



**HKEX**  
香港交易所

Connecting  
**China**  
Connecting  
**the World**

Interim Report 2020



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Financial figures in this Interim Report  
are expressed in HKD unless otherwise stated



# Highlights

“HKEX had a very good first half, set against a turbulent and volatile macro backdrop, reporting record half-yearly revenue and other income, and profit. High Cash Market turnover, record Stock Connect volumes and a notable number of IPOs, including a number of sizeable secondary listings, offset softness in investment income which was impacted by swings in global portfolio valuations during the period.

We remain on track with our Strategic Plan 2019-2021, well-placed to capture future growth opportunities, and fully focused on managing our costs and risks. With robust trading volumes, a strong IPO pipeline, and an expanding product portfolio, including the suite of newly launched MSCI index futures, I am confident that HKEX will continue to play a major role in connecting China and connecting the world. ”

Charles Li  
Chief Executive

## Strategic Highlights

- Hong Kong's IPO market ranked second globally by number of IPOs in 1H 2020 (with 64 new company listings, including the secondary listing of NetEase, Inc. and JD.com, Inc.); and third globally by IPO funds raised (\$92.8 billion). An innovative virtual IPO ceremony option was introduced for newly listed issuers
- Stock Connect Northbound and Southbound ADT reached record half-yearly highs of RMB74.3 billion and \$20.7 billion respectively
- Bond Connect reached its 3rd anniversary in July, with ADT reaching a record half-yearly high of RMB19.9 billion, tripling that of 1H 2019
- ADT of Exchange Traded Products (ETPs) reached \$7.1 billion, 34 per cent higher than in 1H 2019. New initiatives, together with stamp duty waiver on stock transfers paid by ETP market makers, will support continued volume growth
- Major agreement signed to license a suite of MSCI indexes in Asia and Emerging Markets for the introduction of 37 futures and options contracts, 33 of which were introduced in July and August 2020
- New product launches included: USD and CNH Silver Futures, the first Iron Ore Futures ETF, the first commodity-based L&I Product, the first active equity ETF, and the first four A share L&I Products
- The LME introduced new rules on optimising its warehouse network on 1 February 2020
- HKEX Foundation and its first flagship charity partnership programme were launched, in celebration of HKEX's 20th listing anniversary
- HKEX announced plans for its new Sustainable and Green Exchange (STAGE)

## Financial Highlights

- 1H 2020 revenue and other income was 2 per cent higher than 1H 2019, a half-yearly record high
  - Core business revenue was up 13 per cent against 1H 2019, driven by a 20 per cent increase in headline ADT, resulting in higher trading and clearing fees
  - Stock Connect revenue and other income reached a record half-yearly high of \$743 million, up 46 per cent against 1H 2019
- 1H net investment income fell \$681 million, primarily due to the fair value losses of collective investment schemes previously announced at Q1, as a result of the significant global market sell-off in March 2020
- Operating expenses were 6 per cent higher than 1H 2019, attributable to annual payroll adjustments and increased headcount arising from the acquisition of BayConnect in June 2019, and higher IT costs and professional fees
- EBITDA<sup>1</sup> margin was 76 per cent, 1 per cent lower than 1H 2019, but 1 per cent higher than the 2019 financial year
- Profit attributable to shareholders was a half-yearly record high of \$5,233 million, 1 per cent higher than 1H 2019

**\$8,782**  
Million

Revenue and  
other income

↑ 2%

**\$5,233**  
Million

Profit attributable  
to shareholders

↑ 1%

**\$4.15**

Basic earnings  
per share

↓ 0%

<sup>1</sup> For the purposes of this Interim Report, EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint ventures.

## Key Financials

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m	Change
Revenue and other income			
Core business revenue	7,944	7,059	13%
Net Investment income	838	1,519	(45%)
	8,782	8,578	2%
Operating expenses	2,076	1,953	6%
EBITDA	6,706	6,625	1%
Profit attributable to shareholders	5,233	5,205	1%
Basic earnings per share	\$4.15	\$4.16	(0%)
Interim dividend per share	\$3.71	\$3.72	(0%)

## Key Market Statistics

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019	Change
ADT of equity products traded on the Stock Exchange (\$bn)	100.0	75.1	33%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	17.5	22.8	(23%)
ADT traded on the Stock Exchange (Headline ADT) (\$bn)	117.5	97.9	20%
ADT of Northbound Trading of Stock Connect (RMBbn)	74.3*	43.9	69%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	673	672	0%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	502	508	(1%)
Chargeable ADV <sup>2</sup> of metals contracts traded on the LME ('000 lots)	625	619	1%
ADT of Bond Connect (RMBbn)	19.9*	6.6	202%

\* New record half-yearly high in 1H 2020

<sup>2</sup> Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades. Admin Trades were introduced in 2017 to meet requirements resulting from Markets in Financial Instruments Directive (MiFID) II.

## Chairman's Statement



The global economy in the first half of 2020 has been hit hard by the COVID-19 pandemic, resulting in widespread economic malaise and social fragility. Global financial markets have been characterised by extreme levels of volatility, driven by the uncertainties of the pandemic, rising tensions in Sino-US relations and geopolitical challenges, particularly in the Middle East and Asia.

Against this unprecedented and volatile backdrop, our markets have demonstrated resilience and we have made solid progress against our Strategic Plan 2019-2021.

In the first half of 2020, the average daily turnover in Hong Kong's securities market (\$117.5 billion) increased by 20 per cent year-on-year; and the average daily volume of futures and options traded in the derivatives market (1,175,231 contracts) was broadly in line with the same period last year. Hong Kong's IPO market demonstrated further momentum in Q2 2020, including the notable secondary listings of NetEase, Inc. and JD.com, Inc., bringing the total IPO funds raised for the first six months of 2020 to \$92.8 billion. Stock Connect continued its strong growth in the first half of 2020, with new turnover records set in both Northbound and Southbound Trading. Bond Connect trading volumes also saw record-highs with average daily turnover reaching RMB19.9 billion, up 202 per cent year-on-year.

In the UK, in response to the pandemic, in March 2020 the LME successfully implemented temporary contingency measures, including fully electronic pricing and trading. Chargeable average daily volume of metals contracts traded on the LME was 1 per cent higher than the volume in the first half of 2019, reflecting a strong first quarter driven by market volatility, offset by a weaker second quarter as traders withdrew capital and waited to understand the full impact of the pandemic on commodity markets.

For the six months ended 30 June 2020, the Group recorded consolidated revenue and other income of \$8,782 million and profit attributable to shareholders of \$5,233 million, up 2 per cent and 1 per cent, respectively, against the corresponding period in 2019. The Board declared an interim dividend of \$3.71 per share, representing 90 per cent of the profit attributable to shareholders, which will be payable wholly in cash without a scrip alternative.

The major update to our listing rules in April 2018 has substantially increased our global competitiveness and has continued to attract more listings of high growth biotech and new economy companies to Hong Kong during the first half of 2020. The growing trend of US-listed Chinese companies, seeking secondary listings on the Exchange has brought, and will continue to bring, diversity and vibrancy to Hong Kong's capital markets. In January 2020 we looked to continue this momentum with a market consultation seeking views on allowing corporate entities to benefit from weighted voting rights, subject to additional conditions and investor safeguards. We will consider the market feedback carefully before deciding on the way forward. To further modernise and enhance the competitiveness of our listing regime, we published a consultation paper in July seeking feedback on proposals to introduce a paperless listing and subscription regime, the online display of documents and a reduction of the types of documents on display.

On the derivatives front, in May 2020 we announced a significant licence agreement with leading global index provider, MSCI Inc., to introduce futures and options contracts on a suite of MSCI's Asia and Emerging Markets indexes to Hong Kong's markets. This is a major development for Hong Kong, and reflected our commitment to build the breadth, depth and attractiveness of our markets. It also signalled strong endorsement of both HKEX and Hong Kong as an international financial community. In July, OTC Clear became the first clearing house to offer clearing services of Hong Kong Dollar Interest Rate Swap contracts benchmarked to the Hong Kong Dollar Overnight Index Average (HONIA) reference rate. To further enrich our product diversity and promote Hong Kong as Asia's premier Exchange Traded Products (ETPs) market, we introduced the first iron ore futures ETF in March 2020; the first Gold Futures Leveraged Product in June; the first A-share Leveraged and Inverse Products in July; all in addition to the new initiatives introduced to increase pricing efficiency and liquidity of Hong Kong listed ETPs. We also launched USD and CNH Silver Futures contracts in June, further expanding our commodities product suite and enhancing our physical delivery capability. The shortening of the listing cycle of structured products from five trading days to three trading days, effective July, has also helped increase product choice for investors, while enhancing market efficiency on product issuance.

As part of our commitment to sustainability, we confirmed our launch plan for HKEX's Sustainable and Green Exchange, "STAGE", later this year: this pioneering new information platform will promote the development of the sustainable and green finance ecosystem in Hong Kong and Asia. The LME issued a well-received discussion paper in August 2020 seeking views on proposals to drive forward its sustainability agenda. The LME plans to launch new contracts to support the recycled, scrap and electric vehicle industries in their transition to a sustainable economy, and introduce an LMEpassport, a digital register that enables voluntary market-wide transparency over sustainability criteria. The LME also plans to establish a spot trading platform for price discovery and trading of low carbon aluminium.

To ensure that our markets remain robust and competitive, the first phase enhancements for the Volatility Control Mechanism, including expanding stock coverage with tiered triggering thresholds, was implemented in May 2020. The Master Special Segregated Account service was launched in July to enhance our service to support Stock Connect. Following publication of the conclusions of our joint consultation with the SFC and the Federation of Share Registrars Limited in April 2020, we are now working with the market with a view to implementing the uncertificated securities market regime from 2022.

The LME issued two notable discussion papers: in June 2020 it sought views from market participants on its proposal to adopt a dematerialised warranting structure to streamline the warrant lodgement and withdrawal process; and in July it also issued a market-wide discussion paper regarding the proposed development of its electronic options market to modernise and enhance its market for the benefit of end users.

Throughout the period, we remained focused on building our technological capabilities, and continued to leverage the work of the HKEX Innovation Lab to explore and deploy innovative solutions across the Group in support of our strategic priorities.

Details of our progress in various initiatives are set out in the Business Review section of this Interim Report.

As Asia's premier exchange group, HKEX has had a more relevant and vital role to play than ever before in driving sustainable growth in our markets and in supporting our community during this incredibly challenging period. The official launch of the HKEX Foundation, together with its flagship HKEX Charity Partnership Programme and its first university scholarship programme, in June, underscored our commitment to being a responsible leader and to delivering our purpose: "Supporting the prosperity of all". We are confident that our strategic focus on being China Anchored, Globally Connected and Technology Empowered will enable us to go from strength to strength, underpinning our continued success as the global markets leader in the Asian time zone. We will stay ever diligent given the uncertainties and challenges ahead, and we will continue to work closely together with our customers, partners, regulators and other stakeholders in supporting and maintaining Hong Kong's position as a leading global international financial centre.

Lastly, I would like to express my heartfelt thanks to our shareholders for their unwavering support and trust, and to all our dedicated staff for their relentless efforts during these testing times.

**Laura M CHA**  
Chairman

Hong Kong, 19 August 2020



**Management  
Discussion and Analysis**

# **Business Review**

## **Financial Review**

# Business Review

## Overview

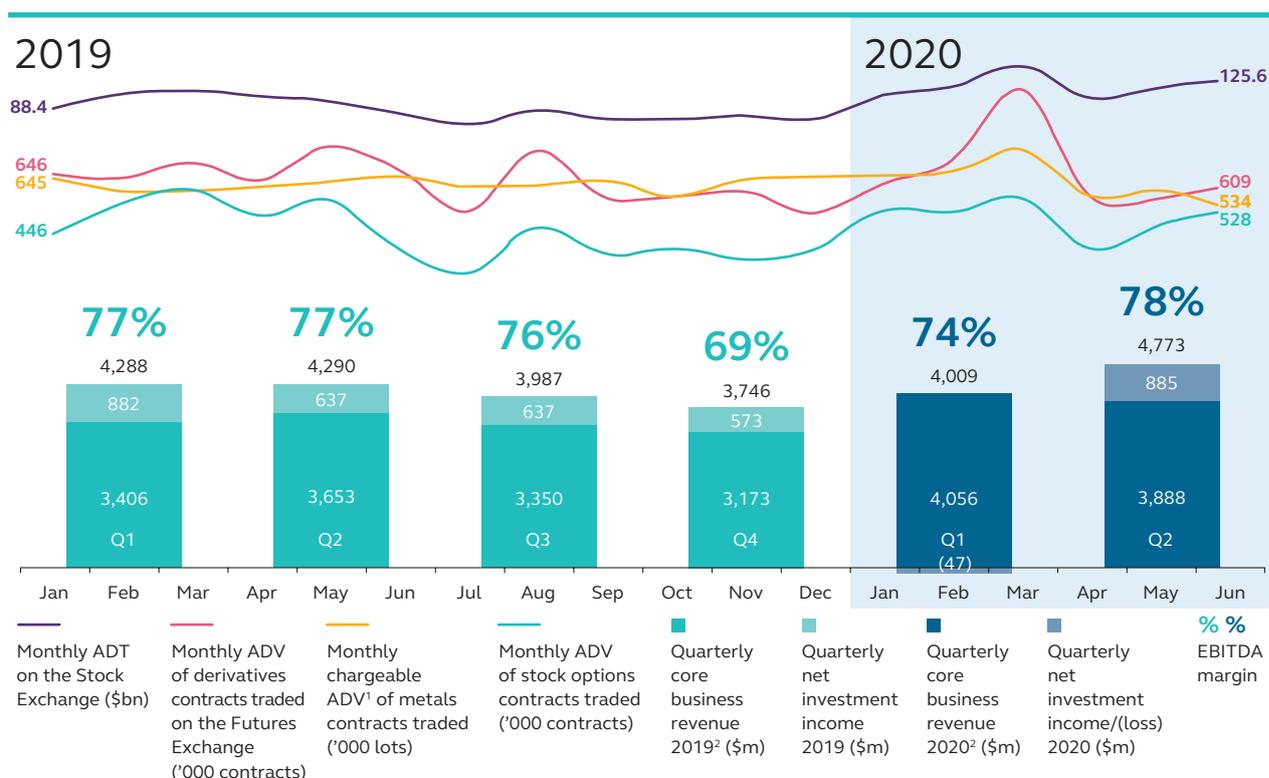


Fig. 1 – Market activity and Group's revenue and other income/(loss)

HKEX's business performed well in 1H 2020, recording record revenue and other income and profit despite the challenging macroeconomic and market backdrop. Headline ADT<sup>3</sup> rose to \$117.5 billion, 20 per cent above 1H 2019, and 52 per cent above 2H 2019. Stock Connect saw record half-yearly revenue and other income in 1H 2020 as both Northbound and Southbound Trading volumes reached record half-yearly highs. HKEX ranked second globally by number of IPOs, welcoming 64 new company listings in 1H 2020.

