
Pursuant to Chapter 38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Securities and Futures Commission regulates Hong Kong Exchanges and Clearing Limited in relation to the listing of its shares on The Stock Exchange of Hong Kong Limited. The Securities and Futures Commission takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



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

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

Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

(Unaudited)

As at 6 August 2014, the board of directors of Hong Kong Exchanges and Clearing Limited (HKEx) comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, Mr John Barrie HARRISON, Mr HUI Chiu Chung, Stephen, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mr LEE Tze Hau, Michael, Mrs LEUNG KO May Yee, Margaret, Mr John Estmond STRICKLAND, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEx's Chief Executive.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
Trading fees and trading tariff	3	1,765	1,816
Stock Exchange listing fees		541	496
Clearing and settlement fees		843	839
Depository, custody and nominee services fees		379	345
Market data fees		382	370
Other revenue		353	297
REVENUE AND TURNOVER	2	4,263	4,163
Investment income		351	274
Interest rebates to Participants		(2)	(2)
Net investment income	4	349	272
Sundry income		9	5
REVENUE AND OTHER INCOME		4,621	4,440
OPERATING EXPENSES			
Staff costs and related expenses	5	(822)	(755)
Information technology and computer maintenance expenses		(261)	(250)
Premises expenses		(145)	(149)
Product marketing and promotion expenses		(18)	(14)
Legal and professional fees		(103)	(55)
Other operating expenses:			
Reversal of provision for impairment losses arising from Participants' default on market contracts	6	54	-
Others		(128)	(118)
		(1,423)	(1,341)
EBITDA*		3,198	3,099
Depreciation and amortisation		(324)	(233)
OPERATING PROFIT		2,874	2,866
Finance costs	7	(98)	(92)
Share of loss of a joint venture		(5)	(4)
PROFIT BEFORE TAXATION	2	2,771	2,770
TAXATION	8	(417)	(442)
PROFIT FOR THE PERIOD		2,354	2,328
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEx		2,367	2,328
- Non-controlling interests		(13)	-
		2,354	2,328
Basic earnings per share	9(a)	\$2.04	\$2.03
Diluted earnings per share	9(b)	\$2.04	\$2.02

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
(Financial figures are expressed in Hong Kong Dollar)

	Note	At 30 Jun 2014			At 31 Dec 2013		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	11	51,038	-	51,038	41,452	-	41,452
Financial assets measured at fair value through profit or loss	11	3,856	140	3,996	3,761	141	3,902
Financial assets measured at amortised cost	11	5,523	57	5,580	8,986	60	9,046
Accounts receivable, prepayments and deposits	11, 12	6,125	6	6,131	10,940	6	10,946
Taxation recoverable		3	-	3	7	-	7
Interest in a joint venture		-	82	82	-	87	87
Goodwill and other intangible assets		-	19,270	19,270	-	18,680	18,680
Fixed assets		-	1,656	1,656	-	1,753	1,753
Lease premium for land		-	23	23	-	23	23
Deferred tax assets		-	44	44	-	47	47
Total assets		66,545	21,278	87,823	65,146	20,797	85,943
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits and cash collateral from Clearing Participants	13	47,108	-	47,108	39,793	-	39,793
Accounts payable, accruals and other liabilities	14	6,977	18	6,995	12,815	19	12,834
Deferred revenue		404	-	404	593	-	593
Taxation payable		570	-	570	379	-	379
Other financial liabilities		29	-	29	27	-	27
Participants' contributions to Clearing House Funds	15	2,426	-	2,426	3,884	-	3,884
Borrowings	16	-	6,976	6,976	-	6,921	6,921
Provisions		66	58	124	47	47	94
Deferred tax liabilities		-	913	913	-	900	900
Total liabilities		57,580	7,965	65,545	57,538	7,887	65,425
Equity							
Share capital	17			12,054			1,161
Share premium	17			-			10,167
Shares held for Share Award Scheme	17			(174)			(174)
Employee share-based compensation reserve	18			160			105
Exchange reserve				1,172			568
Convertible bond reserve				409			409
Designated reserves	19			644			586
Reserve relating to written put options to non-controlling interests				(217)			(217)
Retained earnings							
- Proposed dividend				2,133			1,995
- others				5,997			5,805
Equity attributable to shareholders of HKEx				22,178			20,405
Non-controlling interests				100			113
Total equity				22,278			20,518
Total liabilities and equity				87,823			85,943
Net current assets				8,965			7,608
Total assets less current liabilities				30,243			28,405

