71 million). Up to 30 June 2014, 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 501 trading Participants covered by the indemnity at 30 June 2014 (31 December 2013: 504) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$100 million (31 December 2013: \$101 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 1 year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs of winding up.

(d) LME litigation

(i) US litigation

Since August 2013, 26 class actions have been filed against LME in the US alleging anti-competitive and monopolistic behaviour in the warehousing industry in connection with aluminium prices. In March 2014, 24 of the class actions were consolidated into 3 complaints, with 2 complaints remaining unconsolidated. HKEx was named as a defendant only in the consolidated complaint filed by direct purchasers of primary aluminium; LMEH was named as a defendant in all 3 of the consolidated complaints, and LME was named in all 5 of the complaints. Following the filing of a series of motions to dismiss the claims by LME and LMEH in April 2014, 2 hearings were held before the US District Court for the Southern District of New York in June 2014. HKEx also moved to dismiss the claim against it on 16 June 2014. To date the US District Court has not ruled on any of the motions to dismiss, although a ruling is expected by the end of August 2014. On 28 July 2014, a further complaint was filed in the US District Court, naming LME as a defendant. The Company understands that the complaint will be consolidated with the pending class actions.

In May 2014, HKEx, LME and LMEH were named as co-defendants in a new class action alleging anti-competitive and monopolistic behaviour in the warehousing market in connection with zinc prices. 2 further complaints of a similar nature were filed in June and July 2014. An initial status conference for all the zinc cases was held on 23 July 2014, at which the US District Court appointed counsel who are also involved in the aluminium cases as interim lead counsel and the plaintiffs were ordered to file a consolidated amended complaint by the end of September 2014. Any motions to dismiss are to be filed by 30 October 2014, although the Court indicated that it will entertain a request to modify that schedule if the 30 October date becomes impracticable.

LME and HKEx management continue to take the view that the aluminium lawsuits are without merit, as are the zinc lawsuits, and each of LME, LMEH and HKEx will contest them vigorously.

As it is not yet clear how the US proceedings will be dealt with by the US District Court, the Group does not currently have sufficient information to estimate the financial effect (if any) relating to the lawsuits, the timing of the ultimate resolution of the proceedings, or what the eventual outcomes might be.

(ii) UK litigation

In December 2013, LME was named as a defendant in a judicial review claim filed by United Company RUSAL Plc (Rusal) in the English High Court (High Court) to challenge LME's decision to introduce rule changes to the delivery out rates of LME approved warehouses. Following the hearing in February 2014, the High Court handed down judgement in March 2014 in favour of Rusal, quashing LME's consultation on the rule changes and the decision to implement such changes. Leave to appeal against the High Court's judgement was granted to LME by the Court of Appeal, and the appeal hearing took place on 29 and 30 July 2014. The Court of Appeal reserved judgement. Whilst a decision may be handed down at any time after the hearing, LME does not currently expect that a decision will be handed down until October 2014 after the Court vacation.

At this stage of the judicial review proceedings, the Group has made provision of GBP200,000 (HK$3 million) in the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2014 representing the interim payment on account of Rusal's costs of the High Court hearing made in April 2014. However, as the outcome of the appeal hearing is yet to be determined, LME is currently unaware whether it will in fact need to pay any of Rusal's legal costs in relation to the High Court hearing. LME is not currently in a position to estimate the further financial effect (if any) of the judicial review claim pending judgement in the appeal.

Changes since 31 December 2013

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

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2014 in conjunction with HKEx's external and internal auditors. Based on this review and discussions with the management, the Audit Committee was satisfied that the financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2014.

Compliance with Corporate Governance Code

Throughout the six months ended 30 June 2014, 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 88(5) of HKEx's Articles of Association, coterminous with his employment with HKEx, and he is not subject to retirement by rotation.