Revenue and other income for 1H 2020 rose by 2 per cent against 1H 2019 and reached a half-yearly record high of \$8.8 billion. The increase in trading and clearing fees was partly offset by the fair value losses on collective investment schemes of \$138 million (which saw record gains of \$535 million in 1H 2019) due to global market corrections in March. Operating expenses increased by 6 per cent compared with the prior period, mainly due to annual payroll adjustments and increased headcount arising from the acquisition of BayConnect in June 2019, higher

1 Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades. Admin Trades were introduced in 2017 to meet requirements resulting from Markets in Financial Instruments Directive (MiFID) II.

2 Includes revenue and sundry income

3 ADT of equity products, DWs, CBBCs and warrants traded on the Stock Exchange

IT and computer maintenance expenses for new IT systems and upgraded networks, and higher professional fees incurred for strategic projects and other business initiatives.

For Q2 2020, revenue and other income also reached a quarterly record high of \$4.8 billion, up 19 per cent against Q1 2020. Despite the 6 per cent lower ADT against Q1 2020, this was more than offset by the rebound of the collective investment schemes, which recorded gains of \$383 million (as opposed to losses of \$521 million in Q1 2020), and the seasonal increases in depository, custody and nominee services fees.

In response to continued macro uncertainties, the Group maintained its focus on delivering upon the initiatives set out under its Strategic Plan 2019-2021, whilst continuing to adopt a prudent approach to cost control and risk management. We remain vigilant, and we are fully focused on our resiliency and responsiveness to the continuing global uncertainties; we will look to update and refresh our procedures and activities to adapt to the changing landscape as needed.

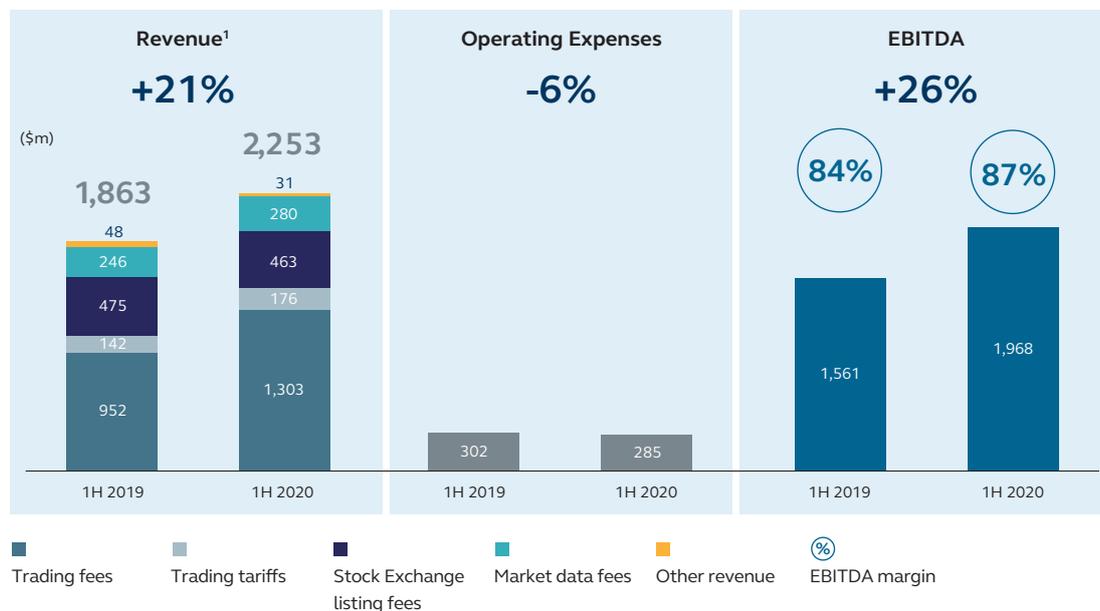
## Business Update and Analysis of Results by Operating Segment

	Six months ended 30 Jun 2020		Six months ended 30 Jun 2019	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m
Results by segment:				
Cash	2,253	1,968	1,863	1,561
Equity and Financial Derivatives	1,638	1,331	1,631	1,340
Commodities	749	420	694	370
Post Trade	3,629	3,197	3,262	2,842
Technology	443	304	373	271
Corporate Items	70	(514)	755	241
	<b>8,782</b>	<b>6,706</b>	8,578	6,625

## Cash Segment

### Analysis of Results

#### 1H 2020 vs 1H 2019



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

Trading fees increased by 37 per cent compared with 1H 2019, more than the 33 per cent rise in equity products' ADT. This was primarily due to record fees from Stock Connect Northbound Trading of \$175 million (1H 2019: \$110 million), and the increase in number of trading days. Trading tariffs rose by 24 per cent, driven by the increase in equity products' trading.

Stock Exchange listing fees dropped by \$12 million, attributable to a \$17 million decrease in initial listing fees from fewer forfeitures, partly offset by a \$5 million increase in annual listing fees from a higher number of listed companies.

Operating expenses decreased by 6 per cent due to lower allocated costs of the Listing Division to this segment. This reflects the decrease in listing fees from equities, compared with the increase in listing fees from DWs and CBBCs, which are under the Equity and Financial Derivatives segment.

## Business Update

Despite the COVID-19 outbreak which has led to widespread impact on the global economy, the Hong Kong Cash Market remained resilient and saw significant growth in 1H 2020 compared with 1H 2019, with headline ADT up 20 per cent to \$117.5 billion.

Stock Connect experienced strong flows in both Southbound and Northbound Trading in 1H 2020, with record half-yearly turnover. Northbound Trading ADT was RMB74.3 billion, 69 per cent higher than 1H 2019; and Southbound Trading ADT was \$20.7 billion, 86 per cent higher than 1H 2019. Southbound Trading turnover reached a daily record high of \$46.3 billion on 19 March 2020. As a result, Stock Connect generated record half-yearly revenue and other income of \$743 million (1H 2019: \$508 million), of which \$578 million (1H 2019: \$356 million) arose from trading and clearing activities.

On 13 January 2020, the investor identification regime for Southbound Trading was successfully launched, facilitating enhanced market surveillance and orderly operation of Stock Connect.

On 11 May 2020, HKEX introduced first phase enhancements to the Hong Kong Cash Market Volatility Control Mechanism (VCM). Phase 1 enhancements, which include further securities coverage expansion and tiered triggering thresholds, further strengthen the stock-level safeguards during extreme price volatility, and reflect changes in international practice and regulatory guidance. As at 30 June 2020, six VCM triggers had been recorded and all market operations have been smooth. Phase 2 enhancements, which allow multiple triggers, are subject to market operations' review to be conducted six months after the launch of Phase 1.

Hong Kong continues to be an attractive market for issuers, with strong growth in healthcare companies seeking a listing, and in the overall

## Key Market Indicators

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019
ADT of equity products traded on the Stock Exchange <sup>1,2</sup> (\$bn)	100.0	75.1
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect <sup>2</sup> (RMBbn)	31.6 <sup>4</sup>	23.5
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect <sup>2</sup> (RMBbn)	42.7 <sup>4</sup>	20.4
ADT of Bond Connect (RMBbn)	19.9 <sup>4</sup>	6.6
Average daily number of trades of equity products traded on the Stock Exchange <sup>1,2</sup> ('000)	1,518 <sup>4</sup>	1,245
Number of newly listed companies on the Main Board <sup>3</sup>	59	78
Number of newly listed companies on GEM	5	6
Total equity funds raised		
– IPOs (\$bn)	92.8	71.8
– Post-IPO (\$bn)	139.5	77.4
Number of companies listed on the Main Board at 30 Jun	2,111	1,996
Number of companies listed on GEM at 30 Jun	376	386
Number of trading days	122	119

1 Excludes \$17.5 billion (1H 2019: \$22.8 billion) of ADT of DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes \$11.9 billion<sup>4</sup> (1H 2019: \$7.1 billion) of ADT of Southbound Trading under Shanghai-Hong Kong Stock Connect and \$8.8 billion<sup>4</sup> (1H 2019: \$4.0 billion) under Shenzhen-Hong Kong Stock Connect

2 Includes buy and sell trades under Stock Connect

3 Includes 5 transfers from GEM (1H 2019: 8)

4 New record half-yearly high in 1H 2020

number of sizeable listings. In 1H 2020, HKEX welcomed 64 listed companies (including the secondary listing of NetEase, Inc. and JD.com, Inc.), raising a total of \$92.8 billion, ranking second globally<sup>4</sup> by number of IPOs and third globally<sup>4</sup> by IPO funds raised.

During 1H 2020, HKEX expanded its outreach and engagement with issuers and market participants through various digital channels, conducting a range of innovative new “virtual listing ceremonies”. A series of biotech webinars were also hosted in May.

Our Exchange Traded Products (ETPs) business had a buoyant 1H 2020. ADT of ETPs, which includes ETFs and L&I Products, surged to \$7.1 billion in 1H 2020 (1H 2019: \$5.3 billion). In particular, L&I Products saw a strong uptick in investor interest, with ADT more than quadrupling from \$379 million in 1H 2019 to \$1.8 billion in 1H 2020. On 22 May 2020, the turnover of L&I Products reached a daily record high of \$5.1 billion.

On 1 June 2020, HKEX introduced a new spread table and continuous quoting market making obligations to enhance the liquidity of ETPs. In addition, the first Iron Ore Futures ETF, commodity-based L&I Product, active equity ETF, and the first four A share L&I Products were listed in 2020.

On 15 May 2020, the HKSAR Government published a new regulation to waive the stamp duty on stock transfers for ETP market makers when creating and redeeming ETP units. The regulation, which came into effect on 1 August 2020, helps to lower the transaction cost of ETP activities in the primary market.

Bond Connect reached its 3rd anniversary in July 2020, and has seen various enhancements across the onboarding, trading, and settlement segments since its debut. The enhancements include the launch of block trade allocation, real-time Delivery versus Payment, and Primary Market Information Platform, in addition to

further clarification of tax policies. Meanwhile, the mutual market access scheme has gained strong recognition from the international market and foreign investors, with robust growth in terms of trading volume, foreign holdings, and the number of registered investors. In 1H 2020, ADT reached a new record half-yearly high of RMB19.9 billion, tripling that of 1H 2019, and ADT reached a monthly record high of RMB26.0 billion in May 2020. At 30 June 2020, the overall foreign investor holdings in the China Interbank Bond Market’s domestic debt securities rose to RMB2,507.5 billion, and the total number of approved institutional investors increased to 2,012, up 15 per cent and 26 per cent from 31 December 2019 respectively. In 1H 2020, Bond Connect welcomed its first investors from Finland and Russia, further expanding its coverage to 33 jurisdictions.

To further enhance Bond Connect scheme, in July 2020, the People’s Bank of China announced four new measures including fee reduction, trading hour extension, expansion of trading platforms, and primary market service offering enhancements.

In June 2020, HKEX announced plans to launch the HKEX Sustainable and Green Exchange (STAGE). This pioneering new information platform is the first-of-its kind in Asia, and will act as a central hub for data and information on sustainable and green finance investments in the region. STAGE will promote the visibility, transparency, and accessibility of sustainable and green finance across asset class and product type, and will also act as a valuable education and advocacy platform, promoting knowledge sharing and stakeholder engagement in sustainable finance.

The Stock Exchange published consultation papers during 2020 on the following topics:

Consultation papers	Consultation period end date
• Corporate WVR Beneficiaries	31 May 2020
• Proposals to Introduce a Paperless Listing & Subscription Regime, Online Display of Documents and Reduction of the Types of Documents on Display	24 September 2020
• Review of Listing Rules relating to Disciplinary Powers and Sanctions	9 October 2020

In addition, the Stock Exchange published the following guidance materials during 1H 2020:

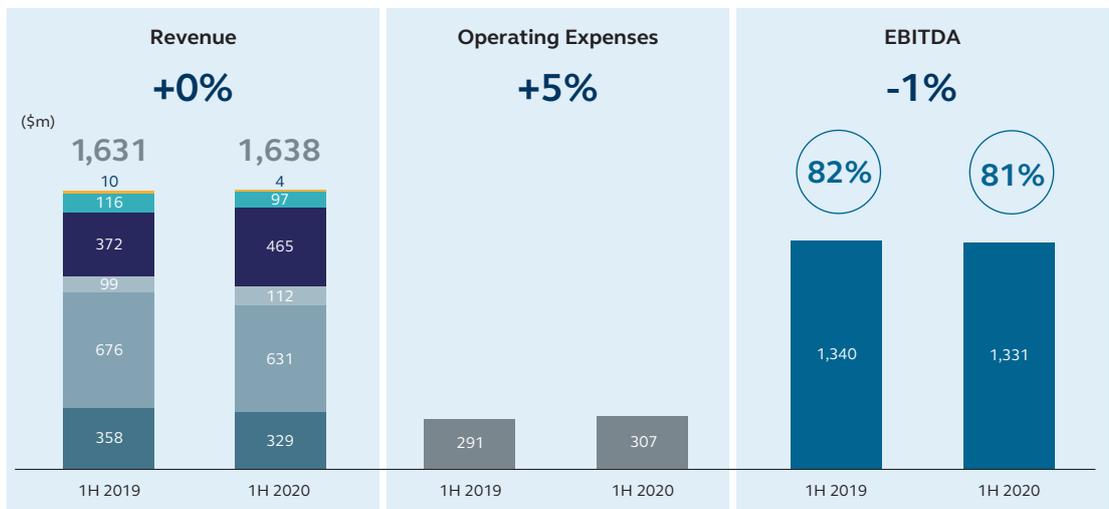
#### Guidance materials

- Joint statements with the SFC in relation to (i) listed issuers' results announcements and (ii) general meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation
- New guidance materials for pre-revenue biotech companies, providing prospective issuers and the market with more clarity on the listing requirements and disclosures
- A Listed Issuer Regulation Newsletter which contains observations based on issuers' recent announcements of business updates, and guidance on best practices in making disclosures in the current environment in light of COVID-19
- Environmental, Social and Governance (ESG) guidance materials including an e-training course, a new guide for board and directors and the step-by-step ESG reporting guidance
- Updated Disciplinary Procedures to provide further flexibility for the Listing Committee to determine non-cooperation cases in an expeditious manner
- An updated Statement on Settlement of Disciplinary Matters to provide information relating to the criteria for and benefits of settlement of enforcement action
- Four new Listing Decisions on (i) the minimum market capitalisation requirement under Main Board Listing Rules 8.09(2) after a proposed spin-off and (ii) guidance on why the Stock Exchange rejected and returned certain listing applications

## Equity and Financial Derivatives Segment

### Analysis of Results

#### 1H 2020 vs 1H 2019



■ Trading fees and trading tariffs of DWs, CBBCs and warrants  
■ Trading fees of derivatives contracts traded on the Futures Exchange <sup>1,2</sup>  
■ Trading tariffs of stock options contracts <sup>2</sup>  
■ Stock Exchange listing fees  
■ Market data fees  
■ Other revenue  
⊙ EBITDA margin

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

2 Excludes trading fees and trading tariffs allocated to the Post Trade segment

ADV of derivatives contracts traded on the Futures Exchange<sup>5</sup> was marginally higher than 1H 2019. Derivatives trading fees of the Futures Exchange, however, decreased by 7 per cent due to a lower proportion of higher fee contracts traded in 1H 2020, including HSI futures and options, partly offset by more trading days.