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEx									
	Share capital, share premium and shares held for Share Award Scheme (note 17)	Employee share-based compensation reserve (note 18)	Exchange reserve	Convertible bond reserve	Designated Reserves (note 19)	Reserve relating to written put options to non-controlling interests	Retained earnings	Total	Non- controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 Jan 2014	11,154	105	568	409	586	(217)	7,800	20,405	113	20,518
Profit/(loss) for the period	-	-	-	-	-	-	2,367	2,367	(13)	2,354
Other comprehensive income	-	-	604	-	-	-	-	604	-	604
Total comprehensive income	-	-	604	-	-	-	2,367	2,971	(13)	2,958
Total contributions by and distributions to shareholders of HKEx, recognised directly in equity:										
- 2013 final dividend at \$1.72 per share	-	-	-	-	-	-	(1,996)	(1,996)	-	(1,996)
- Unclaimed HKEx dividends forfeited	-	-	-	-	-	-	17	17	-	17
- Shares issued upon exercise of employee share options	9	-	-	-	-	-	-	9	-	9
- Shares issued in lieu of cash dividends	713	-	-	-	-	-	-	713	-	713
- Vesting of shares of Share Award Scheme	2	(2)	-	-	-	-	-	-	-	-
- Employee share-based compensation benefits	-	59	-	-	-	-	-	59	-	59
- Transfer of reserves	2	(2)	-	-	4	-	(4)	-	-	-
- Transfer of reserves – surplus of reversal of provision for closing-out losses by a defaulting Clearing Participant (note 6)	-	-	-	-	54	-	(54)	-	-	-
Total transactions with shareholders recognised directly in equity	726	55	-	-	58	-	(2,037)	(1,198)	-	(1,198)
At 30 Jun 2014	11,880	160	1,172	409	644	(217)	8,130	22,178	100	22,278

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEx									
	Share capital, share premium and shares held for Share Award Scheme	Employee share-based compensation reserve	Exchange reserve	Convertible bond reserve	Designated reserves	Reserve relating to written put options to non-controlling interests	Retained earnings	Total	Non- controlling interests	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
At 1 Jan 2013	9,576	122	189	409	587	-	6,881	17,764	-	17,764
Profit for the period	-	-	-	-	-	-	2,328	2,328	-	2,328
Other comprehensive income	-	-	(1,178)	-	-	-	-	(1,178)	-	(1,178)
Total comprehensive income	-	-	(1,178)	-	-	-	2,328	1,150	-	1,150
Total contributions by and distributions to shareholders of HKEx, recognised directly in equity:										
- 2012 final dividend at \$1.46 per share	-	-	-	-	-	-	(1,675)	(1,675)	-	(1,675)
- Unclaimed HKEx dividends forfeited	-	-	-	-	-	-	5	5	-	5
- Shares issued upon exercise of employee share options	1	-	-	-	-	-	-	1	-	1
- Shares issued in lieu of cash dividends	536	-	-	-	-	-	-	536	-	536
- Shares purchased for Share Award Scheme	(2)	-	-	-	-	-	-	(2)	-	(2)
- Vesting of shares of Share Award Scheme	50	(46)	-	-	-	-	(4)	-	-	-
- Employee share-based compensation benefits	-	55	-	-	-	-	-	55	-	55
- Transfer of reserves	-	-	-	-	(2)	-	2	-	-	-
Total transactions with shareholders recognised directly in equity	585	9	-	-	(2)	-	(1,672)	(1,080)	-	(1,080)
At 30 Jun 2013	10,161	131	(989)	409	585	-	7,537	17,834	-	17,834

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	20	1,852	2,638
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets and intangible assets		(395)	(363)
Net decrease in financial assets of the Corporate Funds:			
Decrease in time deposits with original maturities more than three months		1,129	831
Net proceeds from sales or maturity of financial assets measured at amortised cost (excluding time deposits)		-	24
Net proceeds from sales or maturity of financial assets measured at fair value through profit or loss		-	247
Interest received from financial assets measured at amortised cost (excluding time deposits)		-	1
Interest received from financial assets measured at fair value through profit or loss		13	14
Net cash inflow from investing activities		747	754
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares upon exercise of employee share options		9	1
Purchases of shares for Share Award Scheme		-	(2)
Proceeds from issuance of notes		737	-
Payments of transaction costs on issuance of notes		(2)	-
Repayments of bank borrowings		(737)	-
Payments of finance costs		(40)	(44)
Dividends paid to shareholders of HKEx		(1,272)	(1,130)
Net cash outflow from financing activities		(1,305)	(1,175)
Net increase in cash and cash equivalents		1,294	2,217
Cash and cash equivalents at 1 Jan		6,375	4,035
Exchange differences on cash and cash equivalents		42	(41)
Cash and cash equivalents at 30 Jun		7,711	6,211
Analysis of cash and cash equivalents			
Cash on hand and balances and deposits with banks of Corporate Funds	11	7,711	6,211

