

Building the Marketplace of the

Future

HKEX

香港交易所

Interim Report 2023

Stock codes: 388 (HKD counter) and 80388 (RMB counter)

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





Strategic and Financial Highlights



A good half year for HKEX, despite continued global macro uncertainty and market fragility. Six-monthly Group revenue and other income was up 18 per cent, core business revenue was up 5 per cent and profit attributable to shareholders was up 31 per cent against the comparable period last year.

This strong half-yearly and quarterly financial performance was matched by further significant strategic progress in Q2, including the launch of Swap Connect, the launch of our new Dual Counter Model and the opening of HKEX's first North American office. The Group also continued to benefit from the positive impact of its diversification strategy, with robust growth in derivatives volumes, a strong performance from Stock Connect and good returns from a burgeoning ETF market.

Looking forward, whilst the macro landscape will continue to shape market sentiment, we are pleased to see encouraging signs of a revival in our IPO market, matched by a very healthy pipeline. We are also excited about the increasingly broad portfolio of markets, products and opportunities that we now offer our clients around the world and the positive progress we are making to deliver on our strategy.





Nicolas Aguzin
Chief Executive Officer

Strategic & Operational Highlights



Corporate

27 Jun

23rd Anniversary of HKEX as a listed company

Products and Services

13 Mar

Expansion of eligible stocks under Stock Connect

15 May

Swap Connect launched – a new mutual access programme between Hong Kong and Mainland China's interbank interest rate swap markets

19 Jun

HKD-RMB Dual Counter Model and Dual Counter Market Making Programme launched

Regulation

31 Mar

Specialist Technology Company listing regime took effect

14 Apr

Consultation paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework published

30 Jun

Consultation conclusions on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published

Market Operations

20 Mar

Hong Kong Investor Identification Regime (HKIDR) implemented

30 Mar

LME Group announced a two-year strategic and operational programme to strengthen and enhance its markets

24 Apr

Stock Connect trading calendar enhancement took effect

31 May

The LME launched two market consultations to enhance the visibility of unwarranted metal stocks; and transparency of its closing price discovery process

Corporate Social Responsibility and ESG

28 Mar

2023 HKEX Impact Funding Scheme launched

2 May

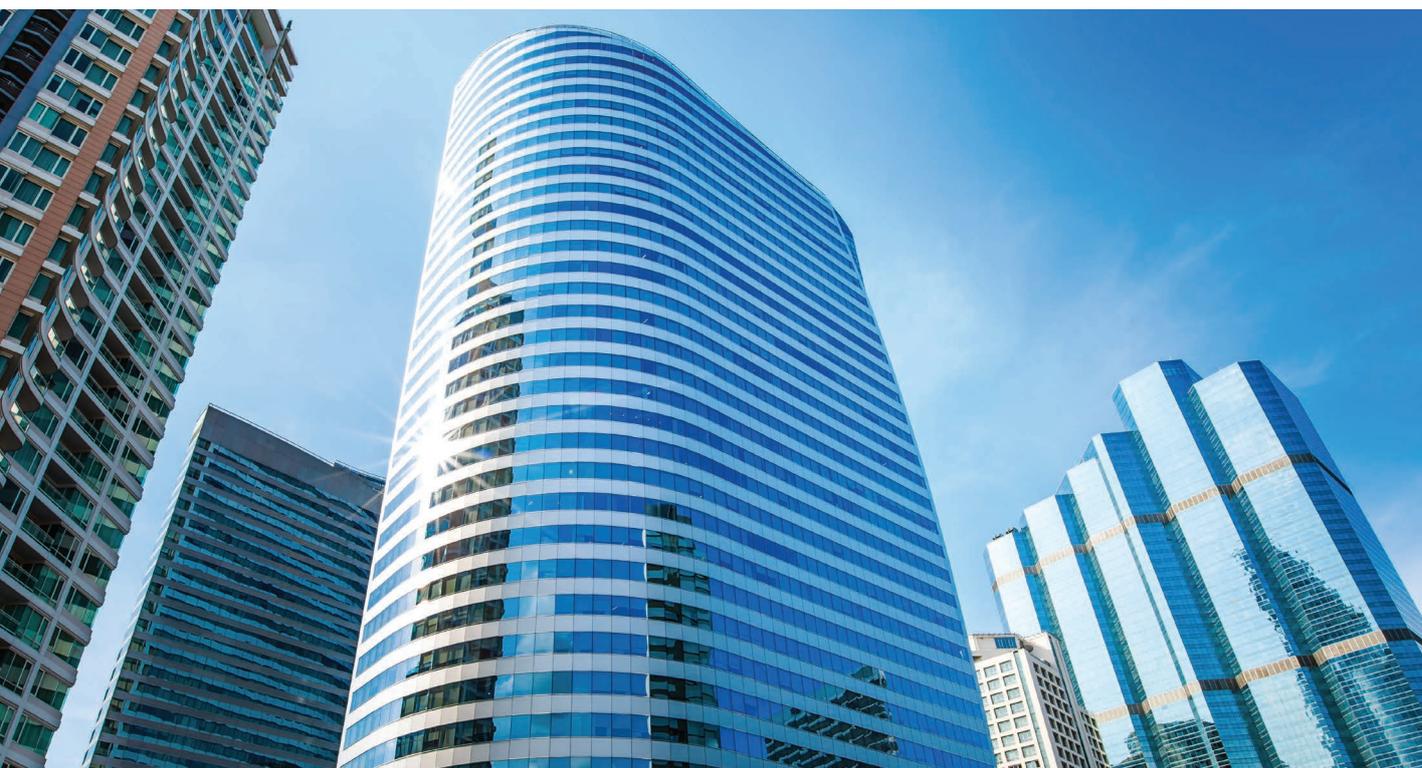
2023 HKEX Charity Partnership Programme launched

30 Jun

2022 HKEX Research Funding Scheme awardees announced

Financial Highlights

Comparison of 1H 2023 with 1H 2022 Results



- Second best ever half-yearly revenue and other income and profit in 1H 2023, after exceptional 1H 2021
- 1H 2023 revenue and other income of \$10,575 million, 18 per cent higher than 1H 2022
 - Core business revenue up 5 per cent against 1H 2022, due to higher net investment income from Margin Funds and Clearing House Funds; and record half-yearly derivatives contract ADV in 1H 2023. Increase partly offset by lower trading and clearing fees from lower Headline ADT and lower listing fees
- Net investment income from Corporate Funds of \$817 million (1H 2022: loss of \$378 million), driven by net fair value gains on the External Portfolio of \$215 million (1H 2022: losses of \$511 million) and higher investment income from internally-managed Corporate Funds
- Operating expenses up 7 per cent against 1H 2022, attributable to higher staff costs and professional fees
- EBITDA margin¹ of 75 per cent, 3 percentage points higher than 1H 2022
- Profit attributable to shareholders of \$6,312 million, 31 per cent higher than 1H 2022

Revenue and other income

\$10,575

Million

↑ 18%

Profit attributable to shareholders

\$6,312

Million

↑ 31%

Basic earnings per share

\$4.99

↑ 31%

¹ 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. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.

Key Financials

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m	Change
Revenue and other income			
Core business revenue	9,729	9,278	5%
Donation income of HKEX Foundation	29	37	(22%)
Net investment income/(loss) of Corporate Funds	817	(378)	N/A
	10,575	8,937	18%
Operating expenses	2,622	2,456	7%
EBITDA	7,859	6,394	23%
Profit attributable to shareholders	6,312	4,836	31%
Capital expenditure	501	478	5%
Basic earnings per share	\$4.99	\$3.82	31%
Interim dividend per share	\$4.50	\$3.45	30%

Key Market Statistics

	Six months ended 30 Jun 2023	Six months ended 30 Jun 2022	Change
ADT of equity products traded on the Stock Exchange ¹ (\$bn)	102.9	119.9	(14%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	12.6	18.4	(32%)
ADT traded on the Stock Exchange ^{1,2} (Headline ADT) (\$bn)	115.5	138.3	(16%)
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	109.3	103.9	5%
ADT of Southbound Trading of Stock Connect ¹ (\$bn)	33.8	33.2	2%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	735 ⁴	705	4%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	633	604	5%
Chargeable ADV ³ of metals contracts traded on the LME ('000 lots)	538	539	(0%)
ADT of Northbound Bond Connect (RMBbn)	38.9 ⁴	31.2	25%

1 Includes buy and sell trades under Stock Connect

2 ADT of Southbound Trading is included within Headline ADT.

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

4 New record half-yearly high in 1H 2023

Financial Highlights

Comparison of Q2 2023 with Q2 2022 Results



- Record Q2 revenue and other income of \$5,017 million for Q2 2023, 18 per cent higher than Q2 2022
 - Core business revenue up 5 per cent against Q2 2022, attributable to increase in net investment income from Margin Funds and Clearing House Funds, partly offset by lower trading and clearing fees and lower listing fees
 - Net investment income from Corporate Funds of \$268 million (Q2 2022: loss of \$274 million), driven by net fair value gains on the External Portfolio of \$20 million (Q2 2022: losses of \$322 million) and higher investment income from internally-managed Corporate Funds
- Operating expenses up 3 per cent, attributable to higher professional fees and charitable donations, partly offset by lower staff costs
- EBITDA margin of 73 per cent, 3 percentage points higher than Q2 2022
- Profit attributable to shareholders of \$2,904 million, 34 per cent higher than Q2 2022

Revenue and other income

\$5,017

Million

↑ 18%

Profit attributable to shareholders

\$2,904

Million

↑ 34%

Basic earnings per share

\$2.29

↑ 34%

Key Financials

	Three months ended 30 Jun 2023 \$m	Three months ended 30 Jun 2022 \$m	Change
Revenue and other income			
Core business revenue	4,725	4,514	5%
Donation income of HKEX Foundation	24	7	243%
Net investment income/(loss) of Corporate Funds	268	(274)	N/A
	5,017	4,247	18%
Operating expenses	1,319	1,278	3%
EBITDA	3,650	2,921	25%
Profit attributable to shareholders	2,904	2,168	34%
Capital expenditure	261	288	(9%)
Basic earnings per share	\$2.29	\$1.71	34%

Key Market Statistics

	Three months ended 30 Jun 2023	Three months ended 30 Jun 2022	Change
ADT of equity products traded on the Stock Exchange ¹ (\$bn)	90.8	113.6	(20%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	12.0	16.1	(25%)
ADT traded on the Stock Exchange ^{1,2} (Headline ADT) (\$bn)	102.8	129.7	(21%)
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	122.5	101.8	20%
ADT of Southbound Trading of Stock Connect ¹ (\$bn)	30.1	30.9	(3%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	717	704	2%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	599	570	5%
Chargeable ADV ³ of metals contracts traded on the LME ('000 lots)	574	487	18%
ADT of Northbound Bond Connect (RMBbn)	40.8 ⁴	29.7	37%

1 Includes buy and sell trades under Stock Connect

2 ADT of Southbound Trading is included within Headline ADT.

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

4 New record quarterly high in Q2 2023



Laura M CHA
Chairman



Chairman's Statement

The first six months of 2023 have been characterised by fragile sentiment across global markets. This reflected a range of drivers, including broadly improving global business confidence, varied economic data, stress in the US and European banking sector, ongoing global macroeconomic challenges, inflationary pressures and continued geopolitical tensions.

Notwithstanding this fragility, HKEX had a good first half, demonstrating its continued resilience and relevance. Notably, the Group made significant progress on a number of major strategic initiatives, whilst also remaining fully focused on delivering its vision to build the Marketplace of the Future.

In the first half of 2023, Hong Kong Cash Market trading volume and IPO activity continued to be impacted by global market fragility. Average daily turnover in the Hong Kong's securities market (\$115.5 billion) decreased by 16 per cent year-on-year, while the ETF market continued to perform well, with average daily turnover (\$11.7 billion) up 21 per cent. The global IPO market was weak, though Hong Kong performed relatively well, with 33 issuers raising \$17.9 billion during the first half; and the HKEX IPO pipeline remains strong with 104 active applications as at 30 June 2023. Hong Kong's Derivatives Market had another good six months, with the average daily volume of futures and options contracts traded up 5 per cent year-on-year.

Stock Connect continued to demonstrate its strength, with Southbound and Northbound trading up compared with the comparable 2022 period, and the addition of ETFs in Stock Connect adding further momentum to this resilient programme. Trading under Northbound Bond Connect recorded steady growth in the first six months of 2023, with average daily turnover (RMB38.9 billion) up 25 per cent year-on-year.

The chargeable average daily volume of metals contracts traded on the LME was broadly in line with the same period last year, reflecting mixed sentiment across global metal markets. Trading in LME Nickel contracts during Asian market hours resumed on 27 March 2023, supporting the rebuild of liquidity in the nickel market.

For the six months ended 30 June 2023, the Group recorded total revenue and other income of \$10,575 million and profit attributable to shareholders of \$6,312 million, up 18 per cent and 31 per cent respectively from prior year. The Board declared an interim dividend of \$4.50 per share, payable in cash.

A number of important milestones were achieved in the first half of 2023, as the Group continued to broaden and deepen its regional and global connectivity, further supporting the mutual development of Hong Kong and Mainland China's capital markets and consolidating Hong Kong's role as an international financial centre.

The inclusion of international companies in Southbound Stock Connect and expansion of eligible stocks in Northbound Stock Connect in March 2023 opened up greater investment choices for investors, bringing more liquidity and vibrancy to our markets, while enhancing HKEX's competitiveness in attracting more international companies to list in Hong Kong. Swap Connect was successfully rolled out on 15 May 2023 as the world's first derivatives mutual market access programme. The launch of the HKD-RMB Dual Counter Model and the Dual Counter Market Making Programme in HKEX's securities market on 19 June 2023 marked another important step forward in building a liquid and accessible RMB ecosystem and enriching Hong Kong's RMB product suite, further supporting the ongoing internationalisation of RMB.

To support the long-term sustainable growth of Hong Kong as Asia's preferred international capital market, we continued to enhance our product portfolio in the first half of 2023. This included the introduction of a new Bitcoin futures ETF, two ESG ETFs, the relaunch of MSCI India (USD) Index Futures and the further expansion of our range of single stock options, providing investors with even greater choice and more tools for trading and risk management. The launch of an enhancement to the Stock Connect trading calendar in April 2023, adding about 10 trading days to the Northbound and Southbound Connect each year, also provided more trading opportunities for investors.

In March 2023, we enhanced the Listing Rules with a new route-to-market for Specialist Technology Companies. This seeks to support the fundraising needs of the next generation of companies, further elevating Hong Kong's position as the listing venue of choice for innovative companies from around the world. Looking forward, we expect to launch FINI (Fast Interface for New Issuance) in October 2023, which will digitalise, streamline and modernise Hong Kong's IPO settlement process, enhancing market efficiency and supporting the long-term development of Hong Kong as a capital raising centre.

To reinforce our role promoting sustainability across our business, operations and markets, the Exchange issued a consultation paper in April 2023 seeking market feedback on proposals to enhance climate-related disclosures to align with sustainability disclosure standards issued by the International Sustainability Standards Board (ISSB) in June 2023. The Exchange also announced, in June 2023, Listing Rules amendments to expand the paperless listing regime in support of our commitment to sustainability, further improving our operational efficiency without compromising investor protection.

The LME and LME Clear announced in March 2023 a two-year programme of change to strengthen and enhance their markets, putting forward an action plan to address the Oliver Wyman Independent Review recommendations published in January 2023. The LME and LME Clear will continue to work closely with market participants to further progress market structure modernisation, aiming to ensure the long-term health and efficiency of the LME markets and support the trading community in building deep, resilient liquidity for the benefit of all market users.