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

Trading fees and trading tariffs of DWs, CBBCs and warrants dropped by 8 per cent compared with 1H 2019, less than the 23 per cent decrease in ADT and the 10 per cent decrease in total number of trades, attributable to higher trading fees received from new issues of DWs and CBBCs.

Stock Exchange listing fees increased by 25 per cent, as the number of newly listed CBBCs reached a half-yearly record high of 18,920 in 1H 2020.

Operating expenses increased by 5 per cent due to higher allocated costs of the Listing Division, reflecting the increase in listing fees from DWs and CBBCs compared with the decrease in listing fees from equities.

## Business Update

Driven by the increased volatility, ADV of derivatives contracts traded on the Futures Exchange was 671,833<sup>5</sup> contracts in 1H 2020, 8 per cent higher than the full year 2019.

Trading volume in the After-Hours Trading (T+1) Session continued to grow, with ADV reaching 119,307<sup>5</sup> contracts in 1H 2020, 45 per cent and 40 per cent higher than the full year 2019 and 1H 2019 respectively. The number of equity index futures and options traded in the T+1 Session reached a daily record high of 303,482 contracts on 18 March 2020. In addition, the trading volume of four equity derivatives contracts (Mini HSI Futures, Hang Seng China Enterprises Index Futures, Mini Hang Seng China Enterprises Index Futures and HSI Options) reached half-yearly record highs in the T+1 Session during 1H 2020.

The RMB currency derivatives market went through a general risk-off period as a result of the COVID-19 outbreak, before regaining momentum in June 2020. Open interest of USD/CNH Futures contracts at 30 June 2020 saw a growth of 4 per cent from 31 December 2019, as investors increasingly utilised the contracts to manage their risk exposures.

## Key Market Indicators

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	17.5	22.8
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	316	358
ADV of derivatives contracts traded on the Futures Exchange <sup>1</sup> ('000 contracts)	672	670
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	502	508
Number of newly listed DWs	5,460	5,048
Number of newly listed CBBCs	18,920 <sup>2</sup>	12,503
Number of newly listed Inline Warrants	509	-
ADV of contracts traded during After-Hours Trading (AHT) <sup>1</sup> ('000 contracts)	119 <sup>2</sup>	85
Number of trading days	122	119
	At 30 Jun 2020	At 30 Jun 2019
Open interest of futures and options contracts <sup>1</sup> ('000 contracts)	11,186	11,452

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

2 New record half-yearly high in 1H 2020

The INR/USD Futures contracts established new daily records multiple times in 1H 2020, including the latest daily record high of 5,035 contracts on 2 March 2020. By the end of June 2020, a total of 98,725 contracts had been traded since their launch on 4 November 2019. To facilitate further development of the INR Currency Futures market, additional contract months were added to INR/USD Futures and INR/CNH Futures in June and July respectively.

To provide more investment options and risk management tools for investors on newly listed shares, HKEX facilitated the launch of futures and options of NetEase, Inc. and JD.com, Inc. on their share debut dates on 11 June and 18 June respectively. Trading of the two stocks and their related derivatives products has been active, reflecting a strengthened product ecosystem.

HKFE signed a licensing agreement with MSCI Inc. on 27 May 2020 to license a suite of MSCI indexes in Asia and Emerging Markets for the introduction of 37 futures and options contracts in Hong Kong. 33 futures contracts were introduced throughout July and August 2020. This suite of futures and options contracts represents a major step forward in the expansion of HKEX's derivatives product portfolio and significantly adds to the breadth and depth of the Hong Kong markets.

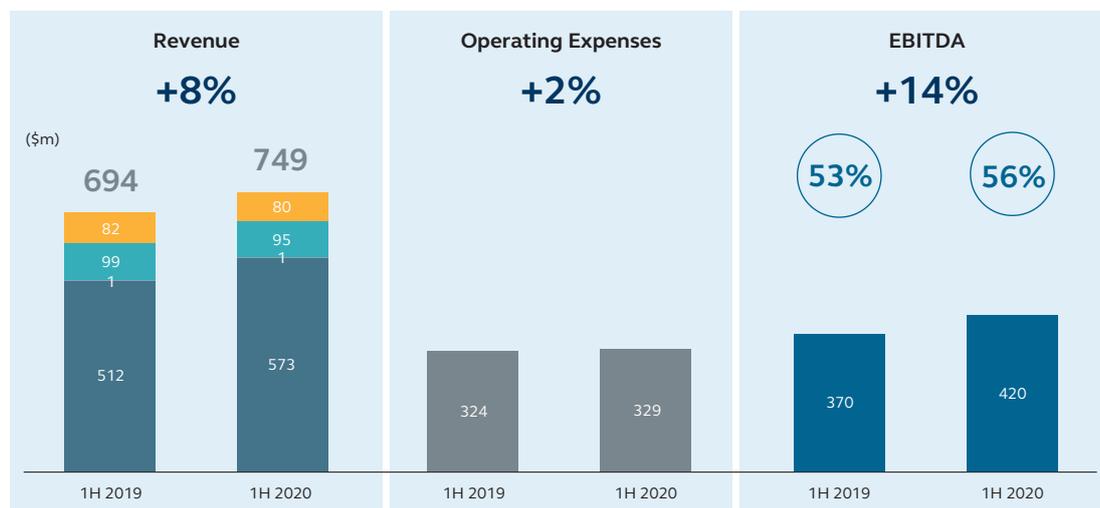
Enhancements were made to our Derivatives Block Trade facilities. Effective from 8 June 2020, futures only Block Trade orders, where all legs individually meet the applicable Minimum Volume Threshold, can be aggregated to facilitate greater operational efficiency for EPs. Furthermore, a new arrangement was introduced to facilitate the entry of negotiated Block Trades into the Hong Kong Futures Automated Trading System (HKATS) in the event of a market contingency situation.

As the world's leading structured products market, HKEX has been working with market participants to simplify workflow and enhance market efficiency. In response to the market demands and recommendations from the Financial Services Development Council, HKEX reduced the structured product listing cycle from five to three trading days, effective from 13 July 2020. The new listing cycle enhances market efficiency on product issuance, and increases product choices for investors.

## Commodities Segment

### Analysis of Results

#### 1H 2020 vs 1H 2019



■ Trading fees of metals contracts traded on the LME
 ■ Trading fees of derivatives contracts traded on the Futures Exchange<sup>1</sup>
■ Market data fees
 ■ Other revenue
 ⊙ EBITDA margin

<sup>1</sup> Includes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts

Chargeable ADV of metals contracts traded on the LME in 1H 2020 increased by 1 per cent compared with 1H 2019, as higher volumes in March 2020 was largely offset by decreased volumes in Q2 2020, as financial users took a “risk-off” approach in response to COVID-19 uncertainty. LME trading fees, however, increased by \$61 million (12 per cent) due to the fee increment effective from 1 January 2020.

Operating expenses increased by 2 per cent due to higher IT maintenance expenses, partly offset by lower marketing expenses.

## Business Update

Due to the threat of COVID-19 and in accordance with guidance from the UK Government, the LME has maintained its suspension of trading on the LME Ring; and the temporary shift to electronic pricing remains in effect. The LME has taken steps to ensure that the LME and LME Clear can continue to operate a fully functioning and orderly market. The LME continues to monitor the evolving situation and will also liaise with relevant industry bodies and regulators as appropriate.

Several of the cash-settled futures contracts launched in 2019 continued to see active trading volumes. In 1H 2020, 47,495 lots of LME Steel Hot-Rolled Coil (HRC) Free On Board (FOB) China and 13,415 lots of LME Steel HRC North America were traded. The LME intends to introduce additional cash-settled futures contracts, including a lithium contract to serve the needs of the growing battery materials sector, and additional steel contracts.

New rules aimed at optimising the LME's warehousing network (including off-warrant stock reporting requirements), which came into effect on 1 February 2020, have yielded constructive results. The LME continues to monitor the efficiency of its warehouse network to ensure that it is operating effectively. In particular, the warehouse network continues to provide an effective storage mechanism during the current economic slowdown with total stocks rising 19 per cent as at 30 June 2020 as compared to 31 December 2019. On 15 June 2020, the LME further released a market-wide discussion paper on its proposal to introduce an electronic warranting process which streamlines the warrant lodgement and withdrawal process, and is expected to provide significant operational efficiencies for users.

On 1 July 2020, the LME issued a market-wide discussion paper regarding the proposed development of its electronic options market and is seeking views on its plans to simplify and standardise some areas of its market structure in order to support the enhancement of its options market.

## Key Market Indicators

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	266	240
Copper	135	133
Zinc	100	116
Nickel	73	80
Lead	44	41
Others	7	9
Total chargeable ADV excluding Admin Trades <sup>1</sup>	625	619
Chargeable Admin Trades <sup>1</sup>	46	28
Non-chargeable Admin Trades <sup>1</sup> and other non-chargeable trades	1	68
Total ADV	672	715
Number of trading days	125	124
	At 30 Jun 2020	At 30 Jun 2019
Total futures Market Open Interest ('000 lots)	2,094	2,146

<sup>1</sup> Admin Trades were introduced in 2017 to meet requirements resulting from MiFID II. These trades were not chargeable prior to 1 May 2019, but became chargeable at US\$0.04 per contract thereafter.

In Hong Kong, USD and CNH Silver Futures contracts were successfully launched on 8 June 2020 to complement the precious metals product suite. A total of 6,790 contracts of CNH Gold Futures and 59,045 contracts of USD Gold Futures were traded in 1H 2020, with 841 kilograms of gold physically settled against futures contracts. In addition, a total of 66,826 contracts of USD-denominated London Aluminium/Copper/Zinc/Lead/Tin/Nickel Mini Futures and 54,333 contracts of Iron Ore Futures were traded in 1H 2020.

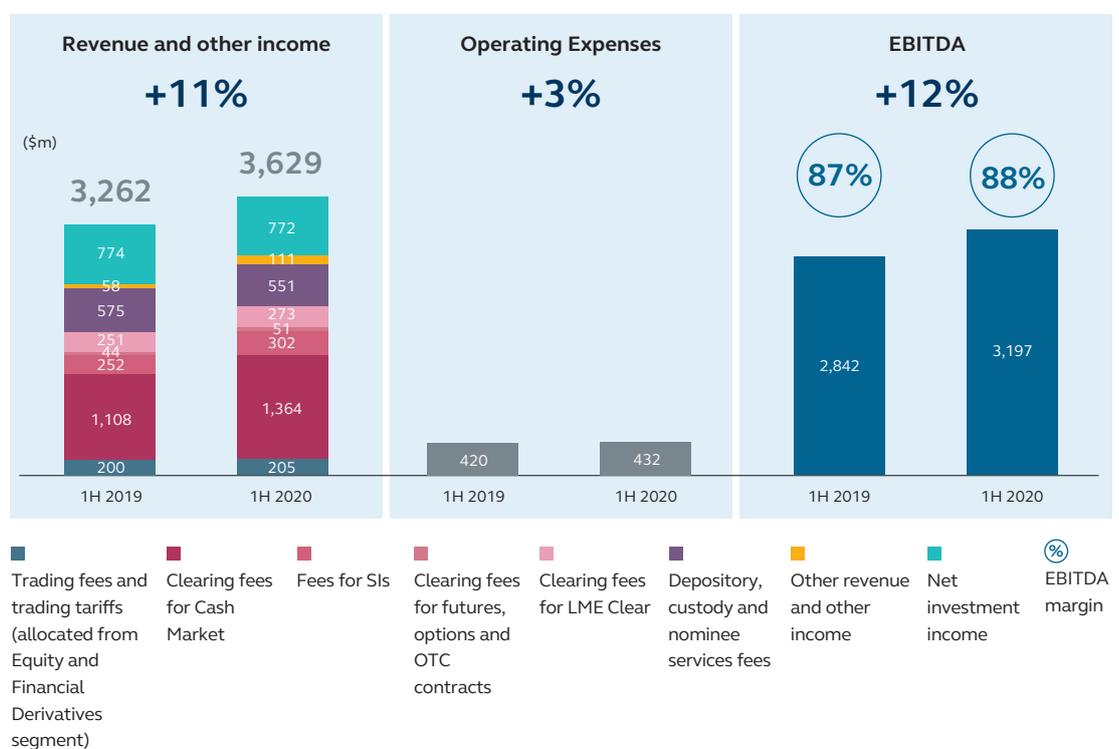
In light of the uncertainties around the COVID-19 situation, LME Asia Week 2020 was cancelled and replaced by a successful virtual event in July 2020, where discussions focused on the global economy, market trends and issues facing the metals industry.

As Mainland China gradually resumes activities, trading turnover in Q2 2020 at QME has reignited, reaching a quarterly record high of RMB1.6 billion, bringing the total trading volume in 1H 2020 to RMB2.2 billion. This was largely driven by more extensive client outreach, an upgraded product offering and enhancements to the trading and settlement processes. QME's warehouse warrant system is being upgraded to support financing with warrants as underlying collaterals. In June, QME was granted a license to launch natural gas products, adding energy as a major product suite in addition to base metals.

## Post Trade Segment

### Analysis of Results

#### 1H 2020 vs 1H 2019



Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) increased by 23 per cent and 20 per cent respectively. The increases were primarily driven by a higher number of transactions, and record fees from Stock Connect Northbound Trading of \$301 million (1H 2019: \$185 million).

Clearing fees for LME Clear rose by 9 per cent, mainly due to the fee increment effective from 1 January 2020.

Depository, custody and nominee services fees decreased by \$24 million (4 per cent), mainly due to lower scrip fees and stock withdrawal fees,

partly offset by higher e-IPO service fees and Stock Connect portfolio fees. Lower scrip fees were attributable to fewer companies declaring dividends in 1H 2020 compared with 1H 2019.

Other revenue increased by \$53 million, mainly due to an increase in accommodation income arising from HKCC CPs placing more Euro and Japanese Yen as collateral, and higher interest shortfall collected from LME Clear CPs on collateral, as USD investment return fell below the benchmark interest rate stipulated in the rules of LME Clear.

Net investment income dropped by \$2 million, with the decrease in Margin Fund investment income mostly offset by the increase in Clearing House Fund investment income. Margin Fund investment income fell due to higher interest rebate payable to HKCC and SEOCH Participants for HKD margins collateral effective from 2 September 2019, but partly offset by increase in average fund sizes of Margin Funds arising from higher margin requirements per contract.

The analysis of net investment income is as follows:

	Six months ended 30 Jun 2020			Six months ended 30 Jun 2019		
	Margin Funds \$m	Clearing House Funds \$m	Total \$m	Margin Funds \$m	Clearing House Funds \$m	Total \$m
Net investment income from:						
– Cash and bank deposits	687	58	745	679	45	724
– Debt securities	32	–	32	51	–	51
– Exchange losses	(5)	–	(5)	(1)	–	(1)
Total net investment income	714	58	772	729	45	774
Average fund size (\$bn)	151.7	16.3	168.0	130.1	12.2	142.3
Annualised net investment return	0.94%	0.71%	0.92%	1.12%	0.75%	1.09%

Operating expenses increased by 3 per cent reflecting increases in staff costs due to annual payroll adjustments.