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

1. Basis of Preparation and Accounting Policies

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

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

2. Operating Segments

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

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

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

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

The **Commodities** segment refers to the operations of The London Metal Exchange (LME), which operates an exchange in the United Kingdom for the trading of base metals futures and options contracts. The major sources of revenue of the segment are trading fees, commodity market data fees and fees generated from other ancillary operations.

The **Clearing** segment refers to the operations of the four clearing houses, namely Hong Kong Securities Clearing Company Limited (HKSCC), The SEHK Options Clearing House Limited (SEOCH), HKFE Clearing Corporation Limited (HKCC) and OTC Clearing Hong Kong Limited (OTC Clear), which are responsible for clearing, settlement and custodian activities of the Stock Exchange and the Futures Exchange, clearing over-the-counter derivatives contracts, and the development and operations of the new clearing house for clearing base metals futures and options contracts traded on LME (LME Clear Limited (LME Clear)). Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on Margin Funds, cash collateral and Clearing House Funds.

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

2. Operating Segments (continued)

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**3. Trading Fees and Trading Tariff**

	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
Trading fees and trading tariff were derived from:		
Securities traded on the Stock Exchange (excluding stock options contracts)	921	950
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	376	430
Base metals futures and options contracts traded on LME	468	436
	1,765	1,816

4. Net Investment Income

	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
Gross interest income	292	165
Interest rebates to Participants	(2)	(2)
Net interest income	290	163
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss		
	50	117
Others	9	(8)
Net investment income	349	272

5. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
Salaries and other short-term employee benefits	697	650
Employee share-based compensation benefits of HKEx Share Award Scheme (Share Award Scheme)	59	55
Termination benefits	5	3
Retirement benefit costs (note 23(b))	61	47
	822	755

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**6. Reversal of Provision for Impairment Losses Arising from Participants' Default on Market Contracts**

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

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

7. Finance Costs

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

8. Taxation

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

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

Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2013: 16.5 per cent) and overseas profits tax at the rates of taxation prevailing in the countries in which the Group operates.

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

9. Earnings Per Share

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

(a) Basic earnings per share

	Six months ended 30 Jun 2014	Six months ended 30 Jun 2013
Profit attributable to shareholders (\$m)	2,367	2,328
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,161,380	1,148,265
Basic earnings per share (\$)	2.04	2.03

(b) Diluted earnings per share

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

- (i) The effects of the outstanding convertible bonds (note 16) were not included in the computation of diluted earnings per share as they were anti-dilutive.

10. Dividends

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

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

11. Financial Assets

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

	At 30 Jun 2014 \$m	At 31 Dec 2013 \$m
<u>Clearing House Funds</u> (notes (a) and 15)		
Cash and cash equivalents	3,194	4,271
Financial assets measured at amortised cost	34	200
	3,228	4,471
<u>Margin Funds and cash collateral</u> (note 13)		
Cash and cash equivalents	40,133	30,650
Financial assets measured at fair value through profit or loss	1,803	1,802
Financial assets measured at amortised cost	5,167	7,335
Accounts receivable and deposits	5	6
	47,108	39,793
<u>Corporate Funds</u>		
Cash and cash equivalents (note (a))	7,711	6,531
Financial assets measured at fair value through profit or loss	2,193	2,100
Financial assets measured at amortised cost	379	1,511
	10,283	10,142
	60,619	54,406

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

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

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

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

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable under the T+2 settlement cycle, which accounted for 85 per cent (31 December 2013: 90 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within two days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

13. Margin Deposits and Cash Collateral from Clearing Participants

	At 30 Jun 2014 \$m	At 31 Dec 2013 \$m
Margin deposits and cash collateral from Clearing Participants comprised (note (a)):		
SEOCH Clearing Participants' margin deposits	4,555	4,420
HKCC Clearing Participants' margin deposits	40,427	33,116
HKSCC Clearing Participants' margin deposits and cash collateral	2,109	2,240
OTC Clear Clearing Participants' margin deposits	17	17
	47,108	39,793

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

14. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 75 per cent (31 December 2013: 77 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities mature within three months.