Organisational Changes

Mr Bryan Chan, Co-Head of Equities, Fixed Income and Currency (EFIC) in the Global Markets Division, tendered resignation which will be effective 20 September 2014. Mr Chan is currently a key member of the Shanghai-Hong Kong Stock Connect project, and will continue to be involved in the project until his departure. HKEx appreciates Mr Chan's many contributions to the Company over the past years since he first joined in 2000, and wishes him every success in his future endeavours.

With effect from 22 July 2014, the EFIC has been restructured into 2 sub-divisions, namely Market Operations and Business Development, and the heads of which report to Mr Romnesh Lamba, Co-Head of Global Markets.

Market Operations, comprising Cash Trading, Derivatives Trading and Market Data, is headed by Mr Roger Lee who was previously Head of Structured Products and Fixed Income, and Primary Market Information in the Listing and Regulatory Affairs Division. Mr David Lo, Head of Cash Trading, takes up the role of Deputy Head of Market Operations. Client Business Development and FIC Development are now grouped under the newly formed Business Development. Mr Tae Yoo is the Acting Head, pending the appointment of a new head.

Mr Wayne Wong, Senior Vice President in the Listing and Regulatory Affairs Division, succeeded Mr Roger Lee as the division's Head of Structured Products and Fixed Income, and Primary Market Information.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the six months ended 30 June 2014, neither HKEx nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Sustainable Workplace

As part of a continued effort to develop a sustainable workplace, the Group organised 50 in-house courses during the reporting period to enhance employees' job knowledge, skills and well-being. The courses attracted about 1,700 participants. Moreover, the Group sponsored a total of 146 employees to attend external training.

As at the end of June 2014, the Group had 1,373 employees, including 69 temporary staff. HKEx's remuneration policy has remained unchanged since the date of 2013 Annual Report.

Details of HKEx's principles and practices related to governance and sustainability are set out in the About HKEx (Corporate Governance / Corporate Social Responsibility) section of the HKEx website.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**Six months ended 30 Jun 2014 $m**	Six months ended 30 Jun 2013 $m
Trading fees and trading tariff		**1,765**	1,816
Stock Exchange listing fees		**541**	496
Clearing and settlement fees		**843**	839
Depository, custody and nominee services fees		**379**	345
Market data fees		**382**	370
Other revenue		**353**	297
REVENUE AND TURNOVER	2	**4,263**	4,163
Investment income		**351**	274
Interest rebates to Participants		**(2)**	(2)
Net investment income	3	**349**	272
Sundry income		**9**	5
REVENUE AND OTHER INCOME		**4,621**	4,440
OPERATING EXPENSES			
Staff costs and related expenses		**(822)**	(755)
IT and computer maintenance expenses		**(261)**	(250)
Premises expenses		**(145)**	(149)
Product marketing and promotion expenses		**(18)**	(14)
Legal and professional fees		**(103)**	(55)
Other operating expenses:			
Reversal of provision for impairment losses arising from Participants' default on market contracts	4	**54**	–
Others		**(128)**	(118)
		(1,423)	(1,341)
EBITDA		**3,198**	3,099
Depreciation and amortisation		**(324)**	(233)
OPERATING PROFIT		**2,874**	2,866
Finance costs	5	**(98)**	(92)
Share of loss of a joint venture		**(5)**	(4)
PROFIT BEFORE TAXATION	2	**2,771**	2,770
TAXATION	6	**(417)**	(442)
PROFIT FOR THE PERIOD		**2,354**	2,328
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEx		**2,367**	2,328
- Non-controlling interests		**(13)**	–
		2,354	2,328
Basic earnings per share	7(a)	**$2.04**	$2.03
Diluted earnings per share	7(b)	**$2.04**	$2.02

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m
PROFIT FOR THE PERIOD	**2,354**	2,328
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	**604**	(1,178)
OTHER COMPREHENSIVE INCOME	**604**	(1,178)
TOTAL COMPREHENSIVE INCOME	**2,958**	1,150
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEx	**2,971**	1,150
- Non-controlling interests	**(13)**	–
TOTAL COMPREHENSIVE INCOME	**2,958**	1,150