## Business Update

With the China A shares weight increase in FTSE Russell Indexes and MSCI China A shares rebalancing, the utilisation of Stock Connect clearing facilities continued to grow, with an 82 per cent increase in average daily value of Northbound SIs in 1H 2020 compared with 1H 2019; and the number of Special Segregated Accounts increased by 11 per cent to 10,641 accounts as at 30 June 2020 (31 December 2019: 9,564). In addition, Northbound portfolio value of A shares as at 30 June 2020 increased by 18 per cent to RMB1,687 billion compared with 31 December 2019.

On 20 April 2020, HKSCC further enhanced its third party clearing arrangement to allow a CCASS CP to continue to self-clear its Exchange Trades, while appointing a General Clearing Participant for clearing its China Connect Securities Trades.

On 10 July 2020, a new Master Special Segregated Account service was offered to fund managers, asset managers and investment managers to further enhance the trading efficiency of Stock Connect.

## Key Market Indicators

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019
ADT traded on the Stock Exchange (\$bn)	117.5	97.9
Average daily number of Stock Exchange trades ('000)	1,834 <sup>2</sup>	1,603
Average daily value of SIs (\$bn)	339.7	254.4
Average daily number of SIs ('000)	111	101
Chargeable ADV <sup>1</sup> of metals contracts traded on the LME ('000 lots)	625	619

1 Chargeable ADV excludes Admin Trades (which became chargeable from May 2019 at a lower clearing fee rate of US\$0.02 per contract) and other non-chargeable trades.

2 New record half-yearly high in 1H 2020

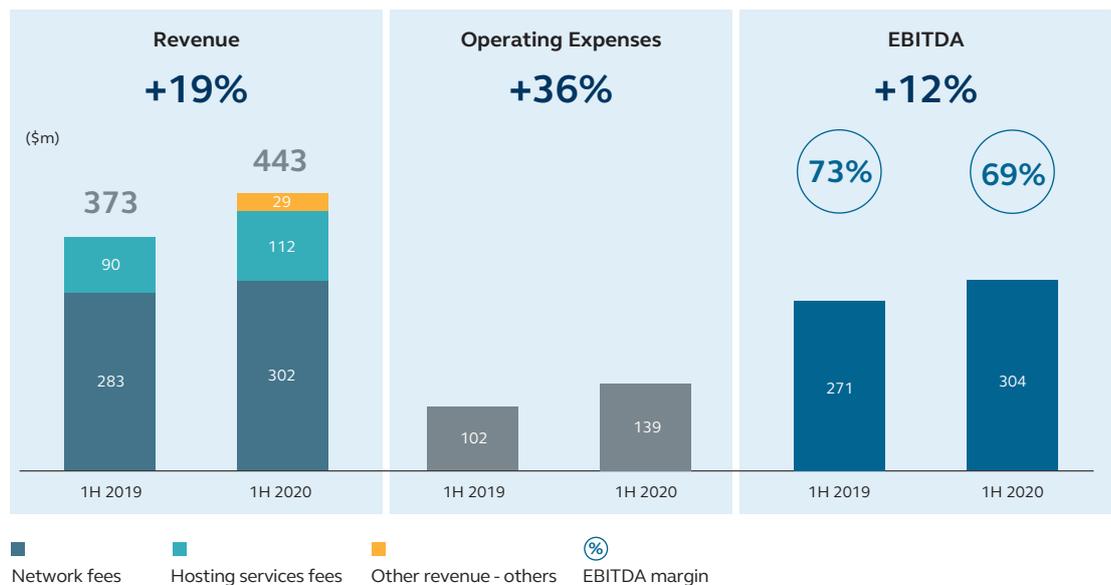
In June 2020, HKEX announced the launch of a fully-automated solution for Large Open Positions Report (LOPR) submission in Q3 2020 to further enhance client experience. Leveraging the Secure File Transfer Protocol facility, CPs will be able to automate their current LOPR submission process.

OTC Clear's Cross Currency Swaps clearing volume for 1H 2020 was up 24 per cent compared with 1H 2019, due to increased capital market activities resulting from lower yields in the money market and interest rate cuts. Total clearing volume for 1H 2020, however, decreased by 18 per cent to US\$86 billion (1H 2019: US\$105 billion) due to reduced clearing flow on HKD Interest Rate Swaps. Driven by the need to mitigate counterparty risk, some clearing members have started to clear long dated USD/CNH Deliverable FX via OTC Clear. In addition, a new milestone on OTC Clear was achieved in June 2020 in which The Hongkong and Shanghai Banking Corporation Limited cleared its first Interest Rates Swap transactions for clients.

## Technology Segment

### Analysis of Results

#### 1H 2020 vs 1H 2019



During the period, network fees rose by 7 per cent due to increased usage of the Orion Central Gateway and China Connect Central Gateway by EPs.

Hosting services fees rose by 24 per cent, compared with 1H 2019, due to organic growth from both new customer subscriptions and increased usage by existing customers.

Other revenue of \$29 million represented IT service income generated by BayConnect in 1H 2020, a 51 per cent subsidiary acquired in June 2019.

Operating expenses increased primarily due to inclusion of operating expenses of BayConnect.

## Business Update

During 1H 2020, despite the market volatility, all HKEX major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform reliably.

The project for hardware obsolescence replacement for various trading and clearing systems and the relocation of the Chinachem secondary data centre (CES DC), which was kicked off in early 2020, has been progressing well. After project completion, estimated in Q3 2021, the aging CES DC will be relocated to a Tier 3 data centre with a higher level of resilience and lower operating costs.

The review of the derivatives market trading suspension on 5 September 2019 was concluded in 1H 2020. Taking into account the recommendations from an independent consultant, feedback from market participants and other key stakeholders, HKEX has formulated and agreed with the SFC a range of enhancements that will support participants, investors and other stakeholders in the event of future incidents. It is expected that the enhancements, which focus on the ability to

prevent, detect, monitor, handle and mitigate the impact of market incidents, and to improve incident communications, will significantly reduce risk and improve the ability to manage any future incidents.

HKEX continues to enhance testing services in the securities market for EPs. Starting from March 2020, an Orion Central Gateway Production-Lite testing environment and an additional testing time window for the existing end-to-end testing environment have been made available to EPs, providing a more realistic and flexible testing environment.

In 1H 2020, HKEX acquired a minority stake in Huakong TsingJiao Information Science (Beijing) Limited (TsingJiao) for a total consideration of RMB100 million. TsingJiao specialises in the research and development of multi-party computation technologies, which allows collaborative data analysis without revealing private data during the computation and analysis process. HKEX believes that partnering with TsingJiao is one of the building blocks to realise HKEX's vision of building a data marketplace.

## Corporate Items

### Analysis of Results

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
<b>Revenue and other income</b>		
Net investment income	66	745
Others	4	10
Total	70	755
<b>Operating expenses</b>	584	514

The analysis of net investment income of Corporate Funds is as follows:

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Net investment (loss)/income from:		
– Collective investment schemes <sup>1</sup>	(138)	535
– Cash and bank deposits	237	199
– Debt securities	–	4
– Exchange (losses)/gains	(33)	7
Total net investment income	66	745
Average fund size (\$bn)	29.3	26.7
Annualised net investment return	0.45%	5.59%

<sup>1</sup> See Financial Review section for further details

Corporate Funds net investment income in 1H 2020 fell \$679 million compared with 1H 2019, principally due to the fair value losses on collective investment schemes held under the external portfolio due to the market corrections in Q1, as opposed to the gains in 1H 2019.

The fair value change on collective investment schemes in 1H 2020 versus 1H 2019 mainly came from funds invested in public equities and multi-sector fixed income (public equities – 1H 2020: losses of \$246 million, 1H 2019: gains of \$300 million; multi-sector fixed income – 1H 2020: losses of \$42 million, 1H 2019: gains of \$99 million). As the valuation of the external portfolio reflects movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold.

Operating expenses increased by 14 per cent against 1H 2019 due to higher IT expenses and professional fees incurred for strategic projects and other business initiatives, and increased staff costs from annual payroll adjustments.

## Business Update

Following an initial capital investment of \$50 million for a minority equity interest in Fusion Bank Limited in 2019, HKEX made a further capital injection of \$50 million in 1H 2020 to facilitate the business launch preparation. Upon the completion of this investment, HKEX's total investment in Fusion Bank Limited is \$100 million, and its shareholding remains unchanged.

## Expenses, Other Costs and Taxation

### Operating Expenses

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m	Change
Staff costs and related expenses	1,398	1,328	5%
IT and computer maintenance expenses	315	278	13%
Premises expenses	59	64	(8%)
Product marketing and promotion expenses	17	29	(41%)
Professional fees	66	37	78%
Other operating expenses	221	217	2%
Total	2,076	1,953	6%

Staff costs and related expenses increased by \$70 million (5 per cent) mainly due to annual payroll adjustments and increased headcount arising from the acquisition of BayConnect in June 2019.

IT and computer maintenance expenses increased by \$37 million (13 per cent), attributable to higher maintenance expenses for new IT systems and upgraded networks, as well as the inclusion of BayConnect.

Professional fees increased by \$29 million (78 per cent), due to higher fees incurred for strategic projects and other business initiatives.

### Depreciation and Amortisation

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m	Change
Depreciation and amortisation	545	495	10%

Depreciation and amortisation increased by \$50 million (10 per cent), attributable to an increase in depreciation of right-of-use assets of \$22 million from new and renewed office leases in 1H 2020, and increase in depreciation and amortisation of new IT systems completed in 2H 2019 and 1H 2020.

During 1H 2020, the Group incurred capital expenditure<sup>6</sup> of \$519 million, an increase of 41 per cent from 1H 2019.

### Finance Costs

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m	Change
Finance costs	96	86	12%

Finance costs increased due to higher negative interest charges on deposits in Euro and Japanese Yen, collected from CPs as collateral.

### Taxation

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m	Change
Taxation	870	847	3%

Taxation increased due to a one-off deferred tax charge of \$61 million arising from the change of statutory UK tax rate, from 17 per cent to 19 per cent. Excluding such impact, taxation decreased by \$38 million or 4 per cent due to higher non-taxable income.

<sup>6</sup> Capital expenditure excludes right-of-use assets recognised under HKFRS 16: Leases.

# Financial Review

## Financial Assets and Financial Liabilities by Funds

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m	Change
<b>Financial assets</b>			
Cash and cash equivalents	129,563	128,152	1%
Financial assets measured at fair value through profit or loss	67,790	57,401	18%
Financial assets measured at fair value through other comprehensive income	5,046	4,569	10%
Financial assets measured at amortised cost	58,208	40,672	43%
<b>Total</b>	<b>260,607</b>	230,794	13%

The Group's financial assets comprised financial assets of Corporate Funds, Margin Funds, Clearing House Funds, base, ferrous, and precious metals derivatives contracts, and cash prepayments and collateral for A shares traded under Stock Connect, as follows:

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m	Change
<b>Financial assets</b>			
Corporate Funds <sup>1</sup>	30,783	29,138	6%
Margin Funds <sup>2</sup>	152,027	137,012	11%
Clearing House Funds	16,883	15,176	11%
Base, ferrous, and precious metals derivatives contracts	60,914	48,008	27%
Cash prepayments and collateral for A shares	–	1,460	(100%)
<b>Total</b>	<b>260,607</b>	230,794	13%

1 Includes \$1,030 million (31 December 2019: \$818 million) solely used for supporting contributions to default funds and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund

2 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear and margin receivable from CPs of \$7,531 million (31 December 2019: \$5,524 million), which are included in accounts receivable, prepayments and other deposits

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m	Change
<b>Financial liabilities</b>			
Base, ferrous, and precious metals derivatives contracts	60,914	48,008	27%
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	159,558	142,536	12%
CPs' contributions to Clearing House Funds	16,076	14,394	12%
<b>Total</b>	<b>236,548</b>	204,938	15%

The increase in financial assets and financial liabilities of Margin Funds at 30 June 2020 compared to 31 December 2019 was mainly attributable to increased contributions required from HKCC, SEOCH and HKSCC CPs due to higher margin requirements from heightened volatility, and the increase in Mainland security and settlement deposits from HKSCC CPs attributable to the increase in Stock Connect Northbound Trading.

The increase in financial assets and financial liabilities of Clearing House Funds at 30 June 2020 compared to 31 December 2019 was mainly attributable to higher contributions required from HKSCC CPs in response to changes in risk exposures.

Financial assets of Corporate Funds increased by \$1,645 million during 1H 2020 due to the retention of cash generated by the business over the past 6 months, partly offset by the cash paid for the 2019 second interim dividend.

A portion of the Corporate Funds is invested in collective investment schemes which are designed to enhance returns and mitigate portfolio volatility and asset concentration risk. At 30 June 2020, the amounts invested in collective investment schemes amounted to \$6.7 billion, a decrease of 29 per cent against 31 December 2019, reflecting a net redemption of \$2.5 billion made during 1H 2020 (of which \$0.3 billion was subsequently received in July), and fair value losses of \$138 million. Further details of the amounts invested in collective investment schemes are as follows:

Asset class	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m	Change
Public Equities	1,540	2,440	(37%)
Absolute Return	1,441	1,604	(10%)
Multi-Sector Fixed Income	1,941	2,583	(25%)
US Government Bonds and Mortgage-backed Securities <sup>1</sup>	1,744	2,716	(36%)
Total	6,666	9,343	(29%)

<sup>1</sup> Includes \$838 million invested in money market funds

## Working Capital, Financial Resources and Gearing

Working capital rose by \$2,728 million or 11 per cent to \$26,986 million at 30 June 2020 (31 December 2019: \$24,258 million). The increase was primarily due to the profit of \$5,233 million generated during 1H 2020, partly offset by the 2019 second interim dividend (net of scrip dividend) of \$2,333 million paid in April 2020, and net increase in non-current assets of \$181 million.

At 30 June 2020, the Group's outstanding borrowings represented written put options to non-controlling interests of \$421 million (31 December 2019: \$418 million). As a result, the Group had a gross gearing ratio (ie, gross debt divided by adjusted capital) of 1 per cent (31 December 2019: 1 per cent), and a net gearing ratio (ie, net debt divided by adjusted capital) of zero per cent (31 December 2019: zero per cent). For this purpose, gross debt is defined as total borrowings (excluding lease liabilities) and net debt<sup>1</sup> is defined as gross debt less cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds), and adjusted capital as all components of equity attributable to shareholders other than designated reserves.

<sup>1</sup> Net debt is zero when the amount of cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds) is higher than gross debt.

Banking facilities have been put in place for contingency purposes. At 30 June 2020, the Group's total available banking facilities for its daily operations amounted to \$21,221 million (31 December 2019: \$21,246 million), which included \$14,720 million (31 December 2019: \$14,745 million) of committed banking facilities and \$6,500 million (31 December 2019: \$6,500 million) of repurchase facilities.