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

The trial of the two judicial review claims filed in the English High Court against the LME and LME Clear in connection with cancellation of trades in nickel contracts on 8 March 2022 took place from 20 to 22 June 2023. Judgment was not delivered at the end of the June trial but was reserved by the Court, to be issued at a later date. No indication has been given by the Court as to the timing of when it expects to issue the judgment. Details are set out in note 24(d) to the condensed consolidated financial statements of this Interim Report.

As a purpose-driven organisation, HKEX is fully committed to promoting the long-term prosperity and sustainability of our community and strengthening connectivity between business and society. Through our charitable arm, HKEX Foundation, we continue to play an active role in driving meaningful and positive change within our community. HKEX Foundation donated \$77 million in the first half of 2023, supporting a wide range of projects which focused on financial literacy, diversity and inclusion, poverty relief and environmental sustainability. In 2023 we were also pleased to make inaugural awards as part of our new HKEX Research Funding Scheme, partnering with Hong Kong universities on a range of specific projects which will enhance the lives of those within our community.

Looking forward, ongoing macroeconomic and geopolitical uncertainties and global megatrends, such as AI and climate change, will continue to shape the broader market and business environment.

As Asia's premier international exchange group, we are confident that our resilience and our clear strategic focus make us very well placed to address both the challenges and capture the significant opportunities ahead. We look forward to continuing to work closely with our clients, partners, regulators and other stakeholders to drive connectivity, innovation and sustainability across our markets and business, reinforcing our leadership role at the heart of the global financial community.

I would like to express my sincere thanks to all my HKEX colleagues for their continued hard work and dedication, and also to our shareholders and other valued stakeholders for their continued trust and support. We remain fully committed to the future development of our business and to global markets, as we execute on our strategy and strive to deliver growth and success.

Laura M CHA

Chairman

Hong Kong, 16 August 2023



Management Discussion and Analysis

Business Review

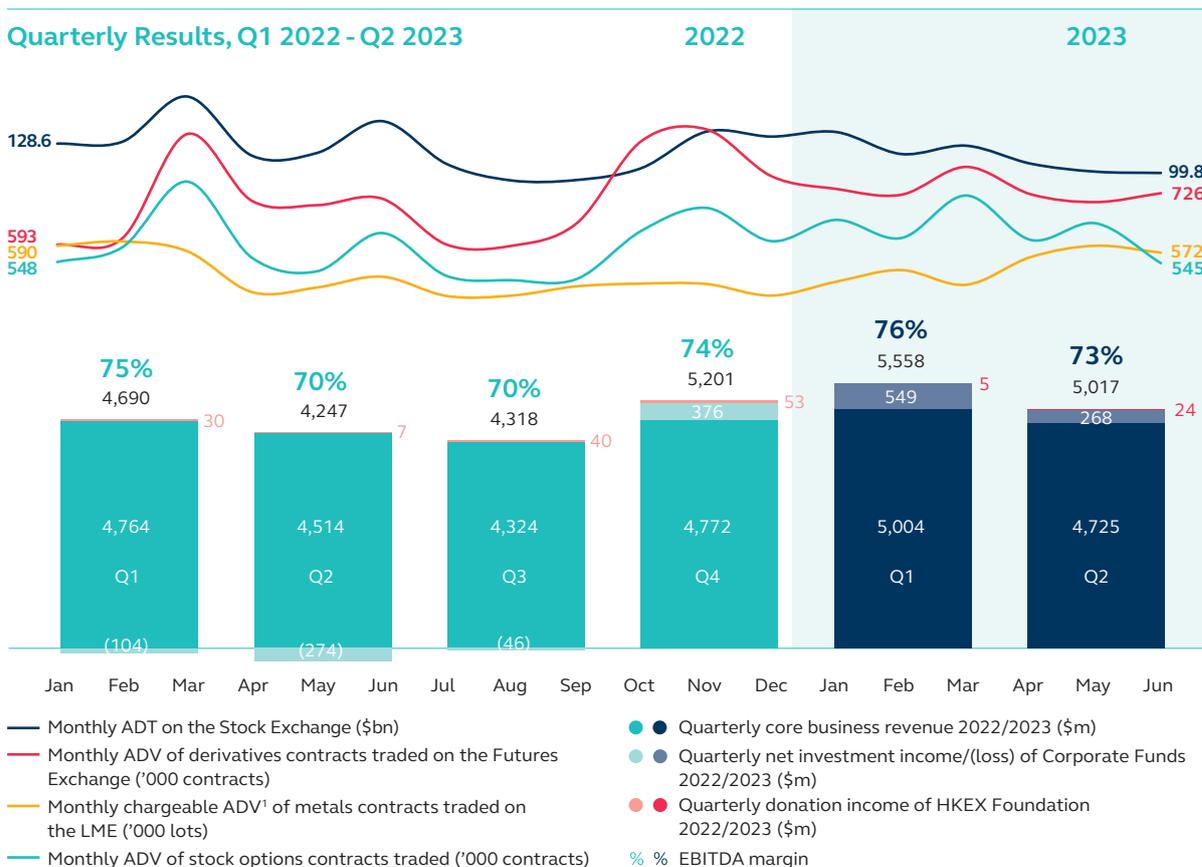
Financial Review





Business Review

Overview



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

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

In 1H 2023, HKEX continued to demonstrate resiliency across its businesses, despite global economic fragility, a slower than expected economic recovery in Mainland China and overall weak market sentiment. Headline ADT was \$115.5 billion in 1H 2023, 3 per cent higher than 2H 2022, but 16 per cent lower than 1H 2022. There was a strong performance from HKEX's Derivatives Markets, which again grew in 1H 2023, with total number of derivatives contracts traded reaching a half-yearly record high, and ADV up 5 per cent compared with both 1H 2022 and 2H 2022. Benefitting from the high interest rate environment, HKEX's net investment income recorded a half-yearly high in 1H 2023.

Revenue and other income for 1H 2023, of \$10.6 billion, was the second highest reported half-yearly revenue, after the record 1H 2021 and was 18 per cent higher than 1H 2022. The increase in revenue was mainly attributable to the record half-yearly net investment income of \$2.7 billion, reflecting increased interest rates in 2022 and 1H 2023; and the strong performance of the External Portfolio. This increase was partly offset by the decrease in trading and clearing fees from lower Headline ADT and the decrease in Stock Exchange listing fees from a lower number of newly listed DWs and CBCBs. Operating expenses increased by 7 per cent against 1H 2022, mainly due to higher staff costs and professional fees relating to the LME.

Q2 2023 revenue and other income of \$5.0 billion was a record second quarter high, boosted by very good net investment income as a result of the high interest rate environment. Compared with Q1 2023, core business revenue for Q2 2023 was 6 per cent lower, reflecting the 20 per cent drop in Headline ADT and lower net investment income of Margin Funds, partly offset by the seasonal increase in depository fees. Total revenue and other income for Q2 2023 was 10 per cent lower than Q1 2023, due to the decrease in core business revenue, lower

fair value gains of the External Portfolio (Q2 2023: \$20 million; Q1 2023: \$195 million), and lower investment income of Corporate Funds. As operating expenses remained broadly in line with Q1 2023, profit was, overall, 15 per cent lower than Q1 2023. Comparing Q2 2023 results with the same quarter last year, revenue and other income was up 18 per cent, EBITDA was up 25 per cent and profit was up 34 per cent, again reflecting the strong performance of net investment income.

Analysis of Results and Business Update by Operating Segment

	Six months ended 30 Jun 2023				Six months ended 30 Jun 2022			
	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m
Results by segment:								
Cash	4,206	(5)	4,201	3,649	4,701	(5)	4,696	4,191
Equity and Financial Derivatives	3,453	(89)	3,364	2,938	2,491	(82)	2,409	1,982
Commodities	1,039	–	1,039	448	1,100	–	1,100	585
Data and Connectivity	1,022	–	1,022	809	980	–	980	766
Corporate Items	855	–	855	15	(335)	–	(335)	(1,130)
	10,575	(94)	10,481	7,859	8,937	(87)	8,850	6,394

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

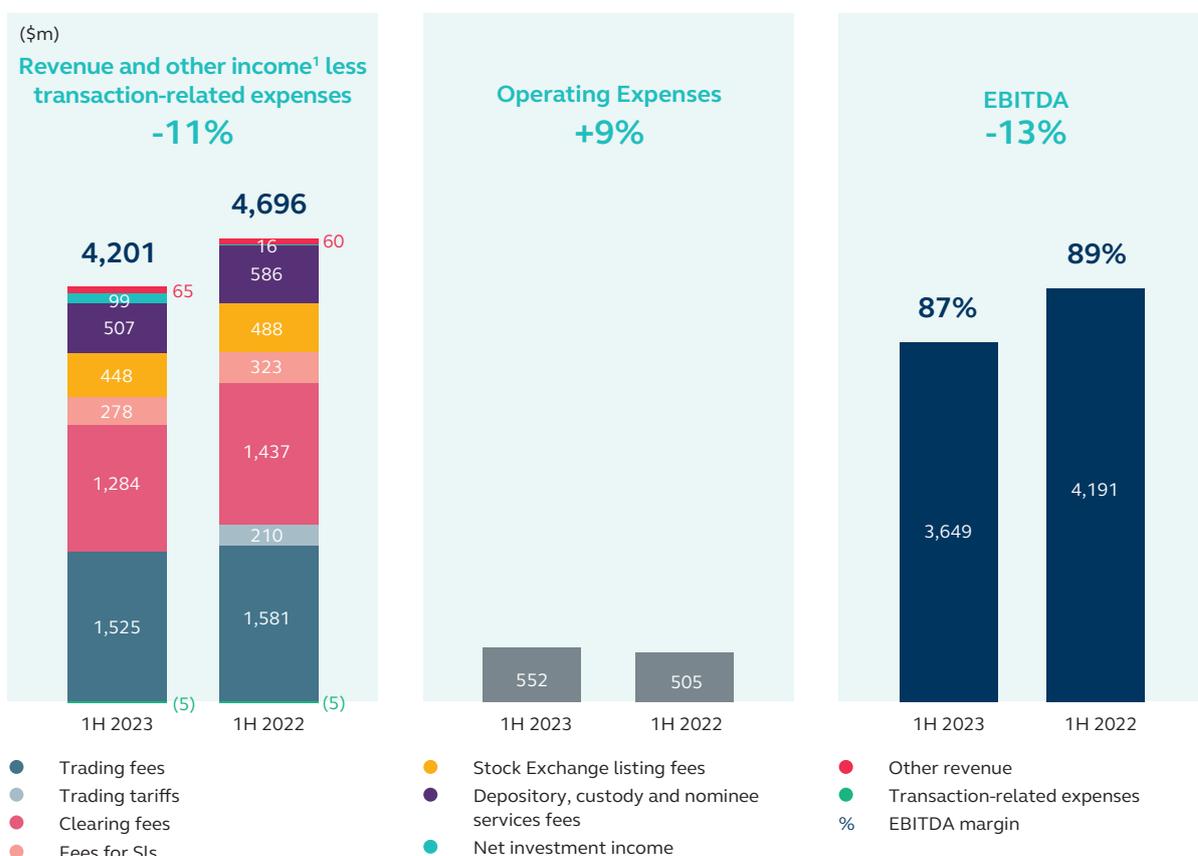
Details are set out in note 3 to the condensed consolidated financial statements of this Interim Report. Comparative figures have been restated to reflect the current period's presentation.

Cash Segment

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

Analysis of Results

1H 2023 vs 1H 2022



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

Revenue and other income, less transaction-related expenses, was down 11 per cent and EBITDA was down 13 per cent compared with 1H 2022, mainly due to the decrease in trading and clearing volumes across equity products.

Trading fees of equity products for 1H 2023 were \$1,525 million, a 15 per cent decrease compared with the total trading fees and tariffs of \$1,791 million in 1H 2022. The reduction was attributable to the 14 per cent decrease in ADT of equity products traded on the Stock Exchange, and the net decrease in fees resulting from the change in trading fee structure for the Cash Market with effect from 1 January 2023. This included the removal of the fixed trading tariff of \$0.5 payable on each transaction, and the increase of the ad valorem fee on all trades from 0.005 per cent to 0.00565 per cent. The decrease was partly offset by the 5 per cent increase in Stock Connect Northbound ADT. Included in the fees were Northbound Stock Connect fees of \$271 million (1H 2022: \$269 million) and Southbound Stock Connect fees of \$102 million (1H 2022: \$100 million), which broadly moved in line with the changes in trading volumes.

Clearing and settlement fees and fees for Settlement Instructions (SIs) for equity products decreased by 11 per cent and 14 per cent respectively. This was primarily due to lower clearing fees from Northbound Stock Connect of \$386 million (1H 2022: \$435 million), arising from the reduction in A-share clearing fees effective April 2022, and a lower number of transactions.

Stock Exchange listing fees for equity products decreased by \$40 million, mainly due to a decrease in number of forfeitures.

Depository, custody and nominee services fees for equity products decreased from \$586 million in 1H 2022 to \$507 million in 1H 2023, mainly due to lower scrip fees, corporate action fees and stock withdrawal fees.

Operating expenses increased by 9 per cent due to higher allocated costs of the Listing Division: this reflected a lower percentage decrease in listing fees of the Cash segment from fewer forfeitures, compared with the decrease in listing fees of the Equity and Financial Derivatives segment attributable to lower number of newly listed DWs and CBBCs.

Business Update

The Hong Kong Cash Market remained resilient in 1H 2023 despite the sustained high interest rate environment, continued global economic fragility and weak market sentiment, with Headline ADT of \$115.5 billion, up 3 per cent compared with 2H 2022; but down 16 per cent compared with 1H 2022.

Stock Connect trading held-up well in 1H 2023, with Northbound and Southbound ADT at RMB109.3 billion and \$33.8 billion respectively, generating revenue and other income of \$1,152 million (1H 2022: \$1,185 million), of which \$846 million (1H 2022: \$879 million) arose from trading and clearing activities.

On 13 March 2023, the expansion of eligible stocks under the Stock Connect programme took effect, with four primary-listed international companies in Hong Kong becoming eligible for Southbound Trading and an additional 1,034 stocks becoming eligible for Northbound Trading. This helped to drive Northbound ADT in Q2 2023 to RMB122.5 billion, up 26 per cent against Q1 2023. The addition of primary-listed international companies under Southbound Trading further fosters Hong Kong's role as an international listing and trading venue; and the expansion of eligible stocks under Stock Connect marks another significant milestone of the mutual market access programme.

The Stock Connect trading calendar enhancement took effect on 24 April 2023, allowing Stock Connect trading on all trading days where both the Hong Kong and Mainland China markets are open. The enhancement adds around 10 trading days to Northbound and Southbound Connect each year, providing more trading opportunities to international and Mainland investors. The first additional Southbound and Northbound trading days were on 27 April 2023 and 25 May 2023 respectively, with markets operating smoothly.

On 20 March 2023, the Hong Kong Investor Identification Regime (HKIDR) was successfully implemented. This HKIDR mechanism seeks to identify originators of orders and trades, facilitating more effective market governance and surveillance.