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		At 30 Jun 2014			At 31 Dec 2013		
	Note	**Current $m**	**Non-current $m**	**Total $m**	Current $m	Non-current $m	Total $m
ASSETS							
Cash and cash equivalents	9	**51,038**	**–**	**51,038**	41,452	–	41,452
Financial assets measured at fair value through profit or loss	9	**3,856**	**140**	**3,996**	3,761	141	3,902
Financial assets measured at amortised cost	9	**5,523**	**57**	**5,580**	8,986	60	9,046
Accounts receivable, prepayments and deposits	9, 10	**6,125**	**6**	**6,131**	10,940	6	10,946
Taxation recoverable		**3**	**–**	**3**	7	–	7
Interest in a joint venture		**–**	**82**	**82**	–	87	87
Goodwill and other intangible assets		**–**	**19,270**	**19,270**	–	18,680	18,680
Fixed assets		**–**	**1,656**	**1,656**	–	1,753	1,753
Lease premium for land		**–**	**23**	**23**	–	23	23
Deferred tax assets		**–**	**44**	**44**	–	47	47
Total assets		**66,545**	**21,278**	**87,823**	65,146	20,797	85,943
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits and cash collateral from Clearing Participants		**47,108**	**–**	**47,108**	39,793	–	39,793
Accounts payable, accruals and other liabilities	11	**6,977**	**18**	**6,995**	12,815	19	12,834
Deferred revenue		**404**	**–**	**404**	593	–	593
Taxation payable		**570**	**–**	**570**	379	–	379
Other financial liabilities		**29**	**–**	**29**	27	–	27
Participants' contributions to Clearing House Funds		**2,426**	**–**	**2,426**	3,884	–	3,884
Borrowings	12	**–**	**6,976**	**6,976**	–	6,921	6,921
Provisions		**66**	**58**	**124**	47	47	94
Deferred tax liabilities		**–**	**913**	**913**	–	900	900
Total liabilities		**57,580**	**7,965**	**65,545**	57,538	7,887	65,425
Equity							
Share capital	13			**12,054**			1,161
Share premium	13			**–**			10,167
Shares held for Share Award Scheme				**(174)**			(174)
Employee share-based compensation reserve				**160**			105
Exchange reserve				**1,172**			568
Convertible bond reserve				**409**			409
Designated reserves				**644**			586
Reserve relating to written put options to non-controlling interests				**(217)**			(217)
Retained earnings							
- Proposed dividend				**2,133**			1,995
- Others				**5,997**			5,805
Equity attributable to shareholders of HKEx				**22,178**			20,405
Non-controlling interests				**100**			113
Total equity				**22,278**			20,518
Total liabilities and equity				**87,823**			85,943
Net current assets				**8,965**			7,608
Total assets less current liabilities				**30,243**			28,405

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

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

2. 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.

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 reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms, sales of market data relating to these products 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 and listing fees of equity products and 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 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 LME, 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 4 clearing houses, namely HKSCC, SEOCH, HKCC and OTC Clear, which are responsible for clearing, settlement and custodian activities of the Stock Exchange and the Futures Exchange, clearing OTC derivatives contracts, and the development and operations of the new clearing house for clearing base metals futures and options contracts traded on LME (LME Clear). Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on Margin Funds, 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. 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 (mainly 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 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**

	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

3. Net Investment Income

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m
Gross interest income	**292**	165
Interest rebates to Participants	**(2)**	(2)
Net interest income	**290**	163
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	**50**	117
Others	**9**	(8)
Net investment income	**349**	272

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

In prior years, the Group lodged claims with the liquidators of LBSA in respect of the losses of approximately $160 million previously recognised in the Group's results. In May 2014, the liquidators declared an interim dividend and the amount received has been recognised in the Group's condensed consolidated income statement for the six months ended 30 June 2014. The amount relating to the reversal of the provision for closing-out losses was then appropriated to the HKSCC Guarantee Fund reserve from retained earnings under the clearing house rules.