The Group has also put in place foreign exchange facilities for its daily clearing operations and for the RMB Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 30 June 2020, the total amount of the facilities was RMB25,000 million (31 December 2019: RMB21,500 million).

In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (31 December 2019: RMB13,000 million) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect.

At 30 June 2020, 87 per cent (31 December 2019: 74 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

## Capital Expenditure and Commitments

During 1H 2020, the Group incurred capital expenditure<sup>2</sup> of \$519 million (1H 2019: \$368 million) mainly related to the development and upgrade of various trading and clearing systems, and the relocation of Chinachem secondary data centre (CES DC).

The Group's capital expenditure commitments at 30 June 2020, including those authorised by the Board but not yet contracted for, amounted to \$1,255 million (31 December 2019: \$1,217 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems, and the setup of the new secondary data centre to replace CES DC.

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

During 1H 2020, HKEX made an additional capital injection of HK\$50 million in Fusion Bank Limited. After the injection, HKEX's total investment in Fusion Bank Limited becomes HK\$100 million.

In 1H 2020, HKEX completed the acquisition of a minority stake in Huakong TsingJiao Information Science (Beijing) Limited for a total consideration of RMB100 million.

Save for those disclosed in this Interim Report, 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 Interim Report, there were no material investments or additions of capital assets authorised by the Board at the date of this Interim Report.

<sup>2</sup> Capital expenditure excludes right-of-use assets recognised under HKFRS 16: Leases.

### Pledges of Assets

Details of pledges of assets are included in note 25 to the Unaudited Condensed Consolidated Financial Statements of this Interim Report.

### Exposure to Fluctuations in Exchange Rates and Related Hedges

The functional currencies of the Hong Kong and PRC entities are either HKD or RMB and the functional currency of the LME entities is USD. Foreign currency risks arise mainly from the Group's investments and bank deposits in currencies other than HKD and USD and the GBP expenditure of the LME entities.

Forward foreign exchange contracts and foreign currency bank deposits may be used to hedge the currency exposure of the Group's non-HKD and non-USD assets and liabilities and highly probable forecast transactions to mitigate risks arising from fluctuations in exchange rates.

Foreign currency margin deposits received by the Group in Hong Kong are mainly hedged by investments in the same currencies, and unhedged investments in USD may not exceed 20 per cent of the Margin Funds. For LME Clear, investments of Margin Fund and Default Fund will generally be in the currency in which cash was received.

The aggregate net open foreign currency positions (excluding collective investment schemes) at 30 June 2020 amounted to HK\$3,452 million, of which HK\$74 million were non-USD exposures (31 December 2019: HK\$1,744 million, of which HK\$150 million were non-USD exposures).

### Contingent Liabilities

Details of contingent liabilities are included in note 23 to the Unaudited Condensed Consolidated Financial Statements of this Interim Report.

### Changes since 31 December 2019

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 2019.

### Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2020 in conjunction with HKEX's external auditor. Based on this review and discussions with the management, the Audit Committee was satisfied that the Unaudited Condensed Consolidated 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 2020.

## Board and Committees

### Board

#### Independent Non-executive Directors

Laura May-Lung CHA \*<sup>1</sup> GBM, GBS, JP (Chairman)  
 Apurv BAGRI  
 CHAN Tze Ching, Ignatius BBS, JP  
 CHEAH Cheng Hye<sup>2</sup>  
 CHOW WOO Mo Fong, Susan \*<sup>3</sup>  
 FUNG Yuen Mei, Anita \* BBS, JP  
 Rafael GIL-TIENDA \*  
 HU Zulu, Fred  
 HUNG Pi Cheng, Benjamin \*<sup>4</sup> BBS, JP  
 LEUNG Pak Hon, Hugo<sup>2</sup>  
 John Mackay McCulloch WILLIAMSON  
 YIU Kin Wah, Stephen \*

#### Executive Director

LI Xiaojia, Charles (Chief Executive)

#### Group Company Secretary

FU Yat Hung, David<sup>5</sup>  
 MAU Kam Shing, Joseph<sup>6</sup>

## Committees

### Audit Committee

YIU Kin Wah, Stephen (Chairman)  
 CHAN Tze Ching, Ignatius  
 FUNG Yuen Mei, Anita  
 LEUNG Pak Hon, Hugo<sup>7</sup>  
 John Mackay McCulloch WILLIAMSON

### Board Executive Committee<sup>8</sup>

(formerly known as Executive Committee)  
 Laura May-Lung CHA<sup>9</sup> (Chairman)  
 CHEAH Cheng Hye<sup>7</sup>  
 LEUNG Pak Hon, Hugo<sup>7</sup>  
 LI Xiaojia, Charles  
 John Mackay McCulloch WILLIAMSON

### Corporate Social Responsibility Committee

Laura May-Lung CHA<sup>9</sup> (Chairman)  
 HU Zulu, Fred<sup>10</sup>  
 LEUNG Pak Hon, Hugo<sup>11</sup>  
 LI Xiaojia, Charles  
 John Mackay McCulloch WILLIAMSON  
 YIU Kin Wah, Stephen

### Committees (continued)

#### Investment Committee

CHEAH Cheng Hye<sup>7</sup> (Chairman)  
 FUNG Yuen Mei, Anita  
 HU Zulu, Fred  
 HUNG Pi Cheng, Benjamin<sup>7</sup>  
 LEUNG Pak Hon, Hugo<sup>7</sup>

#### Nomination and Governance Committee

Laura May-Lung CHA<sup>9</sup> (Chairman)  
 Apurv BAGRI  
 CHAN Tze Ching, Ignatius  
 CHEAH Cheng Hye<sup>7</sup>  
 Rafael GIL-TIENDA  
 HUNG Pi Cheng, Benjamin<sup>10</sup>

#### Panel Member Selection Committee

CHAN Tze Ching, Ignatius (Chairman)  
 CHEAH Cheng Hye<sup>7</sup>  
 FUNG Yuen Mei, Anita  
 Rafael GIL-TIENDA  
 LEUNG Pak Hon, Hugo<sup>7</sup>

#### Remuneration Committee

Rafael GIL-TIENDA (Chairman)  
 Laura May-Lung CHA<sup>7</sup>  
 CHEAH Cheng Hye<sup>7</sup>  
 CHOW WOO Mo Fong, Susan<sup>10</sup>  
 HU Zulu, Fred  
 John Mackay McCulloch WILLIAMSON

#### Risk Committee

John Mackay McCulloch WILLIAMSON<sup>12</sup> (Chairman)  
 Laura May-Lung CHA<sup>7,13</sup> (ex-Chairman)  
 CHAN Tze Ching, Ignatius  
 CHOW WOO Mo Fong, Susan<sup>10</sup>  
 LEUNG Pak Hon, Hugo<sup>7</sup>  
 YIU Kin Wah, Stephen

#### Risk Management Committee (statutory)<sup>Δ</sup>

Laura May-Lung CHA<sup>9</sup> (Chairman)  
 CHAN Tze Ching, Ignatius<sup>11</sup>  
 CHEUNG Wai Hing, Daisy \*\*<sup>14</sup>  
 CHOW WOO Mo Fong, Susan<sup>10</sup>  
 GAO Yingxin \*\*<sup>15</sup>  
 LAM Yuk Kun, Lawrence \*\*  
 LAU Chung Kin, Clement \*\*<sup>16</sup>  
 LEUNG Chung Yin, Rico \*\*<sup>17</sup>  
 Barbara SHIU \*\*  
 John Mackay McCulloch WILLIAMSON<sup>12</sup>

\* Government Appointed Director

\*\* Appointed by the Financial Secretary

Δ Established under Section 65 of the SFO

1 Re-appointed as Director and Chairman effective 7 May 2020 and 19 May 2020 respectively until the conclusion of the AGM to be held in 2022

2 Re-elected as Director from 7 May 2020 until the conclusion of the AGM to be held in 2023

3 Appointed as Director from 7 May 2020 until the conclusion of the AGM to be held in 2022

4 Re-appointed as Director from 7 May 2020 until the conclusion of the AGM to be held in 2022

5 Appointment effective 1 April 2020

6 Retired on 31 March 2020

7 Re-appointment effective 7 May 2020

8 Change of name effective 3 February 2020

9 Re-appointment by virtue of being HKEX's Chairman effective 19 May 2020

10 Appointment effective 7 May 2020

11 Appointment ceased on 7 May 2020

12 Appointment effective 2 January 2020

13 Redesignation from Chairman to member effective 2 January 2020

14 Appointment by virtue of being the Chairman of Hong Kong Interbank Clearing Limited effective 1 January 2020

15 Appointment by virtue of being the Chairman of Hong Kong Interbank Clearing Limited ceased on 1 January 2020

16 Member by virtue of being Executive Director (Monetary Management) of the Hong Kong Monetary Authority

17 Member by virtue of being Executive Director (Supervision of Markets) of the SFC

## Changes in Information

Changes in Directors' other major offices which are required to be disclosed under Rule 13.51B(1) of the Main Board Listing Rules are set out below.

	Appointment (effective)	Cessation (effective)
<b>Anita Fung</b>		
<ul style="list-style-type: none"> <li>Westpac Banking Corporation (listed on the Australian Securities Exchange) – independent non-executive director</li> </ul>	–	31 March 2020
<b>Fred Hu</b>		
<ul style="list-style-type: none"> <li>HKEX Foundation – director</li> </ul>	15 June 2020	–
<b>Hugo Leung</b>		
<ul style="list-style-type: none"> <li>HKEX Foundation – director</li> </ul>	–	15 June 2020

The biographies of the current Directors are available in the About HKEX (Organisation) section of the HKEX Group website.

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51B(1) of the Main Board Listing Rules.

## Compliance with Corporate Governance Code

Throughout the six months ended 30 June 2020, 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 the SFO. HKEX's Chief Executive in his capacity as a Director is also not subject to retirement by rotation, as his

term on the Board is coterminous with his employment with HKEX under HKEX's Articles of Association.

## Compliance with Model Code

HKEX has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. In response to a specific enquiry by the Company, all Directors confirmed that they complied with the Model Code at all applicable times during the six months ended 30 June 2020.

## Directors' Interests and Short Positions in Shares and Underlying Shares of HKEX

The interests and short positions of Directors, including HKEX's Chief Executive, in the shares and underlying shares of HKEX (within the meaning of Part XV of the SFO) as at 30 June 2020 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEX and the SFC under the Model Code, are set out below.

## Long Positions in Shares and Underlying Shares of HKEX

Name of Director	Number of shares/underlying shares held				Total	% of HKEX <sup>1</sup> shares in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Charles Li	499,308 <sup>2</sup>	–	–	–	499,308	0.03
Stephen Yiu	–	2,000 <sup>3</sup>	–	–	2,000	0.00

1 Based on 1,267,836,895 HKEX shares in issue as at 30 June 2020

2 Includes Mr Li's interests in Awarded Shares and shares acquired out of the dividends from the Awarded Shares in an aggregate of 339,129 shares which remained unvested under the Share Award Scheme. Details of Mr Li's Awarded Shares are set out in "Share Award Scheme" below.

3 Mr Yiu's spouse was the beneficial owner of those shares.

Save as disclosed above, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of HKEX or any of its associated corporations (within the meaning of Part XV of the SFO) as at 30 June 2020 as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to HKEX and the SFC under the Model Code.

Apart from the Share Award Scheme, during the six months ended 30 June 2020, neither HKEX nor any of its subsidiary undertakings was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, HKEX or any other body corporate. Save as disclosed above, during the six months ended 30 June 2020, none of the Directors (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of HKEX or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

## Other Persons' Interests and Short Positions in Shares and Underlying Shares of HKEX

### Minority Controllers

As at the date of this Interim Report, other than the Government which has been a Minority Controller since 7 September 2007, nine entities have been approved as Minority Controllers on the basis that they held HKEX shares in custody for their clients. According to the Participant Shareholding Report as at 30 June 2020, these Minority Controllers in aggregate held approximately 72 per cent of HKEX shares in issue. More information about Minority Controllers is set out in the Corporate Governance section of the HKEX Group website.

Other persons' interests and short positions in the shares and underlying shares of HKEX (within the meaning of Part XV of the SFO) as at 30 June 2020 as recorded in the register required to be kept under Section 336 of the SFO are set out below.

## Long Positions in Shares and Underlying Shares of HKEX

Name	Capacity	Number of shares/ underlying shares held	Total	% of HKEX <sup>1</sup> shares in issue
JPMorgan Chase & Co. (JPMC)	Interest of corporation controlled by JPMC	8,578,682	90,096,837 <sup>2</sup>	7.10
	Investment manager	35,825,636		
	Person having a security interest in shares	331,505		
	Trustee	36,175		
	Approved lending agent	45,324,839		
HKSAR Government (for the account of the Exchange Fund)	Beneficial owner	74,840,961 <sup>3</sup>	74,840,961	5.90

## Short Positions in Shares and Underlying Shares of HKEX

Name	Capacity	Number of shares/ underlying shares held	Total	% of HKEX <sup>1</sup> shares in issue
JPMC	Interest of corporation controlled by JPMC	10,966,040	10,966,040 <sup>4</sup>	0.86

1 Based on 1,267,836,895 shares in issue as at 30 June 2020

2 Includes an aggregate interest in 3,786,517 underlying shares through JPMC's holding of certain listed derivatives (physically settled: 1,584,900 shares; cash settled: 381,690 shares) and unlisted derivatives (physically settled: 1,332,670 shares; cash settled: 487,257 shares)

3 Based on Hong Kong Monetary Authority's notification to HKEX on 4 June 2018

4 Includes an aggregate interest in 7,362,432 underlying shares through JPMC's holding of certain listed derivatives (physically settled: 1,216,000 shares; cash settled: 2,887,850 shares) and unlisted derivatives (physically settled: 1,793,410 shares; cash settled: 1,465,172 shares)

Save as disclosed above, no other persons had any interests or short positions in the shares or underlying shares of HKEX as at 30 June 2020 as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to HKEX and the Stock Exchange.

## Share Award Scheme

HKEX has adopted the Share Award Scheme to recognise the contributions of certain employees and help in retaining them for the Group's operations and further development. The Scheme was adopted by the Board on 14 September 2005 (Adoption Date) and shall be valid until 31 December 2025. The maximum number of shares which can be awarded under the Scheme is 3 per cent (ie, 31,871,575 shares)

of HKEX shares in issue as at the Adoption Date and the maximum number of shares which can be awarded to a selected employee in the Scheme is 1 per cent (ie, 10,623,858 shares). The rules and trust deed of the Scheme are available in the Corporate Governance section of the HKEX Group website.

From the Adoption Date to 30 June 2020, a total of 13,453,496 shares had been awarded under the Scheme, representing about 1.3 per cent of the number of HKEX shares in issue on the Adoption Date. As at 30 June 2020, taking into account the shares acquired out of the dividends from the shares held under the trust, there were 3,250,813 shares held in trust under the Scheme (excluding shares vested but not yet transferred to awardees).

Non-executive Directors are not entitled to participate in the Share Award Scheme. Details of the interests of HKEX's Chief Executive in the Awarded Shares are set out below.