Key Market Indicators

	Six months ended 30 Jun 2023	Six months ended 30 Jun 2022
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	102.9	119.9
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	50.7	48.5
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	58.6	55.4
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	16.9	17.0
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	16.9	16.2
ADT of Northbound Bond Connect (RMBbn)	38.9 ⁴	31.2
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,720	1,900
Average daily value of SIs for Stock Exchange trades (\$bn)	268.5	326.8
Average daily number of SIs for Stock Exchange trades ('000)	105	120
Average daily value of SIs for Northbound Trading of Stock Connect (RMBbn)	29.3	29.8
Number of newly listed companies on the Main Board ³	33	27
Number of newly listed companies on GEM	–	–
Total equity funds raised		
– IPOs (\$bn)	17.9	19.7
– Post-IPO (\$bn)	57.1	95.3
Portfolio values of Northbound Trading of Stock Connect at 30 Jun (RMBbn)	2,377	2,532
Portfolio values of Southbound Trading of Stock Connect at 30 Jun (\$bn)	2,253	2,231
Number of companies listed on the Main Board at 30 Jun	2,271	2,223
Number of companies listed on GEM at 30 Jun	333	345
Number of trading days	120	120

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

2 Includes buy and sell trades under Stock Connect

3 Includes 2 transfers from GEM (1H 2022: 1)

4 New record half-yearly high in 1H 2023

On 19 June 2023, HKEX launched the Hong Kong Dollar (HKD)-Renminbi (RMB) Dual Counter Model and the Dual Counter Market Making Programme in its Cash Market. A total of 24 Hong Kong-listed companies, accounting for 40 per cent of the Cash Market ADT, were being traded as Dual Counter Securities at the period end; and nine EPs had joined the Dual Counter Market Making programme as market makers. The launch of the Dual Counter initiative provides investors with a more diversified range of RMB-denominated products in Hong Kong, and provides listed companies with another channel to tap into the Hong Kong offshore RMB pool, further elevating Hong Kong's role as the world's premier offshore RMB hub. Following the launch, HKEX is now working with the regulators and its Mainland counterparts on the next phase which would allow investors from Mainland China to trade RMB counters via Southbound Trading of Stock Connect.

The system development of Fast Interface for New Issuance (FINI), HKEX's new platform for Hong Kong IPO settlement, is almost complete, and the majority of IPO market practitioners have completed FINI User Registration and External User Testing in 1H 2023. As the project progresses into the final preparation stage, a series of market practice and rehearsal sessions will be arranged to ensure end to end readiness for the market.

In March 2023, the SFC issued a market consultation paper on proposed subsidiary legislation for implementing an uncertificated securities market (USM) in Hong Kong. In addition, the SFC is working on amending its current Code of Conduct for Share Registrars as Approved Securities Registrar Code (ASR Code); and Guidelines for Electronic Public Offerings (EIPO Guidelines) for the proposed USM regime. The draft of the revised ASR Code and EIPO Guidelines will be issued for public consultation later in the year. HKEX has been working closely with the SFC and the Federation of Share Registrars Limited (FSR) on developing the operational and technical details for the implementation of the USM regime, in line with the Government's phased approach and timeline.

In 1H 2023, HKEX welcomed 33 new listings, up from 27 for the same period last year; raising \$17.9 billion, down 9 per cent compared with 1H 2022. The IPO market showed signs of good momentum in Q2 2023, with IPO funds raised increasing 133 per cent year-on-year and 67 per cent against Q1 2023 respectively, reaching \$11.2 billion. HKEX's IPO pipeline remained strong with 104 active applications as at 30 June 2023.

Following the introduction of Chapter 18C, Listing Regime for Specialist Technology Companies, in June 2023, HKEX was pleased to receive its first application.

ADT of ETPs, which include ETFs and L&I Products, surged to a record half-yearly high of \$13.9 billion in 1H 2023, up 18 per cent from \$11.8 billion in 1H 2022, partly attributable to the inclusion of ETFs in Southbound Stock Connect. In 1H 2023, ADT for Southbound and Northbound ETFs were \$2.3 billion and RMB356 million respectively, reaching daily record highs of \$10.4 billion and RMB957 million on 5 June 2023 and 14 June 2023 respectively. In addition, HKEX welcomed eight new ETP listings during 1H 2023, providing investors with a growing range of investment options.

In 1H 2023, Northbound Bond Connect's ADT reached a record half-yearly high of RMB38.9 billion, up 25 per cent year-on-year. ADT in May 2023 saw a monthly record high of RMB46.3 billion, and the single-day volume recorded an all-time high of RMB81.6 billion on 10 May 2023. As at 30 June 2023, a total of 802 registered investors (at entity level) from over 30 jurisdictions participated in Northbound Bond Connect.

On the listed bond market, a total of 97 bonds were listed on the Stock Exchange in 1H 2023, raising more than \$294 billion. The total number of listed bonds reached 1,663 as at 30 June 2023, with a total amount outstanding exceeding \$5.6 trillion. HKEX's Sustainable and Green Exchange (STAGE) continued to attract new products, with a total of 136 sustainable-focused products from leading issuers displayed on STAGE as at 30 June 2023.

Since the launch of Core Climate, Hong Kong's international carbon marketplace, in October 2022, HKEX has continued its efforts to enhance the infrastructure and expand the range of products. As at 30 June 2023, the number of Core Climate participants had increased to more than 60, tripling the number of participants at initial launch.

During 1H 2023, HKEX continued to promote transparency and a strong compliance culture across its business and markets, including the following key initiatives:

Key initiatives on promoting market surveillance and compliance in 1H 2023

- Completed the 2022 Annual Attestation and Inspection Programme and shared the results and findings with the market in February 2023; commenced the 2023 Annual Attestation and Inspection Programme with a focus on two key areas: (1) China Connect rules and (2) risk management
- Developed and maintained the central data repository for HKIDR and supported market participants to better understand the regime and prepare for the reporting requirements
- Collaborated with the surveillance teams of the Shanghai Stock Exchange and Shenzhen Stock Exchange to host two seminars to all China Connect Exchange Participants and Trade Through Exchange Participants, enhancing their understanding of the rules governing the real-time monitoring of abnormal trading applicable to Stock Connect Northbound Trading

On 14 April 2023, the Stock Exchange published a consultation paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework. The proposals aim to accelerate the building of resiliency and the sustainability journey of issuers and strengthen Hong Kong's role as a trusted and attractive venue for capital raising. The consultation period ended on 14 July 2023.

On 30 June 2023, the Stock Exchange published consultation conclusions on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments. The new proposals to expand the paperless listing regime received majority support and most of the amendments will take effect from 31 December 2023, with transitional arrangements for certain issuers. It is expected that the updated requirements for paperless listing will significantly reduce the use of paper and improve the efficiency of our regulatory processes, modernising and upgrading communication between issuers, investors, and other participants.

In addition, the Stock Exchange published the following guidance materials during 1H 2023:

Guidance materials

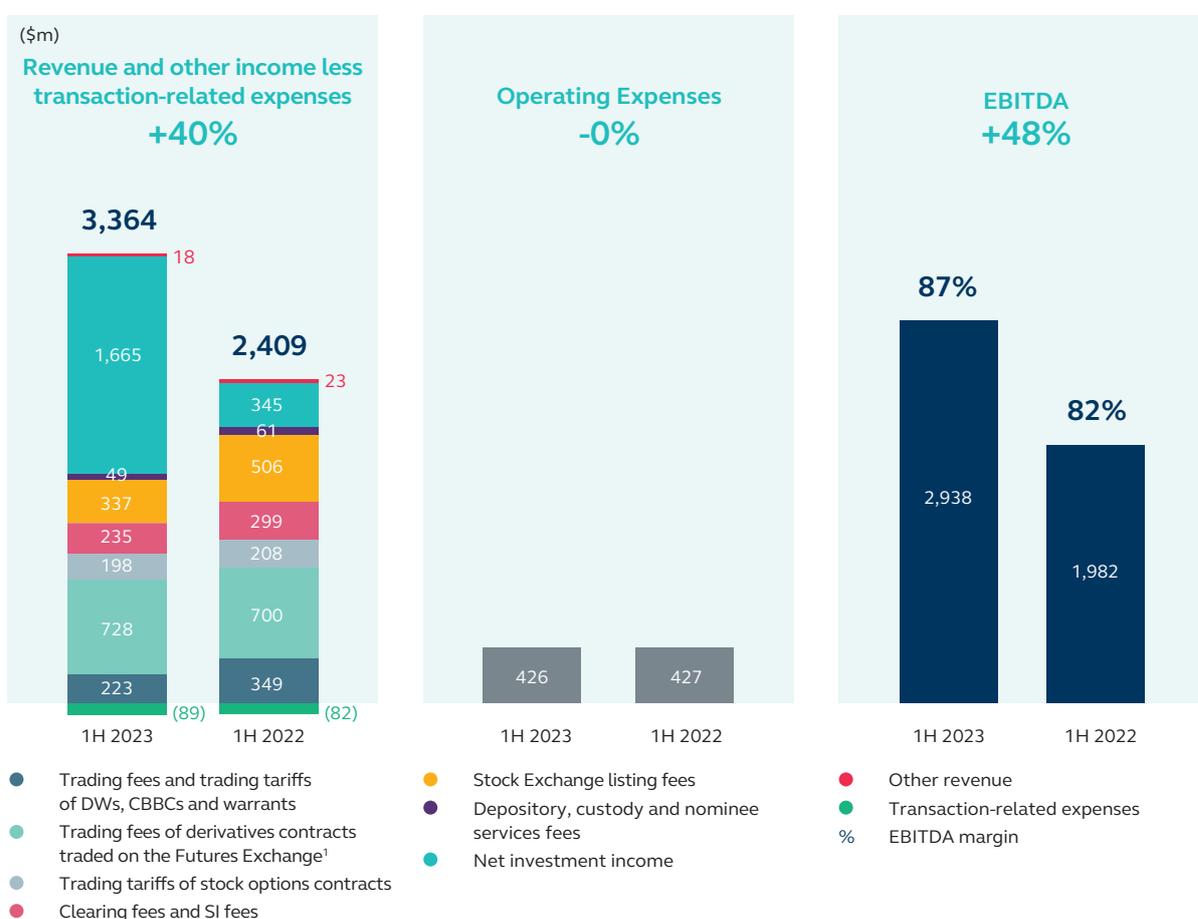
- Semi-annual (i) Listed Issuer Regulation Newsletter and (ii) Enforcement Bulletin
- A "Review of Issuers' Annual Reports 2022" on the findings and recommendations from the review of issuers' annual reports with a 2021 financial year end
- Information Paper on Rule Amendments Consequential to the Reforms to the IPO Settlement Process with the Launch of FINI
- New guidance letter on Specialist Technology Companies
- Revised Disciplinary Procedures of the Listing Committee and the Listing Review Committee

Equity and Financial Derivatives Segment

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

Analysis of Results

1H 2023 vs 1H 2022



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

Revenue and other income, less transaction-related expenses, was up 40 per cent; and EBITDA was up 48 per cent compared with 1H 2022, attributable to increase in net investment income of Margin Funds.

Trading fees and trading tariffs of DWs, CBBCs and warrants fell by 36 per cent compared with 1H 2022,

attributable to the 32 per cent decrease in ADT and the removal of the fixed trading tariffs, but partly offset by the increased ad valorem trading fees (see commentary in the Cash segment).

Futures Exchange derivatives trading fees¹ increased by \$28 million, or 4 per cent, due to the increase in number of derivatives contracts traded; this was partly offset by lower fees per contract being traded in 1H 2023, attributable to increased popularity of recently launched products (including Hang Seng TECH Index Futures and Options), which have lower fees than contracts such as HSI Futures and Options.

Stock Exchange listing fees decreased by 33 per cent due to a decrease in the number of newly listed DWs and CBBCs compared with 1H 2022.

Business Update

Driven by the record half-yearly number of derivatives contracts traded on the Futures Exchange, ADV of derivatives contracts traded¹ (i.e., all futures and options contracts including stock options) in 1H 2023 reached a record half-yearly high of 1,368,112 contracts – 5 per cent higher than both 1H 2022 and 2H 2022, reflecting increasing demand for products recently launched and increased cross-product trading activities.



Net investment income increased by \$1,320 million compared with 1H 2022. This reflected the higher HKD and USD deposit rates in 1H 2023, partly offset by the increase in interest rebates paid to Clearing Participants (CPs) for higher base rates.

Operating expenses declined marginally, by \$1 million, due to a decrease in cash incentives relating to derivatives products; and lower allocated costs of the Listing Division from a higher percentage decrease in listing fees compared with the Cash segment. The decrease was partly offset by higher staff costs from payroll adjustments.

Key Market Indicators

	Six months ended 30 Jun 2023	Six months ended 30 Jun 2022
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	12.6	18.4
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	318	388
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	735 ³	701
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	633	604
Number of newly listed DWs	4,334	6,157
Number of newly listed CBBCs	11,995	19,413
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	84	117
Number of trading days ²	129	122
	At 30 Jun 2023	At 30 Jun 2022
Open interest of futures and options contracts ¹ ('000 contracts)	12,702	10,466

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

2 Includes 9 holiday trading days (1H 2022: 2)

3 New record half-yearly high in 1H 2023

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

A number of futures and options contracts reached single-day record highs in volume and open interest (OI) during 1H 2023:

	Single-day Trading Volume		Open Interest	
	Date (2023)	Number of contracts	Date (2023)	Number of contracts
HSCEI Futures	25 Apr	651,086	N/A	N/A
HSCEI Futures Options	15 Jun	87,736	15 Jun	1,207,462
Weekly HSCEI Options	N/A	N/A	3 Mar	16,340
Hang Seng TECH Index Futures	24 Apr	348,993	28 Mar	257,389
Hang Seng TECH Index Options	10 Feb	8,119	28 Jun	44,316
Hang Seng TECH Index Futures Options	16 Jun	6,037	15 Jun	30,917
MSCI China Net Total Return (USD) Index Futures	13 Mar	39,096	14 Mar	50,006
MSCI India (USD) Index Futures	19 May	11,458	24 May	6,111

Physically-settled Options on Futures Contracts continued to gain traction and recorded several record highs during 1H 2023. The aggregate ADV of the three products in the suite, namely Hang Seng Index Futures Options, HSCEI Futures Options and Hang Seng TECH Index Futures Options², was 39,947 contracts in 1H 2023, up more than 170 per cent compared with 1H 2022. The aggregate OI as at 30 June 2023 stood at 988,615 contracts, up 24 per cent compared with 31 December 2022.

Hang Seng TECH Index Futures and Options also performed well in 1H 2023. Aggregate ADV increased by 62 per cent compared with 1H 2022, reaching 106,062 contracts. The aggregate OI of the two products as of period end was 218,185 contracts, up 23 per cent compared with 31 December 2022.

Following the relaunch of MSCI India (USD) Index Futures in March 2023, the contract continued to gain traction with ADV reaching 3,457 contracts in Q2 2023 and the OI hitting 2,229 contracts as at 30 June 2023.

The RMB currency derivatives market moderated in 1H 2023 due to reduced volatility of USD/CNH FX rate, with a total of 1,586,469 USD/CNH Futures contracts traded in 1H 2023. On 27 April 2023, the total number of Mini USD/CNH Futures traded exceeded 2 million contracts since launch in April 2021.

Swap Connect, the latest chapter in the pioneering Connect Programme, was launched on 15 May 2023. This new mutual access programme between Hong Kong and Mainland China's interbank interest rate swap markets, which initially starts with a Northbound channel, gives Hong Kong and international investors access to Mainland China's interbank financial derivatives market. On the first day of its launch, 27 offshore investors traded onshore RMB interest rate swaps with a notional value exceeding RMB8.2 billion.

OTC Clear's total clearing volume grew throughout 1H 2023 and reached a notional amount of US\$167.9 billion, up 60 per cent from 1H 2022, reflecting an increase in Single Currency Interest Rate Swaps (IRS) following the introduction of Swap Connect. In addition, Cross Currency Swap (CCS) clearing volumes reached a record half-yearly high of US\$75.1 billion, up 25 per cent compared with the previous half-yearly record of US\$60.0 billion in 1H 2022.