No further adjustment in respect of the claims has been made in these interim results, as the Group is unable to estimate with any degree of accuracy the outcome of further distributions, if any, from the liquidators of LBSA.

5. Finance Costs

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m
Interest expenses on borrowings	**99**	90
Net foreign exchange (gains)/losses on financing activities	**(1)**	2
	98	92

6. Taxation

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

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m
Current tax - Hong Kong Profits Tax	**427**	401
Current tax - Overseas Tax	**–**	100
	427	501
Deferred tax	**(10)**	(59)
	417	442

Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2013: 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 2014	Six months ended 30 Jun 2013
Profit attributable to shareholders ($m)	**2,367**	2,328
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	**1,161,380**	1,148,265
Basic earnings per share ($)	**2.04**	2.03

(b) Diluted earnings per share

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013
Profit attributable to shareholders ($m)	**2,367**	2,328
Weighted average number of shares in issue less shares held for Share Award Scheme (in ’000)	**1,161,380**	1,148,265
Effect of employee share options (in ’000)	**458**	734
Effect of shares awarded under Share Award Scheme (in ’000)	**1,281**	2,221
Weighted average number of shares for the purpose of calculating diluted earnings per share (in ’000)	**1,163,119**	1,151,220
Diluted earnings per share ($)	**2.04**	2.02

(i) The effects of the outstanding convertible bonds (note 12) were not included in the computation of diluted earnings per share as they were anti-dilutive.

8. Dividends

	Six months ended 30 Jun 2014 $m	Six months ended 30 Jun 2013 $m
Interim dividend declared of $1.83 (2013: $1.82) per share at 30 Jun	**2,136**	2,100
Less: Dividend for shares held by Share Award Scheme at 30 Jun	**(3)**	(4)
	2,133	2,096

9. Financial Assets

The Clearing House Funds, Margin Funds and cash collateral, and Corporate Funds are invested into cash and cash equivalents, financial assets measured at fair value through profit or loss and financial assets measured at amortised cost, details of which are as follows:

	At 30 Jun 2014 $m	At 31 Dec 2013 $m
Clearing House Funds (note (a))		
Cash and cash equivalents	**3,194**	4,271
Financial assets measured at amortised cost	**34**	200
	3,228	4,471
Margin Funds and cash collateral		
Cash and cash equivalents	**40,133**	30,650
Financial assets measured at fair value through profit or loss	**1,803**	1,802
Financial assets measured at amortised cost	**5,167**	7,335
Accounts receivable and deposits	**5**	6
	47,108	39,793
Corporate Funds		
Cash and cash equivalents (note (a))	**7,711**	6,531
Financial assets measured at fair value through profit or loss	**2,193**	2,100
Financial assets measured at amortised cost	**379**	1,511
	10,283	10,142
	60,619	54,406

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

	At 30 Jun 2014				At 31 Dec 2013			
	Clearing House Funds $m	**Margin Funds and cash collateral $m**	**Corporate Funds $m**	**Total $m**	Clearing House Funds $m	Margin Funds and cash collateral $m	Corporate Funds $m	Total $m
Within 12 months	**3,228**	**47,108**	**10,086**	**60,422**	4,471	39,793	9,941	54,205
Over 12 months	**–**	**–**	**197**	**197**	–	–	201	201
	3,228	**47,108**	**10,283**	**60,619**	4,471	39,793	10,142	54,406

(a) Amounts of Clearing House Funds included $157 million (31 December 2013: $Nil) for contribution to the Rates and FX Guarantee Resources of OTC Clear. At 31 December 2013, $156 million had been earmarked and held within the Group's Corporate Funds. This has now been transferred to separately designated and managed accounts and included in Clearing House Funds for presentation purpose.

10. 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 85 per cent (31 December 2013: 90 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement 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 Continuous Net Settlement money obligations payable, which accounted for 75 per cent (31 December 2013: 77 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations payable mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities mature within 3 months.