	Date of <sup>2</sup> award	Number of Awarded Shares	Number of shares <sup>1</sup>					As at 30 Jun 2020	Vesting period <sup>3</sup>
			As at 1 Jan 2020	Shares acquired during the six months ended 30 Jun 2020 out of the dividend	Vested during the six months ended 30 Jun 2020	Lapsed during the six months ended 30 Jun 2020	As at 30 Jun 2020		
Charles Li	30 Dec 2016	67,400 <sup>4</sup>	72,858	713 <sup>5</sup>	52,442 <sup>5</sup>	21,129 <sup>5</sup>	-	End of a performance period of 2017 – 2019	
	29 Dec 2017	58,853	31,084	428	-	-	31,512	8 Dec 2019 – 8 Dec 2020	
	29 Dec 2017	62,123 <sup>4</sup>	65,616	905	-	-	66,521	End of a performance period of 2018 – 2020	
	31 Dec 2018	61,560	63,247	872	-	-	64,119	7 Dec 2020 – 7 Dec 2021	
	31 Dec 2018	61,560 <sup>4</sup>	63,247	872	-	-	64,119	End of a performance period of 2019 – 2021	
	31 Dec 2019	55,169	55,169	761	-	-	55,930	12 Dec 2021 – 12 Dec 2022	
	31 Dec 2019	56,154 <sup>4</sup>	56,154	774	-	-	56,928	End of a performance period of 2020 – 2022	

1 Includes shares acquired out of the dividends from the Awarded Shares according to the Scheme

2 This refers to the date on which the trustee allocated the Awarded Shares to Mr Li.

3 Save for those Senior Executive Awards referred to in note 4 below, the Awarded Shares and the related income are vested in two equal tranches in the second and third year after the grant.

4 The awards were granted under the Scheme as long-term incentives for selected senior executives of the Group (Senior Executive Awards). The Board has full discretion to determine the actual amount of the Senior Executive Awards to be vested at the end of a performance period in accordance with the performance criteria recommended by the Remuneration Committee and approved by the Board. These performance criteria include total shareholder return, achievements made in business development and sustaining the organisation's effectiveness.

5 Following the Board's approval of the vesting of 51,729 shares to Mr Li on 26 February 2020, the remaining 21,129 Awarded Shares lapsed on the same day, and 713 shares were acquired out of the 2019 second interim dividend in respect of these vested shares.

## Purchase, Sale or Redemption of HKEX's Listed Securities

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any HKEX shares, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 9,700 HKEX shares at a total consideration of \$3 million.

## Sustainable Workplace

During the six months ended 30 June 2020, the Group organised 36 in-house courses for employees to enhance their job knowledge, skills and well-being. Moreover, the Group sponsored a total of 64 employees to attend external training.

As at 30 June 2020, the Group had 2,439 employees, including 233 temporary staff. HKEX's remuneration policy has remained unchanged since the date of the 2019 Annual Report. Information regarding employees' remuneration and benefits for the six months ended 30 June 2020 is set out in note 6 to the Unaudited Condensed Consolidated Financial Statements of this Interim Report.

Details of HKEX's principles and practices related to governance and sustainability are set out in the Corporate Governance and Corporate Social Responsibility sections of the HKEX Group website.

## Shareholder Information

### Interim Dividend

The Board has declared an interim dividend of \$3.71 per share for the year ending 31 December 2020, payable in cash. The Group actively and regularly reviews and manages its capital structure. Having reviewed HKEX's corporate fund position, its expected capital requirements, projected operating cash flows, projected capital expenditures and strategic investment opportunities, the Board has decided not to offer scrip alternative for the interim dividend declared for the year ending 31 December 2020 and all subsequent dividends declared, until otherwise determined.

### Electronic Communication

This Interim Report is printed in English and Chinese, and is available in the Investor Relations (Regulatory Disclosure) section of the HKEX Group website ([www.hkexgroup.com](http://www.hkexgroup.com)). Shareholders are encouraged to access HKEX's corporate communications electronically via the HKEX Group website to help protect the environment. Shareholders may at any time change their choice of language or means of receiving HKEX's corporate communications free of charge by giving not less than seven days' notice to HKEX's registrar.

### Registration for News Alerts

Shareholders who would like to be notified when HKEX publishes its corporate communications on the HKEXnews website can register for the News Alerts service in the Market Data section of the HKEX Market website ([www.hkex.com.hk](http://www.hkex.com.hk)).

The Investor Relations section of the HKEX Group website contains further information which may be of interest to Shareholders.

### Relevant Dates for Interim Dividend Payment

Ex-dividend date	1 September 2020
Latest time to lodge transfer documents for registration with HKEX's registrar	At 4:30 pm on 2 September 2020
Closure of HKEX's Register of Members	3 to 4 September 2020 (both dates inclusive)
Record date	4 September 2020
Despatch of dividend warrants	15 September 2020

### HKEX's Registrar – Hong Kong Registrars Limited

#### For corporate communications:

By post: 17M Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

By email: [hkex.ecom@computershare.com.hk](mailto:hkex.ecom@computershare.com.hk)

#### For transfer of shares:

Address: Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

Tel: +852 2862 8555

Fax: +852 2865 0990/+852 2529 6087

## Report on Review of Interim Financial Information To the Board of Directors of Hong Kong Exchanges and Clearing Limited (incorporated in Hong Kong with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 39 to 58, which comprises the interim condensed consolidated statement of financial position of Hong Kong Exchanges and Clearing Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2020 and the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 19 August 2020



# Condensed Consolidated Financial Statements

(Unaudited)

# Condensed Consolidated Income Statement

(Unaudited)

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	Note	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Trading fees and trading tariffs	4	3,330	2,940
Stock Exchange listing fees		928	847
Clearing and settlement fees		1,990	1,655
Depository, custody and nominee services fees		551	575
Market data fees		472	461
Other revenue		668	577
<b>Revenue</b>		<b>7,939</b>	<b>7,055</b>
Investment income		1,167	2,142
Interest rebates to Participants		(329)	(623)
Net investment income	5	838	1,519
Sundry income		5	4
<b>Revenue and other income</b>		<b>8,782</b>	<b>8,578</b>
<b>Operating expenses</b>			
Staff costs and related expenses	6	(1,398)	(1,328)
Information technology and computer maintenance expenses		(315)	(278)
Premises expenses		(59)	(64)
Product marketing and promotion expenses		(17)	(29)
Professional fees		(66)	(37)
Other operating expenses		(221)	(217)
		<b>(2,076)</b>	<b>(1,953)</b>
<b>EBITDA*</b>		<b>6,706</b>	<b>6,625</b>
Depreciation and amortisation		(545)	(495)
<b>Operating profit</b>		<b>6,161</b>	<b>6,130</b>
Finance costs	7	(96)	(86)
Share of profits less losses of joint ventures		39	6
<b>Profit before taxation</b>		<b>6,104</b>	<b>6,050</b>
<b>Taxation</b>	8	<b>(870)</b>	<b>(847)</b>
<b>Profit for the period</b>		<b>5,234</b>	<b>5,203</b>
<b>Profit/(loss) attributable to:</b>			
– Shareholders of HKEX		5,233	5,205
– Non-controlling interests		1	(2)
<b>Profit for the period</b>		<b>5,234</b>	<b>5,203</b>
<b>Basic earnings per share</b>	9(a)	<b>\$4.15</b>	\$4.16
<b>Diluted earnings per share</b>	9(b)	<b>\$4.14</b>	\$4.15

\* 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 ventures.

## 40 Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
<b>Profit for the period</b>	<b>5,234</b>	5,203
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Currency translation differences of foreign subsidiaries	(92)	(35)
Cash flow hedges	(7)	(2)
Changes in fair value of financial assets measured at fair value through other comprehensive income	7	3
<b>Other comprehensive income</b>	<b>(92)</b>	(34)
<b>Total comprehensive income</b>	<b>5,142</b>	5,169
<b>Total comprehensive income attributable to:</b>		
– Shareholders of HKEX	5,144	5,168
– Non-controlling interests	(2)	1
<b>Total comprehensive income</b>	<b>5,142</b>	5,169

# Condensed Consolidated Statement of Financial Position

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(Unaudited)

	Note	At 30 Jun 2020			At 31 Dec 2019		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
<b>Assets</b>							
Cash and cash equivalents	11	129,563	-	129,563	128,152	-	128,152
Financial assets measured at fair value through profit or loss	11	67,085	705	67,790	56,729	672	57,401
Financial assets measured at fair value through other comprehensive income	11	5,046	-	5,046	4,569	-	4,569
Financial assets measured at amortised cost	11	57,380	828	58,208	39,954	718	40,672
Accounts receivable, prepayments and deposits	12	20,801	21	20,822	25,791	21	25,812
Interests in joint ventures		-	134	134	-	95	95
Goodwill and other intangible assets		-	18,472	18,472	-	18,378	18,378
Fixed assets		-	1,527	1,527	-	1,589	1,589
Right-of-use assets		-	2,325	2,325	-	2,366	2,366
Deferred tax assets		-	25	25	-	17	17
<b>Total assets</b>		<b>279,875</b>	<b>24,037</b>	<b>303,912</b>	<b>255,195</b>	<b>23,856</b>	<b>279,051</b>
<b>Liabilities and equity</b>							
<b>Liabilities</b>							
Financial liabilities at fair value through profit or loss	13	60,914	-	60,914	48,008	-	48,008
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants	14	159,558	-	159,558	142,536	-	142,536
Accounts payable, accruals and other liabilities	15	14,063	-	14,063	22,447	-	22,447
Deferred revenue		667	373	1,040	1,033	403	1,436
Taxation payable		821	-	821	1,760	-	1,760
Other financial liabilities		46	-	46	59	-	59
Participants' contributions to Clearing House Funds	16	16,076	-	16,076	14,394	-	14,394
Lease liabilities		290	2,174	2,464	272	2,234	2,506
Borrowings	17	340	81	421	338	80	418
Provisions		114	105	219	90	104	194
Deferred tax liabilities		-	836	836	-	792	792
<b>Total liabilities</b>		<b>252,889</b>	<b>3,569</b>	<b>256,458</b>	<b>230,937</b>	<b>3,613</b>	<b>234,550</b>
<b>Equity</b>							
Share capital	18			31,887			30,449
Shares held for Share Award Scheme	18			(766)			(770)
Employee share-based compensation reserve	19			369			250
Hedging and revaluation reserves				3			3
Exchange reserve				(270)			(181)
Designated reserves	20			625			587
Reserve relating to written put options to non-controlling interests				(369)			(369)
Retained earnings				15,649			14,204
<b>Equity attributable to shareholders of HKEX</b>				<b>47,128</b>			<b>44,173</b>
Non-controlling interests				326			328
<b>Total equity</b>				<b>47,454</b>			<b>44,501</b>
<b>Total liabilities and equity</b>				<b>303,912</b>			<b>279,051</b>
<b>Net current assets</b>				<b>26,986</b>			<b>24,258</b>

## 42 Condensed Consolidated Statement of Changes in Equity (Unaudited)

### Attributable to shareholders of HKEX

	Share capital and shares held for Share Award Scheme (note 18) \$m	Employee share-based compensation reserve (note 19) \$m	Hedging and revaluation reserves \$m	Exchange reserve \$m	Designated reserves (note 20) \$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 2020	29,679	250	3	(181)	587	(369)	14,204	44,173	328	44,501
Profit for the period	-	-	-	-	-	-	5,233	5,233	1	5,234
Other comprehensive income	-	-	-	(89)	-	-	-	(89)	(3)	(92)
Total comprehensive income	-	-	-	(89)	-	-	5,233	5,144	(2)	5,142
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2019 second interim dividend at \$2.99 per share	-	-	-	-	-	-	(3,761)	(3,761)	-	(3,761)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	10	10	-	10
- Shares issued in lieu of cash dividends	1,428	-	-	-	-	-	-	1,428	-	1,428
- Shares purchased for Share Award Scheme	(3)	-	-	-	-	-	-	(3)	-	(3)
- Vesting of shares of Share Award Scheme	17	(16)	-	-	-	-	(1)	-	-	-
- Employee share-based compensation benefits	-	135	-	-	-	-	-	135	-	135
- Tax relating to Share Award Scheme	-	-	-	-	-	-	2	2	-	2
- Transfer of reserves	-	-	-	-	38	-	(38)	-	-	-
	1,442	119	-	-	38	-	(3,788)	(2,189)	-	(2,189)
At 30 Jun 2020	31,121	369	3	(270)	625	(369)	15,649	47,128	326	47,454

### Attributable to shareholders of HKEX

	Share capital and shares held for Share Award Scheme \$m	Employee share-based compensation reserve \$m	Hedging and revaluation reserves \$m	Exchange 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 2019	27,068	218	(6)	(84)	523	(369)	13,371	40,721	174	40,895
Profit for the period	-	-	-	-	-	-	5,205	5,205	(2)	5,203
Other comprehensive income	-	-	1	(38)	-	-	-	(37)	3	(34)
Total comprehensive income	-	-	1	(38)	-	-	5,205	5,168	1	5,169
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2018 second interim dividend at \$3.07 per share	-	-	-	-	-	-	(3,830)	(3,830)	-	(3,830)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	8	8	-	8
- Shares issued in lieu of cash dividends	1,940	-	-	-	-	-	-	1,940	-	1,940
- Shares purchased for Share Award Scheme	(3)	-	-	-	-	-	-	(3)	-	(3)
- Vesting of shares of Share Award Scheme	16	(15)	-	-	-	-	(1)	-	-	-
- Employee share-based compensation benefits	-	115	-	-	-	-	-	115	-	115
- Tax relating to Share Award Scheme	-	-	-	-	-	-	1	1	-	1
- Non-controlling interests on acquisition of a subsidiary	-	-	-	-	-	-	-	-	138	138
- Transfer of reserves	-	-	-	-	24	-	(24)	-	-	-
	1,953	100	-	-	24	-	(3,846)	(1,769)	138	(1,631)
At 30 Jun 2019	29,021	318	(5)	(122)	547	(369)	14,730	44,120	313	44,433

# Condensed Consolidated Statement of Cash Flows

(Unaudited)

	Note	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
<b>Cash flows from principal operating activities</b>			
Net cash inflow from principal operating activities	21	5,075	5,880
<b>Cash flows from other operating activities</b>			
Net redemption from/(payments to) external fund managers for sales/(purchases) of financial assets measured at fair value through profit or loss		2,189	(1,796)
Net cash inflow from operating activities		7,264	4,084
<b>Cash flows from investing activities</b>			
Payments for purchases of fixed assets and intangible assets		(637)	(508)
Net increase in financial assets of Corporate Funds:			
Increase in time deposits with original maturities more than three months		(3,164)	(2,933)
Payments for purchases of financial assets measured at amortised cost (excluding time deposits)		(305)	(130)
Payments for purchases of financial assets measured at fair value through profit or loss		(160)	(50)
Interest received from financial assets measured at fair value through other comprehensive income		32	52
Cash acquired upon acquisition of a subsidiary		-	41
Net cash outflow from investing activities		(4,234)	(3,528)
<b>Cash flows from financing activities</b>			
Purchases of shares for Share Award Scheme		(3)	(3)
Repayment of borrowings		-	(744)
Payments of interest on borrowings		-	(11)
Payments of other finance costs		(47)	(38)
Dividends paid to shareholders of HKEX		(2,314)	(1,872)
Lease payments			
– Capital elements		(140)	(115)
– Interest elements		(46)	(44)
Net cash outflow from financing activities		(2,550)	(2,827)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>480</b>	<b>(2,271)</b>
Cash and cash equivalents at 1 Jan		10,603	11,180
<b>Cash and cash equivalents at 30 Jun</b>		<b>11,083</b>	<b>8,909</b>
<b>Analysis of cash and cash equivalents</b>			
Cash on hand and balances and deposits with banks and short-term investments of Corporate Funds	11	12,113	9,775
Less: Cash reserved for supporting Skin-in-the-Game and default fund credits of clearing houses	11(b)	(1,030)	(866)
		<b>11,083</b>	<b>8,909</b>

- (a) “Cash flows from principal operating activities” is a non-Hong Kong Financial Reporting Standard (non-HKFRS) measure used by management for monitoring cash flows of the Group and represents the cash flows generated from the trading and clearing operations of the four exchanges and five clearing houses and ancillary services of the Group. This non-HKFRS measure may not be comparable to similar measures presented by other companies. Cash flows from principal operating activities and cash flows from other operating activities together represent cash flows from operating activities as defined by Hong Kong Accounting Standard (HKAS) 7: Statement of Cash Flows.