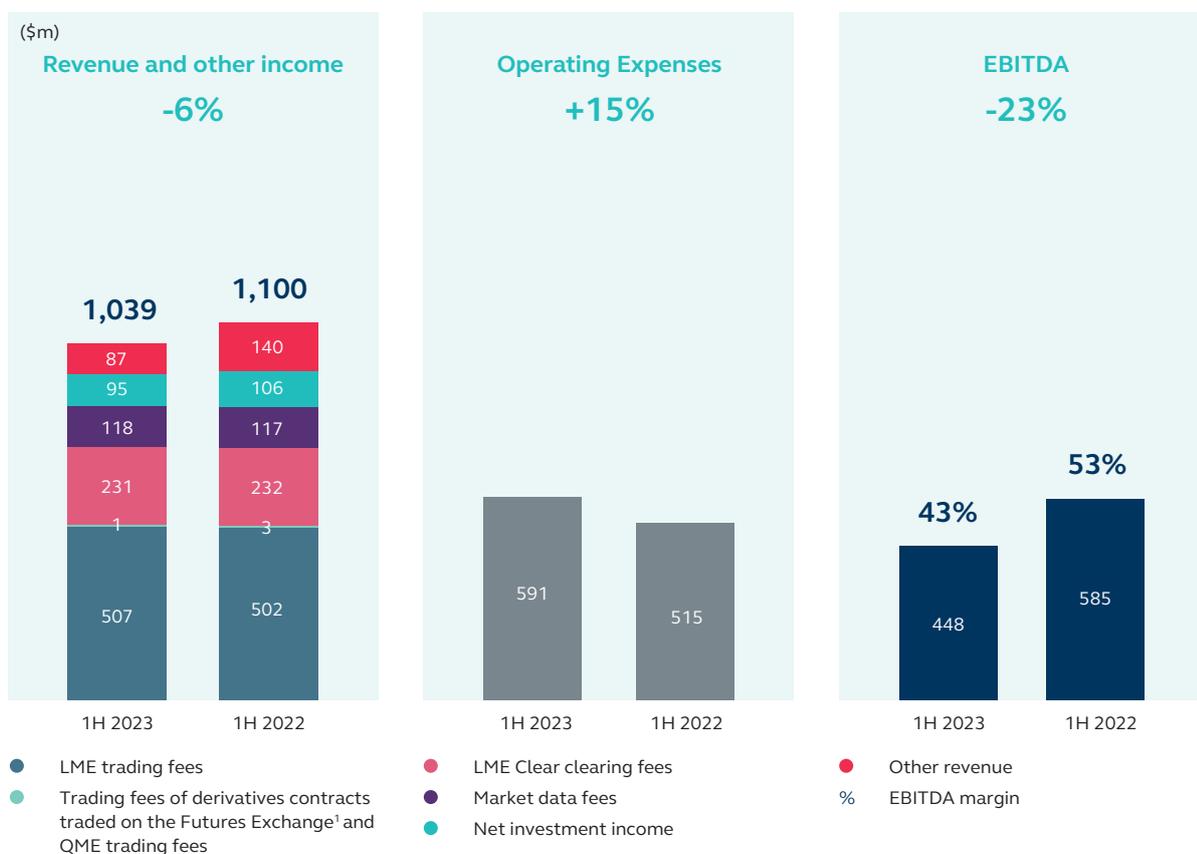
2 Hang Seng TECH Index Futures Options were launched in November 2022.

Commodities Segment

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

Analysis of Results

1H 2023 vs 1H 2022



¹ Includes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts only

Revenue and other income was down 6 per cent and EBITDA was down 23 per cent compared with 1H 2022.

LME trading fees and LME Clear clearing fees were broadly flat compared with 1H 2022, in line with the volume of chargeable metals contracts traded.

Other revenue declined by \$53 million, mainly due to lower accommodation income collected from LME Clear CPs on cash collateral, as USD investment

returns rose above the benchmark interest rate stipulated in the rules of LME Clear.

Operating expenses increased by 15 per cent, attributable to legal and professional fees relating to the temporary trading suspension of the nickel market in March 2022 and consultancy fees incurred in the ongoing strategic and operational strengthening programme at the LME.

Business Update

On 30 March 2023, the LME Group announced a two-year programme of change (Action Plan) to strengthen and enhance its markets. Subsequently, the LME has received positive market feedback in response to its Action Plan, with, for example, a number of new class 1 nickel producers expressing strong interest in registering metal as LME-listed nickel brands.

On 27 March 2023, the LME reopened nickel trading during Asian trading hours, and this further contributed to continued stable liquidity rebuilding of the contracts in Q2 2023.

On 31 May 2023, the LME launched market consultations designed to bring greater visibility to unwarranted metal stocks; to make permanent existing controls around the management of low stock environments; and to enhance the transparency and determinism of its Closing Price discovery process, by expanding the use of volume-weighted average prices (VWAP). These consultations represent the LME's first formal market-wide engagement on the initiatives laid out in the Action Plan and are designed to ensure the long-term health and efficiency of LME markets, supporting the trading community by building deep, resilient liquidity for the benefit of all LME users.

The LME's centralised digital register, LMEpassport, has continued to perform well, with growth in the number of users, sustainability metrics and standards disclosed. In May 2023, the LME held its first LMEpassport producer-focused working group, a forum to discuss new enhancements to the platform and support LMEpassport's utility for the growing needs of the LME's physical market users.

On the responsible sourcing requirements, the LME published a new handbook, which includes a range of guidance documents to help producers understand the requirements. The final deadline associated with the first reporting cycle will be in December 2023, by which point all LME-listed brands that remain listed at the Exchange will have met the LME's responsible sourcing requirements.

The first on-site LME Asia Week in Hong Kong was hosted in four years, beginning on 15 May 2023 and welcoming over 1,900 metals professionals attending various events, including the LME VIP Cocktail, LME Asia Metals Seminar and LME Asia Dinner.

Key Market Indicators

	Six months ended 30 Jun 2023 '000 lots	Six months ended 30 Jun 2022 '000 lots
ADV of metals contracts traded on the LME		
Aluminium	222	227
Copper	135	117
Zinc	83	90
Nickel	37	60
Lead	52	40
Others	9	5
Total chargeable ADV excluding Admin Trades ¹	538	539
Chargeable Admin Trades ¹	29	29
Other non-chargeable trades	–	1
Total ADV	567	569
Number of trading days	124	123
	At 30 Jun 2023 '000 lots	At 30 Jun 2022 '000 lots
Total futures market open interest	1,672	1,483

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

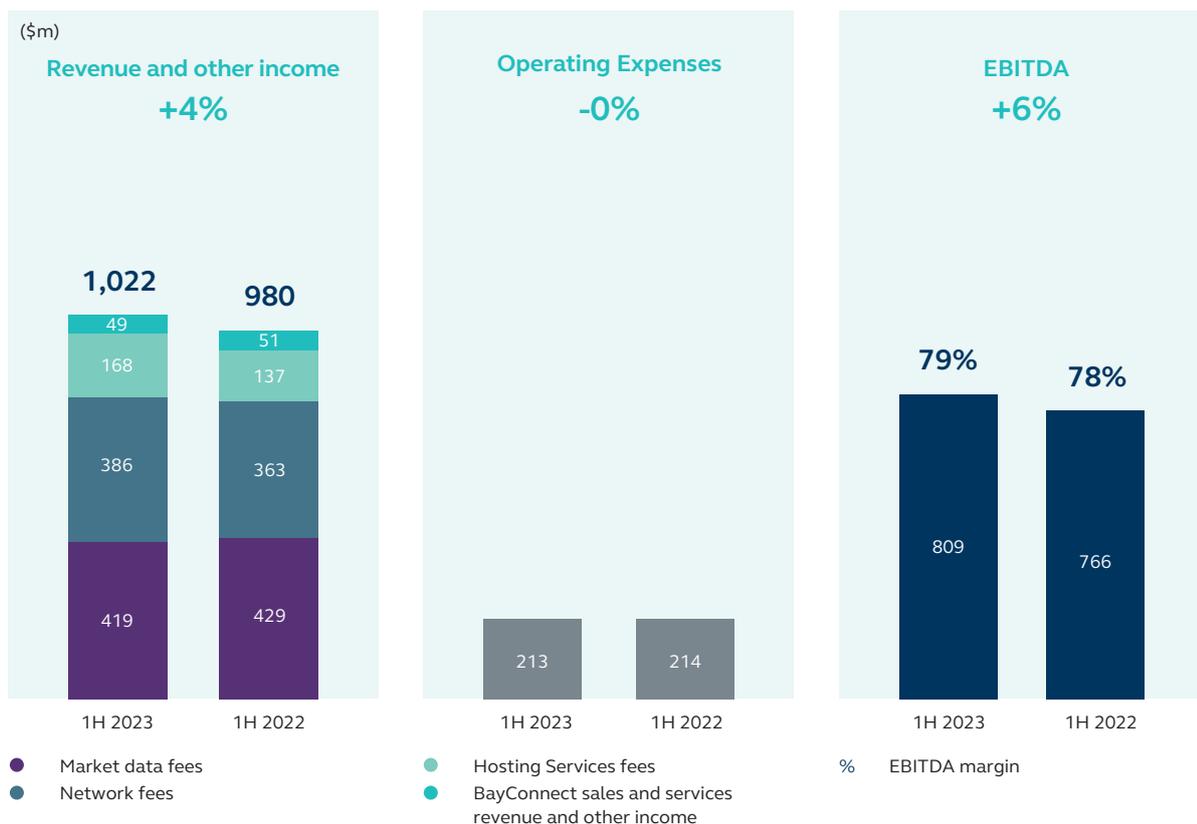
Trading turnover at QME totalled RMB42.4 billion in 1H 2023, an increase of 53 per cent over 1H 2022. In particular, trading turnover of copper products nearly doubled; and trading turnover of natural gas products increased 84 times. With the successful launch of soybean product in 2022, QME benefitted from supportive policies from the Ministry of Commerce, General Administration of Customs and the Ministry of Agriculture and Rural Affairs, helping to actively expand its RMB-settled physical trading business in the agricultural sector.

Data and Connectivity Segment

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

Analysis of Results

1H 2023 vs 1H 2022



Revenue and other income was up 4 per cent and EBITDA was up 6 per cent compared with 1H 2022.

During 1H 2023, network fees rose by 6 per cent due to increased usage of both the Orion Central Gateway and China Connect Central Gateway by EPs.

Hosting Services fees rose by 23 per cent due to increased capacity available to customers following the launch of the new Hosting Services data hall in Q4 2022. As at 30 June 2023, 101 EPs were using HKEX's Hosting Services. These EPs generated, in aggregate, approximately 65 per cent of the Cash Market turnover and 66 per cent of the Derivatives Market trading volume.

Business Update

During 1H 2023, all of HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform robustly.

The LME experienced a hardware-related systems issue on 8 August 2023 impacting trade feeds into its clearing system, which was swiftly resolved. Trading and pricing were uninterrupted, however the LME was required to process a trading backlog over the affected period. The LME successfully resolved the vast majority of the backlog on 8 August, with a small proportion of activity needing

to be resubmitted by some members the following day. The LME would like to thank members for their support and cooperation during this process.

In 1H 2023, the Orion Trading Platform – Securities Market (OTP-C) was upgraded to allow Relevant Regulated Intermediaries (RRIs) to tag Broker-to-Client Assigned Numbers (BCANs) to on-exchange orders and off-exchange trades reportable to the Stock Exchange. In addition, some new features of the Orion Central Gateway – Securities Market (OCG-C) and the updated quotation rules for ETPs were implemented together with the launch of the HKIDR.

Corporate Items

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

Analysis of Results

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Net investment income/(loss)	817	(378)
Donation income of HKEX Foundation	29	37
Others	9	6
Total revenue and other income	855	(335)
Operating expenses:		
– HKEX Foundation charitable donations	(77)	(56)
– Others	(763)	(739)
EBITDA	15	(1,130)

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

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Net investment income/(loss) from:		
– External Portfolio	215	(511)
– Cash and bank deposits	584	115
– Equity securities ¹	(11)	(12)
– Debt securities	18	5
– Exchange gains	11	25
Total net investment income/(loss)	817	(378)
Average fund size (\$bn)	34.1	34.3
Annualised net investment return	4.80%	(2.20%)

1 Investments in minority stakes of unlisted companies

Net investment income from Corporate Funds was \$817 million, compared with net investment loss of \$378 million in 1H 2022. This was principally due to net fair value gains of \$215 million on the External Portfolio (as opposed to the net fair value losses of \$511 million in 1H 2022); and higher investment income from internally-managed Corporate Funds, reflecting higher deposit rates in 1H 2023.

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

Strategy	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Public Equities	89	(296)
Diversifiers	101	(69)
Government Bonds and Mortgage-backed Securities	25	(146)
Total	215	(511)

Excluding HKEX Foundation charitable donation expenses, operating expenses increased by 3 per cent against 1H 2022, attributable to higher staff costs and higher IT maintenance costs from inflationary adjustments.

Business Update

In 1H 2023, the Group continued to play an active role in advancing the long-term sustainability of global financial markets and its own business. Our Corporate Social Responsibility focus remained on our markets, our people and our operations. HKEX's promotion of good corporate governance and ESG stewardship, through industry knowledge-sharing, leadership on best practices and market education has been a cornerstone of HKEX's outreach during 1H 2023.

To reinforce the Group's commitment to addressing climate change, HKEX continued to facilitate the transition to a net-zero global economy across its markets, business and operations. During 1H 2023, the Group focused on the ongoing development of its carbon market, Core Climate; the promotion of sustainable-focused products through STAGE; and driving educational engagement with industry practitioners, professional bodies, regulators and other stakeholders. In addition, the Group ran its annual "HKEX Goes Green" campaign, raising

environmental awareness and supporting more eco-friendly behaviours amongst HKEX employees and the community. As a market regulator, HKEX published a consultation on enhancing climate-related disclosures as part of its ESG framework, helping issuers chart their own journey as part of a low-carbon economy.

HKEX Foundation, the Group's dedicated charitable channel, continued to engage its communities through a range of targeted and impactful programmes. Through the Foundation, the Group launched the HKEX Charity Partnership Programme 2023, supporting a wide range of community projects, focusing on financial literacy, diversity and inclusion, poverty relief and environmental sustainability. In addition, the Foundation announced the funding of three university-led research projects as part of a new funding programme, the HKEX Research Funding Scheme. In 1H 2023, the Foundation made charitable donations of \$77 million to various causes in the community.

Expenses, Other Costs and Taxation

Operating Expenses

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m	Change
Staff costs and related expenses	1,711	1,667	3%
IT and computer maintenance expenses	381	363	5%
Premises expenses	64	58	10%
Product marketing and promotion expenses	51	50	2%
Professional fees	137	77	78%
HKEX Foundation charitable donations	77	56	38%
Other operating expenses	201	185	9%
Total	2,622	2,456	7%

Staff costs and related expenses increased by \$44 million (3 per cent) mainly due to an increase in headcount for strategic projects and payroll adjustments, reflecting the Group's commitment to continuous investment in skills and talent.

IT and computer maintenance expenses increased by \$18 million (5 per cent), attributable to higher maintenance expenses for new systems and upgraded networks, and inflationary increase in renewal of maintenance contracts.

Professional fees increased by \$60 million (78 per cent), due, primarily, to legal and professional fees relating to the temporary trading suspension of the LME nickel market in March 2022; and consultancy fees in relation to the ongoing strategic and operational strengthening programme at the LME.

Excluding professional fees, operating expenses increased by 4 per cent.