During the six months ended 30 June 2014, $17 million (2013: $5 million) of dividends declared by HKEx, which were unclaimed over a period of 6 years from the date of payment, were forfeited and transferred to retained earnings in accordance with HKEx's Articles of Association.

12. Borrowings

	At 30 Jun 2014 $m	At 31 Dec 2013 $m
Bank borrowings	**1,589**	2,326
Convertible bonds	**3,652**	3,607
Notes	**1,513**	770
Written put options to non-controlling interests	**222**	218
Total borrowings	**6,976**	6,921

On 24 January 2014, HKEx issued US$95 million (HK$737 million) senior notes to independent third parties with a maturity of 5 years due on 24 January 2019. The notes bear coupon interest at a rate of 2.85 per cent per annum payable semi-annually in arrears. The proceeds were used to repay the floating rate bank borrowings.

During the six months ended 30 June 2014, none of the convertible bonds were redeemed or converted, and none of the written put options were exercised. With effect from 26 April 2014, the conversion price of the convertible bonds has been adjusted from HK$160 per share to HK$157.62 per share.

13. Share Capital and Share Premium

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of $1.83 per share (2013: $1.82 per share) for the year ending 31 December 2014. The interim dividend will be payable in cash with a scrip dividend alternative. 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.

Relevant Dates for Interim Dividend Payment	
Ex-dividend date	19 August 2014
Closure of ROM	21 to 22 August 2014 (both dates inclusive)
Record date	22 August 2014
Despatch of scrip dividend circular and election form	on or about 28 August 2014
Despatch of dividend warrants/definitive share certificates	on or about 22 September 2014

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, 20 August 2014.

PUBLICATION OF 2014 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/2014Results.htm. The 2014 Interim Report will be available on the HKExnews and HKEx websites, and despatched to Shareholders on or about Thursday, 21 August 2014.

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

Hong Kong, 6 August 2014

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

GLOSSARY

ADT	Average daily turnover value
AHFT	After-Hours Futures Trading
AMS	The Automatic Order Matching and Execution System
Board	HKEx's board of directors
CBBCs	Callable bull/bear contracts
CES 120	CES China 120 Index
CES 280	CES China 280 Index
CESC	China Exchanges Services Company Limited
CNH	RMB traded in Hong Kong
Corporate Governance Code and Corporate Governance Report	Refers to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Director(s)	HKEx's director(s)
DWs	Derivative warrants
EPs or Participants	Exchange Participants
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
Euro	The official currency of the Eurozone
FIC	Fixed income and currency
Futures Exchange	Hong Kong Futures Exchange Limited
GBP	Pound sterling
GEM	Growth Enterprise Market
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
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKSCC	Hong Kong Securities Clearing Company Limited
IPO(s)	Initial Public Offering(s)
IT	Information Technology
IVs	Information Vendors
LBSA	Lehman Brothers Securities Asia Limited
Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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, LME and LME Clear
LMEH	LME Holdings Limited
LMEselect	The electronic platform for the trading of all LME contracts
MMDH	Mainland Market Data Hub
MOI	Market open interest
MWS	Multi-workstation System
NSTD	New Securities Trading Device
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
RQFII	RMB Qualified Foreign Institutional Investor
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai-Hong Kong Stock Connect	A pilot programme that links the stock markets in Shanghai and Hong Kong. Under the programme, investors in Hong Kong and the mainland China can trade and settle shares listed on the other market via the exchange and clearing house in their home market
Shareholders	HKEx's shareholders
Share Award Scheme	The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006, 13 May 2010 and 17 December 2013
Stock Exchange	The Stock Exchange of Hong Kong Limited
UK	United Kingdom
US	United States of America
USD	United States dollar
$/HK$/HKD	Hong Kong dollar
$bn	Hong Kong dollar in billion
$m	Hong Kong dollar in million