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

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

15. Clearing House Funds

	At 30 Jun 2014 \$m	At 31 Dec 2013 \$m
Clearing House Funds comprised:		
Clearing Participants' cash contributions (note (a))	2,426	3,884
Contribution from Corporate Funds for Rates and FX Guarantee Resources of OTC Clear	156	-
Designated reserves (note 19)	644	586
	3,226	4,470
Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Financial assets of Clearing House Funds (note 11)	3,228	4,471
Less: Other financial liabilities of Clearing House Funds	(2)	(1)
	3,226	4,470
Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	983	2,155
SEOCH Reserve Fund	378	588
HKCC Reserve Fund	1,507	1,576
OTC Clear Rates and FX Guarantee Fund	201	151
OTC Clear Rates and FX Guarantee Resources	157	-
	3,226	4,470

(a) Amounts excluded bank guarantees received and utilised as alternatives to cash contributions.

16. Borrowings

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

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

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

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

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

	Issued and fully paid:				
	Number of shares '000	Share capital \$m	Share premium \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2013	1,147,408	1,150	8,731	(305)	9,576
Shares issued upon exercise of employee share options (note (a))	59	-	1	-	1
Shares issued in lieu of cash dividends (note (b))					
- total	11,648	11	1,430	-	1,441
- to Share Award Scheme	(57)	-	-	(8)	(8)
	11,591	11	1,430	(8)	1,433
Shares purchased for Share Award Scheme	(19)	-	-	(2)	(2)
Vesting of shares of Share Award Scheme (note (c))	1,080	-	5	141	146
At 31 Dec 2013	1,160,119	1,161	10,167	(174)	11,154
At 1 Jan 2014	1,160,119	1,161	10,167	(174)	11,154
Shares issued upon exercise of employee share options prior to 3 March 2014 (note (a))	121	-	2	-	2
Transfer on 3 March 2014 upon adoption of the new Hong Kong Companies Ordinance (note (d))	-	10,169	(10,169)	-	-
Shares issued upon exercise of employee share options on or after 3 March 2014 (note (a))	378	7	-	-	7
Shares issued in lieu of cash dividends (note (b))					
- total	5,098	715	-	-	715
- to Share Award Scheme	(17)	-	-	(2)	(2)
	5,081	715	-	(2)	713
Transfer from employee share-based compensation reserve upon exercise of employee share options on or after 3 March 2014	-	2	-	-	2
Vesting of shares of Share Award Scheme (note (c))	13	-	-	2	2
At 30 Jun 2014	1,165,712	12,054	-	(174)	11,880

- (a) During the six months ended 30 June 2014, employee share options granted under the Post-Listing Share Option Scheme were exercised to subscribe for 498,500 shares (year ended 31 December 2013: 58,600 shares) in HKEx at a consideration of \$9 million (year ended 31 December 2013: \$1 million).
- (b) In May 2014, 5,098,366 new fully paid HKEx shares (year ended 31 December 2013: 11,648,466 shares) were issued and allotted at \$140.22 per share (year ended 31 December 2013: weighted average price of \$123.71 per share) to the shareholders (including 17,017 new shares (year ended 31 December 2013: 56,956 shares) allotted to the Share Award Scheme) who elected to receive HKEx shares in lieu of cash pursuant to the scrip dividend scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**17. Share Capital, Share Premium and Shares Held for Share Award Scheme (continued)**

- (c) During the six months ended 30 June 2014, the Share Award Scheme transferred 13,150 HKEx shares (year ended 31 December 2013: 1,079,481 shares) to the awardees upon vesting of certain Awarded Shares and the shares arising from related dividends reinvested. The total cost of the vested shares was \$2 million (year ended 31 December 2013: \$141 million). During the year ended 31 December 2013, \$5 million was credited to share premium in respect of vesting of certain shares whose fair values were higher than the costs.
- (d) On 3 March 2014, the new Hong Kong Companies Ordinance Chapter 622 (new CO) came into effect. The new CO abolishes the concepts of nominal (par) value, share premium and authorised share capital for all shares of Hong Kong incorporated companies. All amounts received for issuing equity shares of a company should be recorded as share capital. Pursuant to the adoption of the new CO, the balance of share premium was transferred to share capital.

18. Employee Share-based Arrangements

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

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

During the six months ended 30 June 2014, no share options or Senior Executive Awards were granted, and Employee Share Awards totalling \$850,000 were granted to certain selected employees.