Depreciation and Amortisation

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m	Change
Depreciation and amortisation	719	717	0%

Depreciation and amortisation increased by \$2 million, as a result of the completion of the new Hosting Services data hall; and new IT systems and upgrades, partly offset by certain IT systems being fully amortised in 1H 2023.

During 1H 2023, the Group incurred capital expenditure³ of \$501 million, an increase of 5 per cent from 1H 2022.

Finance Costs

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m	Change
Finance costs	70	73	(4%)

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

Taxation

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m	Change
Taxation	741	817	(9%)

Taxation decreased by \$76 million, due to higher non-taxable investment income in 1H 2023, partly offset by higher profit before taxation.

³ Exclude right-of-use assets recognised under HKFRS 16: Leases

Financial Review

Quarterly Results

	Q1 2023 \$m	Q2 2023 \$m	1H 2023 \$m
Trading fees and trading tariffs	1,692	1,490	3,182
Clearing and settlement fees	1,069	959	2,028
Stock Exchange listing fees	418	367	785
Depository, custody and nominee services fees	191	365	556
Market data fees	267	270	537
Other revenue and sundry income	381	401	782
Net investment income	1,535	1,141	2,676
Donation income of HKEX Foundation	5	24	29
Revenue and other income	5,558	5,017	10,575
Less: Transaction-related expenses	(46)	(48)	(94)
Revenue and other income less transaction-related expenses	5,512	4,969	10,481
Operating expenses			
Staff costs and related expenses	(870)	(841)	(1,711)
IT and computer maintenance expenses	(189)	(192)	(381)
Premises expenses	(31)	(33)	(64)
Product marketing and promotion expenses	(25)	(26)	(51)
Professional fees	(68)	(69)	(137)
HKEX Foundation charitable donations	(27)	(50)	(77)
Other operating expenses	(93)	(108)	(201)
	(1,303)	(1,319)	(2,622)
EBITDA	4,209	3,650	7,859
Depreciation and amortisation	(365)	(354)	(719)
Operating profit	3,844	3,296	7,140
Finance costs	(35)	(35)	(70)
Share of profits less losses of joint ventures	20	19	39
Profit before taxation	3,829	3,280	7,109
Taxation	(393)	(348)	(741)
Profit for the period	3,436	2,932	6,368
Profit attributable to non-controlling interests	(28)	(28)	(56)
Profit attributable to shareholders	3,408	2,904	6,312
	Q1 2022 \$m	Q2 2022 \$m	1H 2022 \$m
Revenue and other income	4,690	4,247	8,937
Profit attributable to shareholders	2,668	2,168	4,836

Significant Financial Assets and Financial Liabilities by Funds

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m	Change
Financial assets			
Cash and cash equivalents	148,578	184,965	(20%)
Financial assets measured at fair value through profit or loss	7,221	6,964	4%
Financial assets measured at fair value through other comprehensive income	18,917	14,962	26%
Financial assets measured at amortised cost	69,821	70,494	(1%)
Derivative financial instruments	69,073	80,718	(14%)
Total	313,610	358,103	(12%)

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

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m	Change
Financial assets			
Corporate Funds ¹	35,670	34,830	2%
Margin Funds ²	177,541	217,693	(18%)
Clearing House Funds	24,120	22,052	9%
Derivative financial instruments	69,073	80,718	(14%)
Cash prepayments and collateral for A-shares	7,206	2,810	156%
Total	313,610	358,103	(12%)

1 Includes \$1,600 million (31 December 2022: \$1,298 million) solely used for supporting contributions to default funds (Skin-in-the-Game), and default fund credits for Clearing House Funds

2 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear under Stock Connect, inter-central counterparties (inter-CCP) margin paid to Shanghai Clearing House (SHCH) under Swap Connect, and margin receivable from CPs of \$10,358 million (31 December 2022: \$10,209 million), which are included in accounts receivable, prepayments and deposits

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m	Change
Financial liabilities			
Derivative financial instruments	69,041	80,705	(14%)
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants	187,899	227,902	(18%)
CPs' contributions to Clearing House Funds	23,072	21,205	9%
Total	280,012	329,812	(15%)

The decrease in financial assets and financial liabilities of Margin Funds at 30 June 2023 compared with 31 December 2022 was due to reduced contributions required from LME Clear members and HKCC CPs, reflecting lower margin requirements from lower contract prices.

The increase in financial assets and financial liabilities of Clearing House Funds at 30 June 2023 compared with 31 December 2022 was mainly due to higher contributions required from HKCC CPs in response to changes in risk exposures.

Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills

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

issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from CPs (approximately 16 per cent at 30 June 2023), a certain proportion is invested in long-term investment grade debt securities (approximately 8 per cent at 30 June 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of nine months as at 30 June 2023).

Financial assets of Corporate Funds at 30 June 2023 increased by 2 per cent compared with 31 December 2022 as cash generated by the business over the past six months and the increase in fair value of the External Portfolio were mostly offset by the cash paid for the 2022 second interim dividend.

Strategy	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m	Change
Diversifiers	4,109	3,943	4%
Government Bonds and Mortgage-backed Securities	1,362	1,340	2%
Public Equities	1,116	1,027	9%
Total	6,587	6,310	4%
Number of funds	33	32	3%

Net Investment Income of Margin Funds and Clearing House Funds

Net investment income of Margin Funds and Clearing House Funds increased by \$1,392 million compared with 1H 2022, reflecting the higher HKD and USD deposit rates in 1H 2023. Further analysis on net investment income of Margin Funds and Clearing House Funds are set out below:

	Six months ended 30 Jun 2023				
	HK Clearing Houses		LME Clear		Total \$m
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m	
Net investment income from:					
– Cash and bank deposits	1,525	112	79	10	1,726
– Debt securities	83	38	5	1	127
– Exchange gains	6	–	–	–	6
Total net investment income	1,614	150	84	11	1,859
Average fund size (\$bn)	119.4	11.1	93.1	11.5	235.1
Annualised net investment return	2.70%	2.70%	0.18%	0.19%	1.58%

	Six months ended 30 Jun 2022					Total \$m
	HK Clearing Houses		LME Clear			
	Margin Funds \$m	Clearing House Funds \$m	Margin Funds \$m	Clearing House Funds \$m		
Net investment income from:						
– Cash and bank deposits	309	5	82	9	405	
– Debt securities	41	3	15	–	59	
– Exchange gains	3	–	–	–	3	
Total net investment income	353	8	97	9	467	
Average fund size (\$bn)	119.3	10.5	129.1	12.4	271.3	
Annualised net investment return	0.59%	0.15%	0.15%	0.15%	0.34%	

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

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m	Change
Cash	99	16	519%
Equity and Financial Derivatives	1,665	345	383%
Commodities	95	106	(10%)
Total	1,859	467	298%

Working Capital, Financial Resources and Gearing

Working capital increased by \$650 million or 2 per cent to \$30,180 million at 30 June 2023 (31 December 2022: \$29,530 million). The increase was primarily due to the profit of \$6,312 million generated during 1H 2023, the share-based compensation expenses directly credited to reserve of \$175 million and the fair value gains of fixed rate debt securities held under the Margin Funds of \$77 million, partly offset by 2022 second interim dividend of \$4,669 million and the net increase in non-current assets of \$1,213 million.

At 30 June 2023, the Group's outstanding borrowings represented written put options to non-controlling interests of \$495 million (31 December 2022: \$491 million). As a result, the Group had a gross gearing ratio (i.e., gross debt divided by adjusted capital) of 1 per cent (31 December 2022: 1 per cent), and a net gearing ratio (i.e., net debt divided by adjusted capital) of zero per cent (31 December 2022: zero per cent). For this purpose, gross debt is defined as total borrowings (excluding lease liabilities) and net debt¹ is defined as gross debt less cash and cash equivalents of Corporate

Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds), and adjusted capital as all components of equity attributable to shareholders of HKEX other than designated reserves.

Banking facilities have been put in place for contingency purposes. At 30 June 2023, the Group's total available banking facilities for its daily operations amounted to \$25,881 million (31 December 2022: \$22,839 million), which included \$18,949 million (31 December 2022: \$16,338 million) of committed banking facilities and \$6,500 million (31 December 2022: \$6,500 million) of repurchase facilities.

¹ 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.

The Group has also put in place foreign exchange facilities for its daily clearing operations and for the RMB Equity Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 30 June 2023, the total amount of the facilities was HK\$33,253 million (31 December 2022: HK\$28,493 million).

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

At 30 June 2023, 86 per cent (31 December 2022: 88 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

Capital Expenditure and Commitments

During 1H 2023, the Group incurred capital expenditure² of \$501 million (1H 2022: \$478 million) mainly related to the development and upgrade of various trading and clearing systems (notably trading systems for Commodities Market).

The Group's capital expenditure commitments at 30 June 2023, including those authorised by the Board but not yet contracted for, amounted to \$1,432 million (31 December 2022: \$1,024 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems.

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

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.

Pledges of Assets

Details of pledges of assets are included in note 26 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, and foreign exchange swaps may be used for optimising foreign currency cash flows while hedging the overall foreign exchange exposures of the Group.

Margin deposits received by the Group in Hong Kong are mainly denominated in HKD (approximately 84 per cent at 30 June 2023), and foreign currency margin deposits received are generally hedged by investments in the same currencies. For LME Clear, investments of Margin Fund and Default Fund will generally be in the currency in which cash was received.

The aggregate net open foreign currency positions (excluding the External Portfolio) at 30 June 2023 amounted to HK\$852 million, of which HK\$174 million were non-USD exposures (31 December 2022: HK\$2,120 million, of which HK\$193 million were non-USD exposures).

² Exclude right-of-use assets recognised under HKFRS 16: Leases

Contingent Liabilities

Details of contingent liabilities are included in note 24 to the Unaudited Condensed Consolidated Financial Statements of this Interim Report.

Changes since 31 December 2022

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 2022.

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2023 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 2023.

Corporate Governance and Other Information

(As of 16 August 2023)

Board and Committees

Board

Independent Non-executive Directors

Laura May-Lung CHA * GBM, GBS, JP (Chairman)
Nicholas Charles ALLEN
Apurv BAGRI
CHEAH Cheng Hye
CHEUNG Ming Ming, Anna
CHOW WOO Mo Fong, Susan *
HUNG Pi Cheng, Benjamin * BBS, JP
LEUNG Nisa Bernice Wing-Yu * MH, JP
LEUNG Pak Hon, Hugo
Carlson TONG * GBS, JP
YAM Chi Kwong, Joseph * GBM, GBS, JP
ZHANG Yichen

Executive Director

Alejandro Nicolas AGUZIN (Chief Executive Officer)

Group Company Secretary

FU Yat Hung, David

Committees

Audit Committee

Nicholas Charles ALLEN (Chairman)
CHEUNG Ming Ming, Anna
LEUNG Nisa Bernice Wing-Yu
LEUNG Pak Hon, Hugo
Carlson TONG

Board Executive Committee

Laura May-Lung CHA (Chairman)
Alejandro Nicolas AGUZIN
CHEAH Cheng Hye
CHEUNG Ming Ming, Anna
LEUNG Pak Hon, Hugo

Corporate Social Responsibility Committee

Laura May-Lung CHA (Chairman)
Alejandro Nicolas AGUZIN
CHEUNG Ming Ming, Anna
CHOW WOO Mo Fong, Susan
Carlson TONG
ZHANG Yichen

Investment Committee

CHEAH Cheng Hye (Chairman)
HUNG Pi Cheng, Benjamin
LEUNG Pak Hon, Hugo
YAM Chi Kwong, Joseph
ZHANG Yichen

Listing Operation Governance Committee

CHOW WOO Mo Fong, Susan (Chairman)
Renu BHATIA ¹
CHEAH Cheng Hye
Terence Francois KEYES ²
LEUNG Pak Hon, Hugo

Nomination and Governance Committee

Laura May-Lung CHA (Chairman)
Apurv BAGRI
CHEAH Cheng Hye
HUNG Pi Cheng, Benjamin
Carlson TONG
ZHANG Yichen

Remuneration Committee

Apurv BAGRI (Chairman)
Laura May-Lung CHA
CHEUNG Ming Ming, Anna
CHOW WOO Mo Fong, Susan
YAM Chi Kwong, Joseph

Risk Committee

CHOW WOO Mo Fong, Susan (Chairman)
Nicholas Charles ALLEN
Laura May-Lung CHA
LEUNG Nisa Bernice Wing-Yu
LEUNG Pak Hon, Hugo
YAM Chi Kwong, Joseph

Risk Management Committee (statutory) ^Δ

Laura May-Lung CHA ³ (Chairman)
CHAN Ka Chai, Clara ** ⁴
CHOW WOO Mo Fong, Susan
David Allen GRIMME ** ⁵
KWOK Pui Fong, Miranda **
LEUNG Chung Yin, Rico ** ⁶
LEUNG Pak Hon, Hugo
SUN Yu **

* Government Appointed Director

** Appointed by the Financial Secretary

Δ Established under Section 65 of the SFO

1 Member by virtue of being chairman of the Listing Committee of the Stock Exchange

2 Member by virtue of being deputy chairman of the Listing Committee of the Stock Exchange

3 Member by virtue of being HKEX's Chairman

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

5 Member by virtue of being the Chairman of Hong Kong Interbank Clearing Limited

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

International Advisory Council

HKEX has established an International Advisory Council to provide the Board with insight and expertise from around the world, on business, economics, technology, and finance, drawing on the extensive skills and experience of its members.

Baroness Rona Fairhead and Ms Megan Greene were appointed to the Council in March 2023. Ms Greene ceased her membership with the Council in June 2023, in view of her appointment by the Bank of England, the regulator of LME Clear, as an external member of its Monetary Policy Committee effective 5 July 2023.

The Council currently comprises six members, and is chaired by HKEX Chairman.

Members of International Advisory Council

- Laura M CHA (Chairman)
- Rona FAIRHEAD
- Stuart GULLIVER
- Weijian SHAN
- Neil SHEN
- Joseph TSAI

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)
Nicholas Allen		
• HKEX – chairman of Audit Committee ¹	26 Apr 2023	–
• LME		
– chairman of Audit and Risk Committee	29 Apr 2023	–
– member of Remuneration Committee	29 Apr 2023	–
• LME Clear		
– non-executive director	12 Apr 2023	–
– chairman of Audit Committee	29 Apr 2023	–
– member of Nomination Committee	29 Apr 2023	–
– member of Remuneration Committee	29 Apr 2023	–
Apurv Bagri		
• HKEX – chairman of Remuneration Committee ¹	26 Apr 2023	–
• London Business School – chairman of governing body	–	30 Apr 2023
• Dubai Financial Services Authority – director	–	5 Jul 2023
Cheah Cheng Hye		
• HKEX		
– member of Listing Operation and Governance Committee	26 Apr 2023	–
– member of Remuneration Committee	–	26 Apr 2023
• SEHK – member of Listing Nominating Committee	26 Apr 2023	–
Susan Chow		
• HK Electric Investments Manager Limited (trustee-manager of HK Electric Investments *) and HK Electric Investments Limited *	–	1 Jul 2023
– alternate director		
• CK Infrastructure Holdings Limited * – alternate director	–	1 Jul 2023

	Appointment (effective)	Cessation (effective)
Hugo Leung		
• OTC Clear		
– chairman	26 Apr 2023	–
– chairman of Risk Management Committee	26 Apr 2023	–
Carlson Tong		
• HKEX		
– member of Audit Committee	26 Apr 2023	–
– member of Corporate Social Responsibility Committee	26 Apr 2023	–
– member of Nomination and Governance Committee	26 Apr 2023	–
• Judicial Officers Recommendation Commission – member	1 Jul 2023	–
• HKEX Foundation – director	15 Aug 2023	–
Joseph Yam		
• HKEX		
– member of Investment Committee	26 Apr 2023	–
– member of Remuneration Committee	26 Apr 2023	–
– member of Risk Committee	26 Apr 2023	–
• China Banking and Insurance Regulatory Commission – member of international advisory council	–	18 May 2023
Zhang Yichen		
• HKEX Foundation – director	15 Aug 2023	–

* Listed on the Stock Exchange

1 Resignation from member to chairman of the relevant Committee effective 26 April 2023

HKEX Independent Non-executive Directors also serve as the chairman, the deputy chairman, or members of hearing(s) held by the appeal committee(s) of the regulated entities within the Group from time to time.