# 44 Notes to the Condensed Consolidated Financial Statements

(Unaudited)

## 1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements are prepared in accordance with 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 2019 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2019.

The financial information relating to the year ended 31 December 2019 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2020 as comparative information does not constitute the statutory annual consolidated financial statements of 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 2019 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. Adoption of new/revised HKFRSs

In 2020, the Group has adopted the following amendments to Hong Kong Financial Reporting Standards (HKFRSs) which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2020:

Amendments to HKAS 1 and HKAS 8	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material
Amendments to HKFRS 3	Business Combination: Definition of a Business

The adoption of these amendments did not have any financial impact on the Group.

### 3. Operating Segments

The Group determines its operating segments based on the internal management 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, the Shanghai Stock Exchange and the Shenzhen Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (Stock Connect), sales of market data relating to these products and other related activities. The major sources of revenue of the segment are trading fees, trading tariffs, listing fees of equity products and market data fees.

The **Equity and Financial Derivatives** segment refers to derivatives products traded on The Stock Exchange of Hong Kong Limited (Stock Exchange) and Hong Kong Futures Exchange Limited (Futures 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 related market data. The major sources of revenue are trading fees, trading tariffs, 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 UK for the trading of base, ferrous, and precious metals futures and options contracts, and the operations of Qianhai Mercantile Exchange Co., Ltd. (QME), the commodity trading platform in the Mainland. It also covers the commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees of commodity products, commodity market data fees and fees from ancillary operations.

The **Post Trade** 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 exchanges of the Group and Northbound trades under Stock Connect, and clearing and settlement of over-the-counter derivatives contracts. Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Margin Funds and Clearing House Funds.

The **Technology** segment refers to all services in connection with providing users with access to the platform and infrastructure of the Group, and services provided by BayConnect Technology Company Limited (BayConnect). Its major sources of revenue are network, terminal user, data line and software sub-license fees and hosting services fees.

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

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

### 3. Operating Segments (continued)

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

	Six months ended 30 Jun 2020						Group \$m
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	
Timing of revenue recognition:							
Point in time	1,491	1,076	616	2,586	30	-	5,799
Over time	762	562	133	268	412	3	2,140
Revenue from external customers	2,253	1,638	749	2,854	442	3	7,939
Net investment income	-	-	-	772	-	66	838
Sundry income	-	-	-	3	1	1	5
Revenue and other income	2,253	1,638	749	3,629	443	70	8,782
Operating expenses	(285)	(307)	(329)	(432)	(139)	(584)	(2,076)
Reportable segment EBITDA	1,968	1,331	420	3,197	304	(514)	6,706
Depreciation and amortisation	(60)	(51)	(169)	(106)	(22)	(137)	(545)
Finance costs	(7)	(6)	(4)	(46)	(1)	(32)	(96)
Share of profits less losses of joint ventures	39	-	-	-	-	-	39
Reportable segment profit before taxation	1,940	1,274	247	3,045	281	(683)	6,104
	Six months ended 30 Jun 2019						
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:							
Point in time	1,128	1,144	556	2,302	34	5	5,169
Over time	735	487	138	182	339	5	1,886
Revenue from external customers	1,863	1,631	694	2,484	373	10	7,055
Net investment income	-	-	-	774	-	745	1,519
Sundry income	-	-	-	4	-	-	4
Revenue and other income	1,863	1,631	694	3,262	373	755	8,578
Operating expenses	(302)	(291)	(324)	(420)	(102)	(514)	(1,953)
Reportable segment EBITDA	1,561	1,340	370	2,842	271	241	6,625
Depreciation and amortisation	(64)	(48)	(158)	(120)	(19)	(86)	(495)
Finance costs	(8)	(6)	(4)	(39)	(1)	(28)	(86)
Share of profits less losses of joint ventures	9	(3)	-	-	-	-	6
Reportable segment profit before taxation	1,498	1,283	208	2,683	251	127	6,050

#### 4. Trading Fees and Trading Tariffs

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Equity securities traded on the Stock Exchange and through Stock Connect	1,479	1,094
DWs, CBBCs and warrants traded on the Stock Exchange	329	358
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	949	976
Base, ferrous, and precious metals futures and options contracts traded on the LME	573	512
	<b>3,330</b>	<b>2,940</b>

#### 5. Net Investment Income

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Gross interest income from financial assets measured at amortised cost	1,311	1,549
Gross interest income from financial assets measured at fair value through other comprehensive income	32	52
Interest rebates to Participants	(329)	(623)
Net interest income	1,014	978
Net (losses)/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	(138)	535
Others	(38)	6
Net investment income	838	1,519

#### 6. Staff Costs and Related Expenses

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Salaries and other short-term employee benefits	1,174	1,124
Employee share-based compensation benefits of HKEX Share Award Scheme (Share Award Scheme)	135	115
Termination benefits	1	3
Retirement benefit costs (note (a))	88	86
	<b>1,398</b>	<b>1,328</b>

- (a) 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 LME and LME Clear (LME Pension Scheme), and has joined defined contribution retirement schemes arranged by local government labour and security authorities for employees of its PRC subsidiaries and representative office (PRC Retirement Schemes). 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, the LME Pension Scheme, the PRC Retirement Schemes and related fees.

## 7. Finance Costs

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Interest on borrowings	3	4
Interest on lease liabilities	46	44
Banking facility commitment fees	26	25
Negative interest on Euro and Japanese Yen deposits	21	13
	<b>96</b>	<b>86</b>

## 8. Taxation

Taxation charge in the condensed consolidated income statement represents:

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Current tax – Hong Kong Profits Tax	724	744
Current tax – Overseas Tax	104	102
Total current tax	<b>828</b>	846
Deferred tax (note (b))	42	1
Taxation charge	<b>870</b>	847

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2019: 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 tax rate applicable to the subsidiaries in the UK being 19 per cent (2019: 19 per cent).
- (b) Through the enactment of the Finance Act 2020, the UK Corporate Tax rate would remain at 19 per cent from 1 April 2020 instead of reducing to 17 per cent, the previously enacted rate. As a result, a one-off deferred tax charge of \$61 million was recognised during the six months ended 30 June 2020.

## 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 2020	Six months ended 30 Jun 2019
Profit attributable to shareholders (\$m)	5,233	5,205
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,260,758	1,250,719
Basic earnings per share (\$)	4.15	4.16

## 9. Earnings Per Share (continued)

(b) Diluted earnings per share

	Six months ended 30 Jun 2020	Six months ended 30 Jun 2019
Profit attributable to shareholders (\$m)	5,233	5,205
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,260,758	1,250,719
Effect of shares awarded under Share Award Scheme (in '000)	3,172	3,010
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,263,930	1,253,729
Diluted earnings per share (\$)	4.14	4.15

## 10. Dividends

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Interim dividend declared of \$3.71 (2019: \$3.72) per share at 30 Jun	4,704	4,680
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(12)	(12)
	4,692	4,668

## 11. Financial Assets

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
Cash and cash equivalents	129,563	128,152
Financial assets measured at fair value through profit or loss	67,790	57,401
Financial assets measured at fair value through other comprehensive income	5,046	4,569
Financial assets measured at amortised cost	58,208	40,672
	260,607	230,794

## 11. Financial Assets (continued)

The Group's financial assets comprised financial assets of cash prepayments and collateral for A shares (Cash for A shares), Corporate Funds, Margin Funds, Clearing House Funds and metals derivatives contracts as follows:

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
<u>Cash for A shares (note (a))</u>		
Cash and cash equivalents	–	1,460
<u>Corporate Funds</u>		
Cash and cash equivalents (note (b))	12,113	11,421
Financial assets measured at fair value through profit or loss	6,876	9,393
Financial assets measured at amortised cost	11,794	8,324
	<b>30,783</b>	29,138
<u>Margin Funds<sup>1</sup></u>		
Cash and cash equivalents	100,567	100,095
Financial assets measured at fair value through other comprehensive income	5,046	4,569
Financial assets measured at amortised cost	46,414	32,348
	<b>152,027</b>	137,012
<u>Clearing House Funds (note 16)</u>		
Cash and cash equivalents	16,883	15,176
<u>Metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss (note (d))	60,914	48,008
	<b>260,607</b>	230,794

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to China Securities Depository and Clearing Corporation Limited (ChinaClear) and margin receivable from Clearing Participants of \$7,531 million (31 December 2019: \$5,524 million), which are included in accounts receivable, prepayments and deposits. If such amounts are included, total Margin Funds would be \$159,558 million (31 December 2019: \$142,536 million) (note 14).

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

	At 30 Jun 2020						At 31 Dec 2019					
	Cash for A shares \$m	Corporate Funds \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Total \$m	Cash for A shares \$m	Corporate Funds \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Total \$m
Within twelve months	–	29,250	152,027	16,883	60,914	259,074	1,460	27,748	137,012	15,176	48,008	229,404
Over twelve months	–	1,533	–	–	–	1,533	–	1,390	–	–	–	1,390
	–	<b>30,783</b>	<b>152,027</b>	<b>16,883</b>	<b>60,914</b>	<b>260,607</b>	1,460	29,138	137,012	15,176	48,008	230,794

(a) Cash for A shares includes:

- (i) Renminbi (RMB) cash prepayments received by HKSCC from its Clearing Participants for releasing their allocated A shares on the trade day. Such prepayments will be used to settle HKSCC's Continuous Net Settlement (CNS) obligations payable on the next business day; and
- (ii) Hong Kong Dollar/United States Dollar cash collateral received by HKSCC from its Clearing Participants for releasing their allocated A shares on the trade day. Such collateral will be refunded to the Clearing Participants when they settle their RMB CNS obligations on the next business day.

## 11. Financial Assets (continued)

- (b) At 30 June 2020, cash and cash equivalents of Corporate Funds of \$1,030 million (31 December 2019: \$818 million) were solely used to support Skin-in-the-Game and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund (note 16(a)).
- (c) The cash and cash equivalents of Margin Funds, Clearing House Funds, Corporate Funds reserved for supporting Skin-in-the-Game and default fund credits of Clearing House Funds (note (b)), and Cash for A shares 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 purpose in the condensed consolidated statement of cash flows.
- (d) Metals derivatives contracts represent the fair value of outstanding base, ferrous, and precious metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32: Financial Instruments: Presentation, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME. A corresponding amount has been recognised under financial liabilities at fair value through profit or loss (note 13).

## 12. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represent the Group's CNS money obligations receivable, and Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear, which accounted for 54 per cent (31 December 2019: 73 per cent) and 36 per cent (31 December 2019: 21 per cent) of the total accounts receivable, prepayments and deposits respectively. CNS money obligations receivable mature within two days after the trade date. The balance of Settlement Reserve Fund and Settlement Guarantee Fund with ChinaClear is rebalanced on a monthly basis. 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. Financial Liabilities at Fair Value through Profit or Loss

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
Held by LME Clear in its capacity as a central counterparty		
Derivative financial instruments:		
– base, ferrous, and precious metals futures and options contracts cleared through LME Clear (note 11(d))	60,914	48,008

## 14. Margin Deposits, Mainland Security and Settlement Deposits, and Cash Collateral from Clearing Participants

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants comprised:		
SEOCH Clearing Participants' margin deposits	12,067	8,174
HKCC Clearing Participants' margin deposits	65,203	55,664
HKSCC Clearing Participants' margin deposits, Mainland security and settlement deposits, and cash collateral	17,198	12,367
OTC Clear Clearing Participants' margin deposits	7,240	5,180
LME Clear Clearing Participants' margin deposits	57,850	61,151
	<b>159,558</b>	<b>142,536</b>

## 15. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represent the Group's CNS money obligations payable, which accounted for 80 per cent (31 December 2019: 89 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

## 16. Clearing House Funds

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
The Clearing House Funds comprised:		
Clearing Participants' cash contributions	16,076	14,394
Contribution to OTC Clear Rates and FX Guarantee Resources	156	156
Clearing House Funds reserves (note 20)	625	587
	<b>16,857</b>	<b>15,137</b>
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)	16,883	15,176
Less: Other financial liabilities of Clearing House Funds	(26)	(39)
	<b>16,857</b>	<b>15,137</b>
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	3,817	2,281
SEOCH Reserve Fund	965	947
HKCC Reserve Fund	1,720	1,660
OTC Clear Rates and FX Guarantee Fund	2,625	2,548
OTC Clear Rates and FX Guarantee Resources	170	168
LME Clear Default Fund	7,560	7,533
	<b>16,857</b>	<b>15,137</b>

- (a) Contributions by HKSCC, SEOCH and HKCC to their respective default funds (Skin-in-the-Game) are set at 10 per cent of the size of the respective funds, and such contributions, together with default fund credits granted to HKSCC and HKCC Participants, are included in Corporate Funds. At 30 June 2020, the Skin-in-the-Game and default fund credits amounted to \$1,030 million (31 December 2019: \$818 million) (note 11(b)), and are invested in overnight deposits and monitored on a daily basis.

## 17. Borrowings

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
Written put options to non-controlling interests	421	418
Analysed as:		
Non-current liabilities	81	80
Current liabilities	340	338
	<b>421</b>	<b>418</b>

During the six months ended 30 June 2020, none of the written put options was exercised.