The biographies of the current Directors are available in the About HKEX (Our Structure) 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 2023, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exception of Code Provision B.2.2 (retirement by rotation of directors).

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by the SFO. The Chief Executive Officer in his capacity as a Director is not subject to retirement by rotation, as his term on the Board is coterminous with his employment as the Chief Executive Officer with HKEX under HKEX's Articles of Association.

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 2023.

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

The interests and short positions of Directors, including the Chief Executive Officer, in the shares and underlying shares of HKEX (within the meaning of Part XV of the SFO) as at 30 June 2023 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 ¹ shares in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Nicolas Aguzin	494,908 ²	–	–	–	494,908	0.04
Anna Cheung	300	–	–	–	300	0.00

¹ Based on 1,267,836,895 HKEX shares in issue as at 30 June 2023

² It included Mr Aguzin's interest in Awarded Shares and shares acquired out of the dividends from the Awarded Shares in an aggregate of 176,438 shares which remained unvested under the Share Award Scheme. Details of Mr Aguzin's interest in Awarded Shares are set out in "Share Award Scheme" below.

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 2023 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 2023, 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 2023, 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, 12 entities have been approved by the SFC as Minority Controllers. According to the Participant Shareholding Report as at 30 June 2023, these Minority Controllers in aggregate held approximately 65 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 2023 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 ¹ shares in issue
JPMorgan Chase & Co. (JPMC)	Interest of corporation controlled by JPMC	8,205,899	65,419,083 ²	5.16
	Investment manager	31,958,435		
	Person having a security interest in shares	351,384		
	Trustee	34,200		
	Approved lending agent	24,869,165		
HK SAR Government (for the account of the Exchange Fund)	Beneficial owner	74,840,961 ³	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 ¹ shares in issue
JPMC	Interest of corporation controlled by JPMC	12,225,351	12,225,351 ⁴	0.96

1 Based on 1,267,836,895 shares in issue as at 30 June 2023

2 It included an aggregate interest in 5,428,866 underlying shares through JPMC's holding of certain listed derivatives (physically settled: 2,180,100 shares; cash settled: 636,400 shares; convertible instruments: 508,298 shares) and unlisted derivatives (physically settled: 123,244 shares; cash settled: 1,980,824 shares).

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

4 It included an aggregate interest in 9,746,150 underlying shares through JPMC's holding of certain listed derivatives (physically settled: 1,399,100 shares; cash settled: 2,293,710 shares) and unlisted derivatives (physically settled: 2,033,197 shares; cash settled: 4,020,143 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 2023 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 attract and retain high calibre employees; to incentivise and recognise their contributions to the Group's continuous operations and further development; and to promote prudent risk behaviour among them as part of the Group's risk management mechanism. The Scheme was initially adopted by the Board on 14 September 2005 (Adoption Date), with subsequent amendments thereafter. Under the amended Scheme rules effective on 1 January 2023, the Scheme shall be valid until termination as determined by the Board, or otherwise as required under any applicable legal and/or regulatory requirements. The amended Scheme rules are available in the Corporate Governance section of the HKEX Group website.

The maximum number of HKEX shares which may be awarded under the Scheme is 3 per cent (i.e., 31,871,575 shares) of HKEX shares in issue as at the Adoption Date, and the maximum number of shares which may be awarded to an employee selected under the Scheme is 1 per cent (i.e., 10,623,858 shares).

Since the Adoption Date and up to 30 June 2023, a total of 16,456,429 shares had been awarded under the Scheme, representing about 1.5 per cent of the number of HKEX shares in issue on the Adoption Date.

As at 30 June 2023, taking into account the shares acquired out of the dividends from the shares held under the trust, there were 2,274,551 shares held in trust under the Scheme (excluding shares vested but not yet transferred to awardees). Further details of the Scheme are set out in note 20 to the Unaudited Condensed Consolidated Financial Statements.

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

	Date of ² award	Number of Awarded Shares	As at 1 Jan 2023	Number of shares ¹			As at 30 Jun 2023	Vesting ³ period
				Shares acquired during the six months ended 30 Jun 2023 out of the dividends	Vested during the six months ended 30 Jun 2023	Cancelled/ lapsed during the six months ended 30 Jun 2023		
Nicolas Aguzin	2 Jun 2021	211,756 ⁴	109,274	1,172	110,446	-	-	24 May 2022 – 24 May 2023
	9 Mar 2022	84,603	86,525	928	-	-	87,453	7 Dec 2023 – 7 Dec 2024
	27 Feb 2023	88,041	-	944	-	-	88,985	8 Dec 2024 – 8 Dec 2025

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

2 Refers to the date on which the trustee allocated the Awarded Shares to Mr Aguzin

3 Save for the award granted 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 award was granted under the Scheme pursuant to the employment contract entered into by Mr Aguzin with the Company. The Awarded Shares and the related income (if any) are vested in two equal tranches on the first and second anniversary of the date of grant.

Purchase, Sale or Redemption of HKEX's Listed Securities

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold, or redeemed any HKEX shares, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 26,993 HKEX shares at a total consideration of \$9 million.

Sustainable Workplace

During the six months ended 30 June 2023, the Group organised 51 in-house courses for employees to enhance their job knowledge, skills and well-being. Moreover, the Group sponsored a total of 58 employees to attend external training.

As at 30 June 2023, the Group had 2,305 permanent employees and 143 temporary employees. HKEX's remuneration policy has remained unchanged since the date of the 2022 Annual Report. Information regarding employees' remuneration and benefits for the six months ended 30 June 2023 is set out in note 7 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

Launch of RMB Counter

HKEX launched a RMB counter for trading of HKEX shares under the HKD-RMB Dual Counter Model with effect from 19 June 2023.

As the RMB counter is offered for secondary market trading and settlement of Shares only, no physical certificate deposit or withdrawal service is provided for RMB-traded Shares.

	HKD counter	RMB counter
Stock code	388	80388
English stock short name	HKEX	HKEX-R
Chinese stock short name	香港交易所	香港交易所-R
ISIN	HK0388045442	HK0000931664
Board lot	100 shares	100 shares

RMB-traded Shares and HKD-traded Shares are of the same class of shares in the share capital of HKEX and are interchangeable from one counter to another. They rank equally in all respects, including in relation to dividends, distributions and voting. Shareholders holding HKD-traded Shares and Shareholders holding RMB-traded Shares have identical shareholders' rights and enjoy the same treatment under all corporate actions of HKEX.

More information about trading and settlement of RMB-traded Shares and HKD-traded Shares under the HKD-RMB Dual Counter Model is available in the Our Services (Trading) section of the HKEX Market website (www.hkex.com.hk).

Interim Dividend

The Board has declared an interim dividend of \$4.50 per share for the year ending 31 December 2023, payable in cash in Hong Kong dollars.

Key Dates for 2023 Interim Dividend

Ex-dividend date	29 August 2023
Latest time to lodge transfer documents for registration with HKEX's registrar	At 4:30 pm on 30 August 2023
Closure of HKEX's Register of Members	31 August to 1 September 2023 (both dates inclusive)
Record date	1 September 2023
Despatch of dividend warrants	12 September 2023

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).

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

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).

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. The Investor Relations (Shareholder Services) section of the HKEX Group website sets out the relevant arrangements for Shareholders to make such change request(s).

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

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

Auditor's Independent Review Report

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 48 to 70, 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 2023 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 notes, comprising material accounting policy information and other explanatory information. 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, 16 August 2023



Condensed Consolidated Financial Statements

(Unaudited)





Condensed Consolidated Income Statement

(Unaudited)

	Note	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Trading fees and trading tariffs	4	3,182	3,553
Clearing and settlement fees		2,028	2,291
Stock Exchange listing fees		785	994
Depository, custody and nominee services fees		556	647
Market data fees		537	546
Other revenue		770	757
Revenue		7,858	8,788
Investment income		5,774	299
Interest rebates to Participants		(3,098)	(210)
Net investment income	5	2,676	89
Donation income of HKEX Foundation		29	37
Sundry income		12	23
Revenue and other income		10,575	8,937
Less: Transaction-related expenses	6	(94)	(87)
Revenue and other income less transaction-related expenses		10,481	8,850
Operating expenses			
Staff costs and related expenses	7	(1,711)	(1,667)
Information technology and computer maintenance expenses		(381)	(363)
Premises expenses		(64)	(58)
Product marketing and promotion expenses		(51)	(50)
Professional fees		(137)	(77)
HKEX Foundation charitable donations		(77)	(56)
Other operating expenses		(201)	(185)
		(2,622)	(2,456)
EBITDA*		7,859	6,394
Depreciation and amortisation		(719)	(717)
Operating profit		7,140	5,677
Finance costs	8	(70)	(73)
Share of profits less losses of joint ventures		39	42
Profit before taxation		7,109	5,646
Taxation	9	(741)	(817)
Profit for the period		6,368	4,829
Profit/(loss) attributable to:			
Shareholders of HKEX		6,312	4,836
Non-controlling interests		56	(7)
Profit for the period		6,368	4,829
Basic earnings per share	10(a)	\$4.99	\$3.82
Diluted earnings per share	10(b)	\$4.98	\$3.82

* 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.

Condensed Consolidated Statement of Comprehensive Income

(Unaudited)

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Profit for the period	6,368	4,829
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	29	66
Cash flow hedges, net of tax	14	(17)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	56	(247)
Other comprehensive income/(loss)	99	(198)
Total comprehensive income	6,467	4,631
Total comprehensive income/(loss) attributable to:		
Shareholders of HKEX	6,415	4,642
Non-controlling interests	52	(11)
Total comprehensive income	6,467	4,631

Condensed Consolidated Statement of Financial Position

(Unaudited)

	Note	At 30 Jun 2023			At 31 Dec 2022		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Assets							
Cash and cash equivalents	12	148,578	-	148,578	184,965	-	184,965
Financial assets measured at fair value through profit or loss	12	6,394	827	7,221	6,177	787	6,964
Financial assets measured at fair value through other comprehensive income	12	18,917	-	18,917	14,962	-	14,962
Financial assets measured at amortised cost	12	68,314	1,507	69,821	70,285	209	70,494
Derivative financial instruments	13	69,073	-	69,073	80,718	-	80,718
Accounts receivable, prepayments and deposits	14	21,388	21	21,409	25,354	21	25,375
Tax recoverable		42	-	42	17	-	17
Interests in joint ventures		-	309	309	-	291	291
Goodwill and other intangible assets		-	19,084	19,084	-	18,968	18,968
Fixed assets		-	1,505	1,505	-	1,640	1,640
Right-of-use assets		-	1,497	1,497	-	1,604	1,604
Deferred tax assets		-	36	36	-	53	53
Total assets		332,706	24,786	357,492	382,478	23,573	406,051
Liabilities and equity							
Liabilities							
Derivative financial instruments	13	69,041	-	69,041	80,705	-	80,705
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants	15	187,899	-	187,899	227,902	-	227,902
Accounts payable, accruals and other liabilities	16	19,885	-	19,885	19,054	-	19,054
Deferred revenue		721	322	1,043	1,076	333	1,409
Taxation payable		1,037	-	1,037	2,172	-	2,172
Other financial liabilities		100	-	100	40	-	40
Participants' contributions to Clearing House Funds	17	23,072	-	23,072	21,205	-	21,205
Lease liabilities		260	1,363	1,623	297	1,448	1,745
Borrowings	18	432	63	495	430	61	491
Provisions		79	108	187	67	90	157
Deferred tax liabilities		-	1,037	1,037	-	1,072	1,072
Total liabilities		302,526	2,893	305,419	352,948	3,004	355,952
Equity							
Share capital	19			31,918			31,918
Shares held for Share Award Scheme	19			(859)			(918)
Employee share-based compensation reserve	20			455			346
Hedging and revaluation reserves				(196)			(266)
Exchange reserve				(122)			(155)
Designated reserves	21			827			686
Reserve relating to written put options to non-controlling interests				(430)			(430)
Retained earnings				20,057			18,547
Equity attributable to shareholders of HKEX				51,650			49,728
Non-controlling interests				423			371
Total equity				52,073			50,099
Total liabilities and equity				357,492			406,051
Net current assets				30,180			29,530

Condensed Consolidated Statement of Changes in Equity

(Unaudited)

	Attributable to shareholders of HKEX									
	Share capital and shares held for Share Award Scheme (note 19) \$m	Employee share-based compensation reserve (note 20) \$m	Hedging and revaluation reserves \$m	Exchange reserve \$m	Designated reserves (note 21) \$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 2023	31,000	346	(266)	(155)	686	(430)	18,547	49,728	371	50,099
Profit for the period	-	-	-	-	-	-	6,312	6,312	56	6,368
Other comprehensive income	-	-	70	33	-	-	-	103	(4)	99
Total comprehensive income	-	-	70	33	-	-	6,312	6,415	52	6,467
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2022 second interim dividend at \$3.69 per share	-	-	-	-	-	-	(4,669)	(4,669)	-	(4,669)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	10	10	-	10
- Shares purchased for Share Award Scheme	(9)	-	-	-	-	-	-	(9)	-	(9)
- Vesting of shares of Share Award Scheme	68	(66)	-	-	-	-	(2)	-	-	-
- Employee share-based compensation benefits	-	175	-	-	-	-	-	175	-	175
- Transfer of reserves	-	-	-	-	141	-	(141)	-	-	-
	59	109	-	-	141	-	(4,802)	(4,493)	-	(4,493)
At 30 Jun 2023	31,059	455	(196)	(122)	827	(430)	20,057	51,650	423	52,073

	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 2022	30,995	306	15	(117)	623	(369)	18,173	49,626	284	49,910
Profit for the period	-	-	-	-	-	-	4,836	4,836	(7)	4,829
Other comprehensive income	-	-	(264)	70	-	-	-	(194)	(4)	(198)
Total comprehensive income	-	-	(264)	70	-	-	4,836	4,642	(11)	4,631
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2021 second interim dividend at \$4.18 per share	-	-	-	-	-	-	(5,290)	(5,290)	-	(5,290)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	15	15	-	15
- Shares purchased for Share Award Scheme	(42)	-	-	-	-	-	-	(42)	-	(42)
- Vesting of shares of Share Award Scheme	82	(81)	-	-	-	-	(1)	-	-	-
- Employee share-based compensation benefits	-	204	-	-	-	-	-	204	-	204
- UK tax relating to Share Award Scheme	-	-	-	-	-	-	(2)	(2)	-	(2)
- Transfer of reserves	-	-	-	-	1	-	(1)	-	-	-
	40	123	-	-	1	-	(5,279)	(5,115)	-	(5,115)
At 30 Jun 2022	31,035	429	(249)	(47)	624	(369)	17,730	49,153	273	49,426

Condensed Consolidated Statement of Cash Flows

(Unaudited)

	Note	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Cash flows from principal operating activities			
Net cash inflow from principal operating activities	22	5,395	6,778
Cash flows from other operating activities			
Net redemption from external fund managers for sales of financial assets measured at fair value through profit or loss		186	90
Net cash inflow from operating activities		5,581	6,868
Cash flows from investing activities			
Payments for purchases of fixed assets and intangible assets		(630)	(616)
Net (increase)/decrease in financial assets of Corporate Funds:			
Increase in time deposits with original maturities more than three months		(1,918)	(1,097)
Proceeds received upon maturity of financial assets measured at amortised cost (excluding time deposits)		1,108	302
Payments for purchases of financial assets measured at amortised cost (excluding time deposits)		(2,115)	(813)
Interest received from financial assets measured at fair value through other comprehensive income		328	59
Dividend received from a joint venture		21	24
Net cash outflow from investing activities		(3,206)	(2,141)
Cash flows from financing activities			
Purchases of shares for Share Award Scheme		(9)	(42)
Payments of other finance costs		(36)	(35)
Dividends paid to shareholders of HKEX		(4,649)	(5,313)
Lease payments:			
– Capital elements		(155)	(152)
– Interest elements		(30)	(36)
Net cash outflow from financing activities		(4,879)	(5,578)
Net decrease in cash and cash equivalents		(2,504)	(851)
Cash and cash equivalents at 1 Jan		15,258	12,398
Exchange differences on cash and cash equivalents		(9)	(12)
Cash and cash equivalents at 30 Jun		12,745	11,535
Analysis of cash and cash equivalents			
Cash on hand and balances and deposits with banks and short-term investments of Corporate Funds	12	13,621	12,076
Less: Cash reserved for supporting Skin-in-the-Game and default fund credits of clearing houses	12(b)	(876)	(541)
		12,745	11,535

(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 (defined in note 2) 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.

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

1. Basis of Preparation

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.

The financial information relating to the year ended 31 December 2022 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2023 as comparative information does not constitute the statutory annual consolidated financial statements of Hong Kong Exchanges and Clearing Limited (HKEX or the Company) for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 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. Accounting Policies

These unaudited condensed consolidated financial statements should be read in conjunction with the 2022 annual consolidated financial statements. Except as described below and the change in operating segments as described in note 3, 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 2022.

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

In 2023, the Company and its subsidiaries (collectively, the Group) has adopted the following amendments to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
Amendments to HKAS 12	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income Taxes: International Tax Reform – Pillar Two Model Rules

The adoption of these amendments did not have any financial impact on the Group during the six months ended 30 June 2023.

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.

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

To optimise resources to successfully deliver the initiatives set out in HKEX’s vision to build the Marketplace of the Future, the Group’s operating segments have been reorganised: trading and clearing businesses are now being managed together in each asset class and therefore Post Trade revenue and expenses are reallocated to the Cash, Equity and Financial Derivatives and Commodities segments for each asset class. In addition, HKEX’s data business has become one of the Group’s key strategic development focuses, and revenue and expenses for Hong Kong’s data business have been reallocated from the Cash and Equity and Financial Derivatives segments, and grouped together with other non-cyclical businesses formerly included in the Technology segment and renamed as the Data and Connectivity segment.

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

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

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

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

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

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

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

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 2023					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	3,387	1,414	780	49	5	5,635
Over time	713	374	164	969	3	2,223
Revenue	4,100	1,788	944	1,018	8	7,858
Net investment income	99	1,665	95	-	817	2,676
Donation income of HKEX Foundation	-	-	-	-	29	29
Sundry income	7	-	-	4	1	12
Revenue and other income	4,206	3,453	1,039	1,022	855	10,575
Less: Transaction-related expenses	(5)	(89)	-	-	-	(94)
Revenue and other income less transaction-related expenses	4,201	3,364	1,039	1,022	855	10,481
Operating expenses	(552)	(426)	(591)	(213)	(840)	(2,622)
Reportable segment EBITDA	3,649	2,938	448	809	15	7,859
Depreciation and amortisation	(179)	(124)	(165)	(74)	(177)	(719)
Finance costs	(17)	(24)	(2)	(1)	(26)	(70)
Share of profits less losses of joint ventures	38	1	-	-	-	39
Reportable segment profit before taxation	3,491	2,791	281	734	(188)	7,109
	As restated					
	Six months ended 30 Jun 2022					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	3,929	1,607	784	36	1	6,357
Over time	745	539	204	940	3	2,431
Revenue	4,674	2,146	988	976	4	8,788
Net investment income/(loss)	16	345	106	-	(378)	89
Donation income of HKEX Foundation	-	-	-	-	37	37
Sundry income	11	-	6	4	2	23
Revenue and other income	4,701	2,491	1,100	980	(335)	8,937
Less: Transaction-related expenses	(5)	(82)	-	-	-	(87)
Revenue and other income less transaction-related expenses	4,696	2,409	1,100	980	(335)	8,850
Operating expenses	(505)	(427)	(515)	(214)	(795)	(2,456)
Reportable segment EBITDA	4,191	1,982	585	766	(1,130)	6,394
Depreciation and amortisation	(187)	(119)	(190)	(63)	(158)	(717)
Finance costs	(18)	(23)	(3)	(2)	(27)	(73)
Share of profits less losses of joint ventures	42	-	-	-	-	42
Reportable segment profit before taxation	4,028	1,840	392	701	(1,315)	5,646

4. Trading Fees and Trading Tariffs

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Equity securities traded on the Stock Exchange and through Stock Connect	1,525	1,791
DWs, CBBs and warrants traded on the Stock Exchange	223	349
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	926	910
Base, ferrous and precious metals futures and options contracts traded on the LME and QME	508	503
	3,182	3,553

5. Net Investment Income

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Gross interest income from financial assets measured at amortised cost	5,225	735
Gross interest income from financial assets measured at fair value through other comprehensive income	328	59
Interest rebates to Participants	(3,098)	(210)
Net interest income	2,455	584
Net gains/(losses) on financial assets mandatorily measured at fair value through profit or loss:		
– investment funds	215	(511)
– other investments	(14)	(12)
	201	(523)
Others	20	28
Net investment income	2,676	89

6. Transaction-related Expenses

Transaction-related expenses comprise of license fees, bank charges and other costs which directly vary with trading and clearing transactions.

7. Staff Costs and Related Expenses

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Salaries and other short-term employee benefits	1,426	1,361
Employee share-based compensation benefits of HKEX Share Award Scheme (Share Award Scheme)	175	204
Termination benefits	1	4
Retirement benefit costs (note (a))	109	98
	1,711	1,667

- (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 the LME and LME Clear (LME Pension Scheme). In addition, the Group has made contributions for employees of other overseas subsidiaries subject to the relevant regulations in the countries in which the overseas subsidiaries operate. 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, contribution plans of other overseas subsidiaries and related fees.

8. Finance Costs

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Interest on borrowings	4	2
Interest on lease liabilities	30	36
Banking facility commitment fees	26	25
Negative interest on Euro and Japanese Yen deposits	10	10
	70	73

9. Taxation

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

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Current tax – Hong Kong Profits Tax	703	771
Current tax – Overseas Tax	76	85
Total current tax	779	856
Deferred tax	(38)	(39)
Taxation charge	741	817

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2022: 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 23.5 per cent (2022: 19 per cent).
- (b) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules apply to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. Pillar Two legislation has been substantively enacted in the UK as at 30 June 2023 and will become applicable to UK entities from 1 January 2024. The Group has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

10. 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 2023	Six months ended 30 Jun 2022
Profit attributable to shareholders (\$m)	6,312	4,836
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,477	1,265,460
Basic earnings per share (\$)	4.99	3.82

- (b) Diluted earnings per share

	Six months ended 30 Jun 2023	Six months ended 30 Jun 2022
Profit attributable to shareholders (\$m)	6,312	4,836
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,477	1,265,460
Effect of shares awarded under Share Award Scheme (in '000)	2,337	1,996
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,267,814	1,267,456
Diluted earnings per share (\$)	4.98	3.82

11. Dividends

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Interim dividend declared of \$4.50 (2022: \$3.45) per share at 30 Jun	5,705	4,374
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(10)	(8)
	5,695	4,366

12. Financial Assets

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
Cash and cash equivalents	148,578	184,965
Financial assets measured at fair value through profit or loss	7,221	6,964
Financial assets measured at fair value through other comprehensive income	18,917	14,962
Financial assets measured at amortised cost	69,821	70,494
Derivative financial instruments	69,073	80,718
	313,610	358,103

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

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
<u>Cash for A-shares</u> (note (a))		
Cash and cash equivalents	7,206	2,810
<u>Margin Funds</u> ¹		
Cash and cash equivalents	107,157	147,182
Financial assets measured at fair value through other comprehensive income	15,391	11,931
Financial assets measured at amortised cost	54,993	58,580
	177,541	217,693
<u>Clearing House Funds</u> (note 17)		
Cash and cash equivalents	20,594	19,021
Financial assets measured at fair value through other comprehensive income	3,526	3,031
	24,120	22,052
<u>Corporate Funds</u>		
Cash and cash equivalents (note (b))	13,621	15,952
Financial assets measured at fair value through profit or loss	7,221	6,964
Financial assets measured at amortised cost (note (b))	14,828	11,914
	35,670	34,830
Derivative financial instruments (note 13)	69,073	80,718
	313,610	358,103

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to China Securities Depository and Clearing Corporation Limited (ChinaClear) under Stock Connect, inter-central counterparties (inter-CCP) margin paid to Shanghai Clearing House (SHCH) under Swap Connect, and margin receivable from Clearing Participants of \$10,358 million (31 December 2022: \$10,209 million), which are included in accounts receivable, prepayments and deposits.

12. Financial Assets (continued)

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

	At 30 Jun 2023						At 31 Dec 2022					
	Cash for A-shares \$m	Margin Funds \$m	Clearing House Funds \$m	Corporate Funds \$m	Derivative financial instruments \$m	Total \$m	Cash for A-shares \$m	Margin Funds \$m	Clearing House Funds \$m	Corporate Funds \$m	Derivative financial instruments \$m	Total \$m
Within twelve months	7,206	177,541	24,120	33,336	69,073	311,276	2,810	217,693	22,052	33,834	80,718	357,107
Over twelve months	-	-	-	2,334	-	2,334	-	-	-	996	-	996
	7,206	177,541	24,120	35,670	69,073	313,610	2,810	217,693	22,052	34,830	80,718	358,103

- (a) Cash for A-shares includes:
- 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
 - 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.
- (b) At 30 June 2023, cash and cash equivalents of Corporate Funds of \$876 million (31 December 2022: \$694 million) and financial assets measured at amortised cost of Corporate Funds of \$724 million (31 December 2022: \$604 million) were solely used to support Skin-in-the-Game and default fund credits for Clearing House Funds (note 17(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 purposes in the condensed consolidated statement of cash flows.

13. Derivative Financial Instruments

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
<u>Mandatorily measured at fair value</u>		
Derivative financial assets:		
- base and ferrous metals futures and options contracts cleared through LME Clear (note (a))	69,039	80,705
- forward foreign exchange contracts held as cash flow hedging instruments (note (b))	32	13
- foreign exchange swaps (note (c))	2	-
	69,073	80,718
Derivative financial liabilities:		
- base and ferrous metals futures and options contracts cleared through LME Clear (note (a))	69,039	80,705
- foreign exchange swaps (note (c))	2	-
	69,041	80,705

13. Derivative Financial Instruments (continued)

- (a) The amounts represent the fair value of the outstanding base and ferrous 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.
- (b) Forward foreign exchange contracts have been designated as cash flow hedges for hedging foreign exchange risk of certain expenditure of LME and LME Clear.

At 30 June 2023, the notional amount of the outstanding forward foreign exchange contracts amounted to GBP52 million (31 December 2022: GBP97 million).

- (c) The Group has entered into foreign exchange swaps for optimising foreign currency cash flows while hedging the overall foreign exchange exposures of the Group.

At 30 June 2023, the notional amount of the outstanding foreign exchange swaps amounted to \$3,462 million (31 December 2022: \$Nil).

14. Accounts Receivable, Prepayments and Deposits

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
The breakdown of accounts receivable, prepayments and deposits, net of provision for impairment losses, are as follows:		
CNS money obligations receivable (note (a))	9,292	12,793
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear	10,321	10,206
Inter-CCP margin held by SHCH (note (b)):		
– satisfied by resources collected from OTC Clear Clearing Participants	17	–
– satisfied by Corporate Funds	120	–
	137	–
Receivables for investment funds sold before 30 Jun 2023/31 Dec 2022	–	248
Other receivables, prepayments and deposits	1,659	2,128
	21,409	25,375

- (a) CNS money obligations receivable mature within two days after the trade date. The balance of Settlement Reserve Fund and Settlement Guarantee Fund with ChinaClear is rebalanced on a monthly basis, and the balance of inter-CCP margin held by SHCH is rebalanced on a daily basis. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.
- (b) Under Swap Connect, OTC Clear and SHCH are required to provide inter-CCP margin to each other to cover the potential loss arising from the default of the other party. Part of the inter-CCP margin provided by OTC Clear to SHCH is satisfied by resources collected from OTC Clear Clearing Participants and the remaining balance is satisfied by Corporate Funds of OTC Clear (note 15).

15. Margin Deposits, Mainland Security and Settlement Deposits, and Cash Collateral from Participants

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants comprised:		
HKCC Clearing Participants' margin deposits	67,204	74,847
HKSCC Clearing Participants' margin deposits, Mainland security and settlement deposits, and cash collateral	19,493	17,262
LME Clear Clearing Participants' margin deposits	74,069	105,285
OTC Clear Clearing Participants' margin deposits	14,462	15,630
OTC Clear's inter-CCP margin from SHCH (note 14(b))	123	–
SEOCH Clearing Participants' margin deposits	12,548	14,878
	187,899	227,902

16. 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 83 per cent (31 December 2022: 81 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

17. Clearing House Funds

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
The Clearing House Funds comprised:		
Clearing Participants' cash contributions	23,072	21,205
Contribution to OTC Clear Rates and FX Guarantee Resources	156	156
Clearing House Funds reserves (note 21)	812	671
	24,040	22,032
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Cash and cash equivalents (note 12)	20,594	19,021
Financial assets measured at fair value through other comprehensive income (note 12)	3,526	3,031
Less: Other financial liabilities of Clearing House Funds	(80)	(20)
	24,040	22,032
The Clearing House Funds comprised the following Funds:		
HKCC Reserve Fund	3,914	1,483
HKSCC Guarantee Fund	4,343	4,439
LME Clear Default Fund	10,320	11,528
OTC Clear Rates and FX Guarantee Fund	3,936	3,234
OTC Clear Rates and FX Guarantee Resources	178	174
SEOCH Reserve Fund	1,349	1,174
	24,040	22,032

- (a) At 30 June 2023, the Skin-in-the-Game, together with default fund credits granted to HKSCC and HKCC Participants, amounted to \$1,600 million (31 December 2022: \$1,298 million), and were included in Corporate Funds (note 12(b)).

18. Borrowings

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
Written put options to non-controlling interests	495	491
Analysed as:		
Non-current liabilities	63	61
Current liabilities	432	430
	495	491

During the six months ended 30 June 2023, none of the written put options was exercised.