## 18. Share Capital and Shares Held for Share Award Scheme

Issued and fully paid – ordinary shares with no par:

	Number of shares '000	Number of shares held for Share Award Scheme '000	Share capital \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2019	1,250,632	(3,115)	27,750	(682)	27,068
Shares issued in lieu of cash dividends (note (a))	10,569	(84)	2,694	(21)	2,673
Shares purchased for Share Award Scheme (note (b))	-	(1,115)	-	(285)	(285)
Vesting of shares of Share Award Scheme (note (c))	-	1,040	5	218	223
At 31 Dec 2019	1,261,201	(3,274)	30,449	(770)	29,679
At 1 Jan 2020	1,261,201	(3,274)	30,449	(770)	29,679
Shares issued in lieu of cash dividends (note (a))	6,636	(45)	1,438	(10)	1,428
Shares purchased for Share Award Scheme (note (b))	-	(10)	-	(3)	(3)
Vesting of shares of Share Award Scheme (note (c))	-	78	-	17	17
At 30 Jun 2020	1,267,837	(3,251)	31,887	(766)	31,121

- (a) 6,635,576 new fully paid HKEX shares were issued in April 2020 (year ended 31 December 2019: 10,569,259 shares) and allotted at \$216.70 per share (year ended 31 December 2019: weighted average price of \$254.81 per share) to the shareholders (including 45,127 shares (year ended 31 December 2019: 84,339 shares) allotted to the Share Award Scheme) who elected to receive HKEX shares in lieu of cash dividends pursuant to the scrip dividend scheme.
- (b) During the six months ended 30 June 2020, the Share Award Scheme acquired 9,700 HKEX shares (year ended 31 December 2019: 1,115,300 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$3 million (year ended 31 December 2019: \$285 million).
- (c) During the six months ended 30 June 2020, a total of 78,378 HKEX shares (year ended 31 December 2019: 1,040,143 shares) were vested, and the total cost of the vested shares was \$17 million (year ended 31 December 2019: \$218 million).

## 19. Employee Share-based Arrangements

The Group operates the Share Award Scheme as part of the benefits of its employees. It allows shares to be granted to employees under the following two categories of awards:

- Employee Share Awards – for all employees of the Group (including the Executive Director); and
- Senior Executive Awards – for selected senior executives of the Group (including the Executive Director).

The employee share-based compensation expenses in relation to the share awards are charged to the condensed consolidated income statement 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 2020, no Senior Executive Awards were granted and details of Employee Share Awards awarded are set out below:

Date of award	Number of shares awarded	Average fair value per share \$	Vesting period
22 Jun 2020	9,700	307.10	17 Jun 2022 – 17 Jun 2023

## 20. Designated Reserves

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

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
Clearing House Funds reserves (note 16)		
– HKSCC Guarantee Fund reserve	188	174
– SEOCH Reserve Fund reserve	113	111
– HKCC Reserve Fund reserve	243	239
– OTC Clear Rates and FX Guarantee Fund reserve	67	51
– OTC Clear Rates and FX Guarantee Resources reserve	14	12
	<b>625</b>	<b>587</b>

## 21. Notes to the Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Profit before taxation	6,104	6,050
Adjustments for:		
Net interest income	(1,014)	(978)
Net fair value losses/(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	138	(535)
Finance costs	96	86
Depreciation and amortisation	545	495
Employee share-based compensation benefits	135	115
Provision for impairment losses of receivables	2	7
Share of profits less losses of joint ventures	(39)	(6)
Other non-cash adjustments	3	6
Net increase in financial assets of Margin Funds	(17,015)	(10,396)
Net increase in financial liabilities of Margin Funds	17,022	10,399
Net (increase)/decrease in Clearing House Fund financial assets	(1,707)	2,383
Net increase/(decrease) in Clearing House Fund financial liabilities	1,669	(2,407)
Decrease in cash prepayments and collateral for A shares	1,460	3,014
Increase in Corporate Funds used for supporting Skin-in-the-Game and default fund credits	(212)	(142)
Decrease in accounts receivable, prepayments and deposits	7,423	6,631
Decrease in other liabilities	(8,741)	(9,446)
Net cash inflow from principal operations	5,869	5,276
Interest received from financial assets measured at amortised cost and cash and cash equivalents	1,311	1,549
Interest paid to Participants	(329)	(623)
Income tax paid	(1,776)	(322)
Net cash inflow from principal operating activities	<b>5,075</b>	<b>5,880</b>

## 22. Capital Expenditures and Commitments

During the six months ended 30 June 2020, the Group incurred capital expenditures of \$519 million (2019: \$368 million).

At 30 June 2020, the Group's commitments in respect of capital expenditure were as follows:

	At 30 Jun 2020 \$m	At 31 Dec 2019 \$m
Contracted but not provided for:		
– fixed assets	40	24
– intangible assets	178	82
Authorised but not contracted for:		
– fixed assets	437	461
– intangible assets	600	650
	<b>1,255</b>	<b>1,217</b>

## 23. Contingent Liabilities

At 30 June 2020, 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 repealed Securities Ordinance up to an amount not exceeding \$71 million (31 December 2019: \$71 million). Up to 30 June 2020, 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 646 trading Participants (31 December 2019: 658) covered by the indemnity at 30 June 2020 defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$129 million (31 December 2019: \$132 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. Material Related Party Transactions

- (a) Key management personnel compensation

	Six months ended 30 Jun 2020 \$m	Six months ended 30 Jun 2019 \$m
Salaries and other short-term employee benefits	63	63
Employee share-based compensation benefits	30	32
Retirement benefit costs	4	4
	<b>97</b>	<b>99</b>

- (b) Post-retirement benefit plans

The Group has sponsored an ORSO Plan and the LME Pension Scheme as its post-retirement benefit plans (note 6(a)).

## 25. Pledges of Assets

LME Clear receives securities, gold bullion and warrants as collateral for margins posted by its Clearing Participants. The total fair value of this collateral was US\$1,523 million (HK\$11,804 million) at 30 June 2020 (31 December 2019: US\$1,872 million (HK\$14,586 million)). LME Clear is obliged to return this non-cash collateral upon request when the Clearing Participants' collateral obligations have been substituted with cash collateral or otherwise discharged.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$8,478 million (HK\$65,708 million) at 30 June 2020 (31 December 2019: US\$8,904 million (HK\$69,378 million)).

The above non-cash collateral, which LME Clear is permitted to sell or repledge in the absence of default by the counterparties, was not recorded on the condensed consolidated statement of financial position of the Group at 30 June 2020. Such non-cash collateral, together with certain financial assets amounting to US\$513 million (HK\$3,979 million) at 30 June 2020 (31 December 2019: US\$474 million (HK\$3,692 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.

## 26. Capital Management

At 30 June 2020, the Group had set aside \$4,000 million (31 December 2019: \$4,000 million) of shareholders' funds for the purpose of supporting the risk management regime of the clearing houses in their roles as central counterparties, of which \$2,160 million (31 December 2019: \$2,160 million) had been injected into HKSCC, SECH and HKCC as share capital.

## 27. Fair Value of Financial Assets and Financial Liabilities

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

The following tables present the carrying values 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.

## 27. Fair Value of Financial Assets and Financial Liabilities (continued)

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

	At 30 Jun 2020				At 31 Dec 2019			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Recurring fair value measurements:</b>								
<b>Financial assets</b>								
Financial assets measured at fair value through profit or loss:								
– collective investment schemes	1,123	5,543	-	6,666	2,647	6,696	-	9,343
– equity securities	-	-	210	210	-	-	50	50
– base, ferrous, and precious metals futures and options contracts cleared through LME Clear	-	60,914	-	60,914	-	48,008	-	48,008
Financial assets measured at fair value through other comprehensive income:								
– debt securities	3,041	2,005	-	5,046	3,059	1,510	-	4,569
	<b>4,164</b>	<b>68,462</b>	<b>210</b>	<b>72,836</b>	<b>5,706</b>	<b>56,214</b>	<b>50</b>	<b>61,970</b>
<b>Financial liabilities</b>								
Financial liabilities at fair value through profit or loss:								
– base, ferrous, and precious metals futures and options contracts cleared through LME Clear	-	60,914	-	60,914	-	48,008	-	48,008

During the six months ended 30 June 2020 and 30 June 2019, there were no transfers of instruments between Level 1 and Level 2 or transfer into or out of Level 3.

Level 2 fair values of collective investment schemes, debt securities, base, ferrous, and precious metals futures and options contracts have been determined based on quotes from market makers, funds administrators or alternative pricing sources supported by observable inputs. The most significant input are market interest rates, market prices of metals, net asset values and latest redemption prices or transaction prices of the respective collective investment schemes.

The Group's policy is to recognise transfers 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)

	\$m
At 1 Jan 2019	-
Investment in minority stake in an unlisted company	50
At 31 Dec 2019 and 1 Jan 2020	<b>50</b>
Additional investments in minority stakes in unlisted companies	<b>160</b>
At 30 Jun 2020	<b>210</b>

During the six months ended 30 June 2020, no unrealised gain or loss was recognised in the condensed consolidated income statement.

## 27. Fair Value of Financial Assets and Financial Liabilities (continued)

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

The following table summarises the basis of valuation used in level 3 fair value measurements:

Description	Fair value at 30 Jun 2020 \$m	Basis of valuation
Minority stake in Fusion Bank Limited	100	Fusion Bank Limited was granted a virtual banking license by the Hong Kong Monetary Authority. The investment is not traded in an active market. The company continues to develop its virtual banking platform and is expected to launch its business in the second half of 2020. The latest fair value was based on recent market transactions.
Minority stake in Huakong TsingJiao Information Science (Beijing) Limited	110	Huakong TsingJiao Information Science (Beijing) Limited is a data technology company which supports HKEX's aspiration to develop a data marketplace. The investment is not traded in an active market. The latest fair value was based on recent market transactions.

### (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, except for lease liabilities where disclosure of fair values is not required. These assets and liabilities were classified under Level 2 in the fair value hierarchy.

	At 30 Jun 2020		At 31 Dec 2019	
	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
<b>Assets</b>				
Financial assets measured at amortised cost:				
– debt securities maturing over one year <sup>1</sup>	728	728	619	619
– other financial assets maturing over one year <sup>2</sup>	100	90	99	79
<b>Liabilities</b>				
Borrowings:				
– written put options to non-controlling interests <sup>3</sup>	421	428	418	422
Financial guarantee to the Collector of Stamp Revenue <sup>4</sup>	20	82	20	50

1 The fair values are provided by a reputable independent financial institution.

2 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 1.10 per cent to 1.29 per cent at 30 June 2020 (31 December 2019: 2.44 per cent to 2.58 per cent).

3 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 rates used ranged from 1.47 per cent to 1.58 per cent at 30 June 2020 (31 December 2019: 2.82 per cent to 2.99 per cent).

4 The fair values are based on the fees charged by financial institutions for granting such guarantees discounted to perpetuity using a ten-year Hong Kong Government bond rate, adjusted by an estimated credit spread, but capped at the maximum exposure of the financial guarantee. The discount rate used was 1.97 per cent at 30 June 2020 (31 December 2019: 3.26 per cent).

The carrying amounts of short-term financial assets and receivables (eg, accounts receivable, financial assets measured at amortised cost 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.

**ADT** | Average daily turnover value

**ADV** | Average daily volume (in number of contracts/lots)

**AGM** | HKEX's annual general meeting

**Awarded Shares** | Shares awarded under the Share Award Scheme

**BayConnect** | BayConnect Technology Company Limited

**BBS** | Bronze Bauhinia Star

**Board** | HKEX's board of directors

**Bond Connect** | A mutual bond market access programme between Hong Kong and Mainland China, under which Northbound trading enables overseas investors to invest in the China Interbank Bond Market, and Southbound trading will be explored at a later stage

**Cash Market** | HKEX's securities related business excluding stock options

**CBBCs** | Callable Bull/Bear Contracts

**CCASS** | Central Clearing and Settlement System

**ChinaClear** | China Securities Depository and Clearing Corporation Limited

**CNH** | Offshore RMB traded outside Mainland China

**Corporate Governance Code** | Refers to Appendix 14 to the Main Board Listing Rules

**CP(s)** | Clearing Participant(s)

**Derivatives Market** | HKEX's derivatives related business including stock options

**Director(s)** | HKEX's director(s)

**DWs** | Derivative warrants

**e-IPO** | Electronic Initial Public Offering

**EP(s)** | Exchange Participant(s)

**ETF(s)** | Exchange Traded Fund(s)

**Euro** | The official currency of the Eurozone

**Exchange or SEHK or Stock Exchange** | The Stock Exchange of Hong Kong Limited

**Financial Secretary** | Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China

**Futures Exchange or HKFE** | Hong Kong Futures Exchange Limited

**GBM** | Grand Bauhinia Medal

**GBS** | Gold Bauhinia Star

**Government or HKSAR Government** | The Government of the Hong Kong Special Administrative Region of the People's Republic of China

**Government Appointed Director(s)** | Director(s) appointed by the Financial Secretary pursuant to Section 77 of the SFO

**Group or HKEX Group** | HKEX and its subsidiaries

**HKCC** | HKFE Clearing Corporation Limited

**HKEX Foundation** | HKEX Foundation Limited

**HKEX or the Company** | Hong Kong Exchanges and Clearing Limited

**HKFRS(s)** | Hong Kong Financial Reporting Standard(s)

**HKSCC** | Hong Kong Securities Clearing Company Limited

**HSI** | Hang Seng Index

**INR** | Indian Rupee

**IPO(s)** | Initial Public Offering(s)

**Iron Ore Futures** | TSI Iron Ore Fines 62 per cent Fe CFR China Futures

**IT** | Information Technology

**JP** | Justice of the Peace

**L&I Products** | Leveraged and Inverse Products

**Listing Rule(s)** | Main Board Listing Rules and Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited

**LME** | The London Metal Exchange

**LME Clear** | LME Clear Limited

**London Metal Mini Futures** | London Aluminium/Zinc/Copper/Nickel/Tin/Lead Mini Futures

**Main Board Listing Rules** | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

**Model Code** | Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Main Board Listing Rules

**MSCI** | MSCI Inc.

**Northbound Trading** | Hong Kong and overseas investors trading in eligible securities that are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange through Stock Connect

**OTC** | Over-the-counter

**OTC Clear** | OTC Clearing Hong Kong Limited

**QME** | Qianhai Mercantile Exchange Co., Ltd.

**RMB** | Renminbi

**SEOCH** | The SEHK Options Clearing House Limited

**SFC** | Securities and Futures Commission

**SFO** | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

**Shanghai-Hong Kong Stock Connect** | A mutual market access programme that links the stock markets in Shanghai and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market

**Shareholder(s)** | HKEX's shareholder(s)

**Share Award Scheme or the Scheme** | The Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006, 13 May 2010, 17 December 2013 and 17 June 2015

**Shenzhen-Hong Kong Stock Connect** | A mutual market access programme that links the stock markets in Shenzhen and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market

**Southbound Trading** | Mainland investors trading in eligible securities that are listed on the Stock Exchange through Stock Connect

**Stock Connect** | Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

**UK** | United Kingdom

**US** | United States of America

**US\$/USD** | United States dollar

**WVR** | Weighted Voting Rights

**\$/HK\$/HKD** | Hong Kong dollar

**\$bn/bn** | Hong Kong dollar in billion/billion

**\$m** | Hong Kong dollar in million

**£/GBP** | Pound sterling

**1H, 2H** | First half, second half (of the year)

**Q1, Q2, Q3, Q4** | First quarter, second quarter, third quarter, fourth quarter (of the year)



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