19. 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 2022	1,267,837	(2,371)	31,896	(901)	30,995
Shares purchased for Share Award Scheme (note (a))	–	(1,040)	–	(350)	(350)
Vesting of shares of Share Award Scheme (note (b))	–	1,005	22	333	355
At 31 Dec 2022	1,267,837	(2,406)	31,918	(918)	31,000
At 1 Jan 2023	1,267,837	(2,406)	31,918	(918)	31,000
Shares purchased for Share Award Scheme (note (a))	–	(27)	–	(9)	(9)
Vesting of shares of Share Award Scheme (note (b))	–	159	–	68	68
At 30 Jun 2023	1,267,837	(2,274)	31,918	(859)	31,059

- (a) During the six months ended 30 June 2023, the Share Award Scheme acquired 26,993 HKEX shares (year ended 31 December 2022: 1,040,416 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$9 million (year ended 31 December 2022: \$350 million).
- (b) During the six months ended 30 June 2023, a total of 158,625 HKEX shares (year ended 31 December 2022: 1,005,134 shares) were vested, of which 110,446 shares were for the HKEX's Chief Executive Officer (year ended 31 December 2022: 108,024 shares). The total cost of the vested shares was \$68 million (year ended 31 December 2022: \$333 million). During the year ended 31 December 2022, \$22 million was credited to share capital in respect of vesting of certain shares whose fair values were higher than the costs.

20. 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 of the Group, including the Executive Director (Employee Share Awards).

Effective 1 January 2023, the scheme rules relating to the vesting of shares have been amended, with any share awards granted on or after 1 January 2023 vesting in accordance with the original vesting schedule, instead of vesting immediately on the date of retirement of the awardees.

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 2023, details of Employee Share Awards awarded are set out below:

Date of award	Number of shares awarded	Average fair value per share \$	Vesting period
27 Feb 2023	1,032,050 ^{1,2}	328.89	8 Dec 2024 – 8 Dec 2025
9 Mar 2023	274	341.08	8 Dec 2024 – 8 Dec 2025
22 Mar 2023	1,693	332.73	1 Sep 2023 – 1 Sep 2026

1 170,171 shares were awarded by re-granting the forfeited or unallocated shares held by the Share Award Scheme.

2 88,041 shares were awarded to HKEX's Chief Executive Officer.

21. Designated Reserves

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

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
Clearing House Funds reserves (notes (a) and 17)	812	671
PRC statutory reserve	15	15
	827	686

(a) Clearing House Funds reserves

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
HKCC Reserve Fund reserve	261	251
HKSCC Guarantee Fund reserve	213	175
OTC Clear Rates and FX Guarantee Fund reserve	193	110
OTC Clear Rates and FX Guarantee Resources reserve	22	18
SEOCH Reserve Fund reserve	123	117
	812	671

22. 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 2023 \$m	Six months ended 30 Jun 2022 \$m
Profit before taxation	7,109	5,646
Adjustments for:		
Net interest income	(2,455)	(584)
Net fair value (gains)/losses on financial assets mandatorily measured at fair value through profit or loss	(201)	523
Finance costs	70	73
Depreciation and amortisation	719	717
Employee share-based compensation benefits	175	204
Share of profits less losses of joint ventures	(39)	(42)
Other non-cash adjustments	26	(20)
Net decrease/(increase) in financial assets of Margin Funds	40,080	(45,742)
Net (decrease)/increase in financial liabilities of Margin Funds	(40,003)	45,447
Net increase in Clearing House Fund financial assets	(2,075)	(7,301)
Net increase in Clearing House Fund financial liabilities	1,927	7,299
(Increase)/decrease in cash prepayments and collateral for A-shares	(4,396)	7,372
(Increase)/decrease in cash used for supporting Skin-in-the-Game and default fund credits	(182)	73
Amounts transferred to SHCH as inter-CCP margin	(120)	–
Decrease in accounts receivable, prepayments and deposits	3,986	1,671
Increase/(decrease) in other liabilities	586	(8,634)
Net cash inflow from principal operations	5,207	6,702
Interest received from financial assets measured at amortised cost and cash and cash equivalents	5,225	735
Interest paid to Participants	(3,098)	(210)
Income tax paid	(1,939)	(449)
Net cash inflow from principal operating activities	5,395	6,778

23. Capital Expenditures and Commitments

During the six months ended 30 June 2023, the Group incurred capital expenditures of \$501 million (2022: \$478 million).

At 30 June 2023, the Group's commitments in respect of capital expenditure were as follows:

	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m
Contracted but not provided for:		
– fixed assets	37	22
– intangible assets	183	159
Authorised but not contracted for:		
– fixed assets	487	323
– intangible assets	725	520
	1,432	1,024

24. Contingent Liabilities

At 30 June 2023, the Group's material contingent liabilities were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the Securities and Futures Commission (SFC) to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the repealed Securities Ordinance up to an amount not exceeding \$71 million (31 December 2022: \$71 million). Up to 30 June 2023, no calls had been made by the SFC in this connection.
- (b) The Group had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 583 trading Participants (31 December 2022: 598) covered by the indemnity at 30 June 2023 defaulted, the maximum liability of the Group under the indemnity would amount to \$117 million (31 December 2022: \$120 million).
- (c) HKEX had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.
- (d) Material litigation

At 30 June 2023, the LME and LME Clear have been named as defendants in two judicial review claims filed in the English High Court in 2022 (the JR Proceedings) and three related claims filed in the English High Court in 2023. The total claims amounted to approximately US\$600 million.

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

The JR Proceedings seek to challenge the LME's decision to cancel the claimants' alleged trades in nickel contracts executed on or after 00:00 UK time on 8 March 2022 (the Decision). The claimants have alleged that this was unlawful on public law grounds and/or constituted a violation of their human rights. The LME management is of the view that the claims are without merit and the LME is contesting them vigorously.

The JR Proceedings are being heard with the issues for determination being split. The first trial – which took place from 20 to 22 June 2023 – is to address the lawfulness of the LME's decision-making process. If the Court finds that the LME acted lawfully, the second trial – to address remedies – will not be necessary. Judgment was not delivered at the end of the June trial but was reserved by the Court, to be issued at a later date. No indication has been given by the Court as to the timing of when it expects to issue the judgment.

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

Based on the progress of the JR Proceedings, the LME does not currently have sufficient information to estimate the financial effect (if any) of the claims, the timing of the ultimate resolution of the proceedings, or what the eventual outcomes might be. Accordingly, no provision has been made in these condensed consolidated financial statements.

25. Material Related Party Transactions

(a) Key management personnel compensation

	Six months ended 30 Jun 2023 \$m	Six months ended 30 Jun 2022 \$m
Salaries and other short-term employee benefits	78	77
Employee share-based compensation benefits	60	89
Retirement benefit costs	5	4
	143	170

(b) Post-retirement benefit plans

The Group has sponsored an ORSO Plan and the LME Pension Scheme as its post-retirement benefit plans (note 7(a)).

26. Pledges of Assets

LME Clear receives securities and gold bullion as non-cash collateral for margins posted by its Clearing Participants. The total fair value of this non-cash collateral was US\$3,459 million (HK\$27,107 million) at 30 June 2023 (31 December 2022: US\$619 million (HK\$4,831 million)). LME Clear is obliged to return this non-cash collateral upon request when the Clearing Participants' collateral obligations have been substituted with cash collateral or otherwise discharged. LME Clear is permitted to sell or pledge such collateral in the event of the default of a Clearing Participant. Any non-cash collateral lodged at central securities depositories or custodians is subject to a lien or pledge for the services they provide in respect of the collateral held.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$10,301 million (HK\$80,725 million) at 30 June 2023 (31 December 2022: US\$14,982 million (HK\$116,934 million)). Such non-cash collateral, together with certain financial assets amounting to US\$1,039 million (HK\$8,146 million) at 30 June 2023 (31 December 2022: US\$923 million (HK\$7,206 million)), have been pledged to LME Clear's investment agents and custodian banks under security arrangements for the settlement and depository services they provide in respect of the collateral and investments held.

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

27. Capital Management

At 30 June 2023, the Group had set aside \$4,000 million (31 December 2022: \$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 2022: \$2,160 million) had been injected into HKSCC, SEIOCH and HKCC as share capital.

28. 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.

	At 30 Jun 2023				At 31 Dec 2022			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Recurring fair value measurements:								
Financial assets								
Financial assets measured at fair value through profit or loss:								
– investment funds	839	5,748	–	6,587	662	5,648	–	6,310
– equity securities	–	–	634	634	–	–	654	654
Financial assets measured at fair value through other comprehensive income:								
– debt securities	15,986	2,931	–	18,917	12,045	2,917	–	14,962
Derivative financial instruments:								
– base and ferrous metals futures and options contracts cleared through LME Clear	–	69,039	–	69,039	–	80,705	–	80,705
– forward foreign exchange contracts	–	32	–	32	–	13	–	13
– foreign exchange swaps	–	2	–	2	–	–	–	–
	16,825	77,752	634	95,211	12,707	89,283	654	102,644
Financial liabilities								
Derivative financial instruments:								
– base and ferrous metals futures and options contracts cleared through LME Clear	–	69,039	–	69,039	–	80,705	–	80,705
– foreign exchange swaps	–	2	–	2	–	–	–	–
	–	69,041	–	69,041	–	80,705	–	80,705

During the six months ended 30 June 2023 and 30 June 2022, 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 investment funds, debt securities, base and ferrous metals futures and options contracts and foreign exchange derivative 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, market foreign exchange rates, net asset values and latest redemption prices or transaction prices of the respective investment funds.

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

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

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)

	2023 \$m	2022 \$m
At 1 Jan	654	694
Losses recognised in income statement under net investment income	(11)	(21)
Losses recognised in other comprehensive income	(9)	(19)
At 30 Jun 2023/31 Dec 2022	634	654
Total losses recognised for the period/year in the condensed consolidated income statement for assets held at 30 Jun 2023/31 Dec 2022	(11)	(21)

Level 3 valuations are prepared on bi-annually basis, at each interim and annual reporting date. The assumptions and inputs to the valuation model, the valuation techniques and the valuation results are reviewed and approved by management.

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

Description	Fair value		Valuation technique	Unobservable inputs	Range
	At 30 Jun 2023 \$m	At 31 Dec 2022 \$m			
Minority stake in Fusion Bank Limited	200	200	Market approach ¹	N/A	N/A
Minority stake in Huakong TsingJiao Information Science (Beijing) Limited	208	217	Market approach ¹	N/A	N/A
Minority stake in Guangzhou Futures Exchange	226	237	Market approach ¹	N/A	N/A
Total	634	654			

¹ The fair value is estimated based on the analysis of the investment's financial position and results, prospects and other factors and by reference to market transactions.

Fusion Bank Limited has a virtual banking license granted by the Hong Kong Monetary Authority. The company offers a variety of banking services including savings, time deposits, loans, local fund transfers and foreign exchange. The investment is not traded in an active market.

Huakong TsingJiao Information Science (Beijing) Limited is a data technology company, which specialises in the research and development of multi-party computation technologies, allowing collaborative data analysis without revealing private data during the computation and analysis process. The investment is not traded in an active market.

Guangzhou Futures Exchange is an exchange in the Greater Bay Area focusing on serving the real economy and green development initiatives. The exchange has successfully launched its first two products, industrial silicon and lithium carbonate futures and options, and will continue to develop more products related to green development in the future. The investment is not traded in an active market.

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

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

Summarised in the following table are the carrying amounts and fair values of long-term 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 2023		At 31 Dec 2022	
	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m	Carrying amount in condensed consolidated statement of financial position \$m	Fair value \$m
Assets				
Financial assets measured at amortised cost:				
– debt securities maturing over one year ¹	1,409	1,410	113	113
– other financial assets maturing over one year ²	98	75	96	70
Liabilities				
Borrowings:				
– written put options to non-controlling interests ³	495	500	491	490
Financial guarantee to the Collector of Stamp Revenue ⁴	20	28	20	29

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 4.25 per cent to 4.99 per cent at 30 June 2023 (31 December 2022: 4.79 per cent to 5.32 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 rate used ranged from 4.98 per cent to 5.82 per cent at 30 June 2023 (31 December 2022: 4.88 per cent to 5.74 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 5.16 per cent at 30 June 2023 (31 December 2022: 5.19 per cent).

The carrying amounts of short-term financial assets and receivables (e.g., accounts receivable, financial assets measured at amortised cost and cash and cash equivalents) and short-term payables (e.g., accounts payable and other liabilities) approximated their fair values, and accordingly no disclosure of the fair values of these items is presented.

Glossary

ADT • Average daily turnover value

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

AI • Artificial intelligence

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 enables Mainland institutional investors to invest in offshore bonds through the Hong Kong bond market

Cash Market • HKEX's securities related business excluding stock options

CBBCs • Callable Bull/Bear Contracts

Chief Executive Officer • HKEX's Chief Executive

ChinaClear • China Securities Depository and Clearing Corporation Limited

CNH • Offshore RMB traded outside Mainland China

CNS • Continuous Net Settlement

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

CPs • Clearing Participants

Derivatives Market • HKEX's derivatives related business including stock options

Director(s) • HKEX's director(s)

DWs • Derivative warrants

EPs • Exchange Participants

ESG • Environmental, Social and Governance

ETF(s) • Exchange Traded Fund(s)

ETP(s) • Exchange Traded Product(s), which include(s) ETFs and L&I Products

Euro • The official currency of the Eurozone

Exchange or SEHK or Stock Exchange • The Stock Exchange of Hong Kong Limited

External Portfolio • Externally-managed investment funds

Financial Secretary • Financial Secretary of the HKSAR

FINI • Fast Interface for New Issuance

Futures Exchange • Hong Kong Futures Exchange Limited

GBM • Grand Bauhinia Medal

GBS • Gold Bauhinia Star

GEM Listing Rules • Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited

Government • HKSAR Government

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

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

HKCC • HKFE Clearing Corporation Limited

HKD-traded Shares • Shares of HKEX, which are traded under the HKD counter

HKEX Foundation • HKEX Foundation Limited

HKEX or the Company • Hong Kong Exchanges and Clearing Limited

HKEX Group website • www.hkexgroup.com

HKEX Market website • www.hkex.com.hk

HKFRS(s) • Hong Kong Financial Reporting Standard(s)

HKIDR • Hong Kong Investor Identification Regime

HKSAR • Hong Kong Special Administrative Region of the People's Republic of China

HKSCC • Hong Kong Securities Clearing Company Limited

HSCEI • Hang Seng China Enterprises Index

HSI • Hang Seng Index

IPO(s) • Initial Public Offering(s)

Iron Ore Futures • TSI Iron Ore Fines 62 per cent Fe CFR China Futures

ISIN • International Securities Identification Number

IT • Information Technology

JP • Justice of the Peace

L&I Products • Leveraged and Inverse Products

Listing Committee • Listing Committee of the Main Board and GEM

Listing Rule(s) • Main Board Listing Rules and GEM Listing Rules

LME • The London Metal Exchange

LME Clear • LME Clear Limited

LME Group • HKEX Investment (UK) Limited, LME Holdings Limited, the LME and LME Clear

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

MH • Medal of Honour

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 or Stock Connect

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

OTC • Over-the-counter

OTC Clear • OTC Clearing Hong Kong Limited

PRC • The People's Republic of China

QME • Qianhai Mercantile Exchange Co., Ltd.

RMB • Renminbi

RMB-traded Shares • Shares of HKEX, which are traded under the RMB counter

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 HKEX Employees' Share Award Scheme and the HKEX Employees' Share Award 2023 Scheme

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

Southbound Trading or Stock Connect

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

STAGE • HKEX's Sustainable and Green Exchange

Stock Connect • Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

Swap Connect • A mutual market access programme that provides Hong Kong and international investors access to the onshore interest rate swap market through a Northbound channel launched in May 2023

UK • United Kingdom

US • United States of America

US\$/USD • United States dollar

\$/HK\$/HKD • Hong Kong dollar

\$bn/bn • Hong Kong dollar in billion/billion

\$m • Hong Kong dollar in million

£/GBP • Pound sterling

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

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



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