19. Designated reserves

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

	At 30 Jun 2014 \$m	At 31 Dec 2013 \$m
Clearing House Funds reserves (note 15)		
- HKSCC Guarantee Fund reserve	183	127
- SEOCH Reserve Fund reserve	106	107
- HKCC Reserve Fund reserve	354	352
- OTC Clear Rates and FX Guarantee Fund reserve	-	-
- OTC Clear Rates and FX Guarantee Resources reserve	1	-
	644	586

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

20. Notes to the Condensed Consolidated Statement of Cash Flows

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

	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
Profit before taxation	2,771	2,770
Adjustments for:		
Net interest income	(290)	(163)
Dividend income	(5)	(5)
Net fair value gains including interest income on financial assets measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	(50)	(117)
Forfeiture of unclaimed cash dividends held by HKSCC Nominees Limited	(9)	(5)
Finance costs	98	92
Depreciation and amortisation	324	233
Employee share-based compensation benefits	59	55
(Reversal of provision for)/provision for impairment losses of receivables	(52)	1
Share of loss of a joint venture	5	4
Changes in provisions	15	2
Net increase in financial assets of Margin Funds and cash collateral	(7,315)	(6,406)
Net increase in financial liabilities of Margin Funds and cash collateral	7,315	6,405
Net decrease/(increase) in Clearing House Fund financial assets	1,399	(1,978)
Net (decrease)/increase in Clearing House Fund financial liabilities	(1,457)	1,980
Net increase in financial assets measured at fair value through profit or loss less financial liabilities at fair value through profit or loss	(73)	-
Decrease in accounts receivable, prepayments and deposits	4,883	3,431
Decrease in other current liabilities	(5,850)	(3,656)
Net cash inflow from operations	1,768	2,643
Dividends received	3	4
Interest received from bank deposits	292	164
Interest received from financial assets measured at fair value through profit or loss	28	31
Interest paid to Participants	(2)	(2)
Income tax paid	(237)	(202)
Net cash inflow from operating activities	1,852	2,638

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONT'D)**21. Capital Expenditures and Commitments**

During the six months ended 30 June 2014, the Group incurred capital expenditures of \$231 million (2013: \$277 million) related to the development and upgrade of various trading and clearing systems including a commodities clearing system, a Central Gateway for Cash Market trading, a new market data platform, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong.

At 30 June 2014, the Group's commitments in respect of capital expenditure were as follows:

	At 30 Jun 2014 \$m	At 31 Dec 2013 \$m
Contracted but not provided for		
- fixed assets	16	19
- intangible assets	100	92
Authorised but not contracted for		
- fixed assets	134	225
- intangible assets	411	542
	661	878

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

22. Contingent Liabilities

At 30 June 2014, the Group's material contingent liabilities were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the Securities and Futures Commission (SFC) to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding \$71 million (31 December 2013: \$71 million). Up to 30 June 2014, no calls had been made by the SFC in this connection.
- (b) The Group had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 501 trading Participants covered by the indemnity at 30 June 2014 (31 December 2013: 504) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$100 million (31 December 2013: \$101 million).
- (c) HKEx had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within 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.

22. Contingent Liabilities (continued)

(d) LME litigation

(i) US litigation

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

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

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

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

(ii) UK litigation

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

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

22. Contingent Liabilities (continued)

- (d) LME litigation (continued)
(ii) UK litigation (continued)

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

23. Material Related Party Transactions

- (a) Key management personnel compensation

	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
Salaries and other short-term employee benefits	59	60
Employee share-based compensation benefits	18	18
Retirement benefit costs	5	5
	82	83

- (b) Post-retirement benefit plans

The Group has sponsored a defined contribution provident fund scheme (ORSO Plan) and a Mandatory Provident Fund scheme (MPF Scheme) for the benefits of its employees in Hong Kong. The Group has also sponsored a defined contribution pension scheme for all employees of LMEH, LME and LME Clear (LME pension scheme). The retirement benefit costs charged to the condensed consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan, the MPF Scheme and the LME pension scheme and related fees (note 5). At 30 June 2014, the contributions payable to the post-retirement benefit plans were \$4 million (31 December 2013: \$3 million).

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

	Six months ended 30 Jun 2014 \$m	Six months ended 30 Jun 2013 \$m
Transactions with CESC:		
- Management fee charged to CESC	2	2
	At 30 Jun 2014 \$m	At 31 Dec 2013 \$m
Balances with CESC:		
- Amount due from CESC	1	3

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

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

24. Fair Value of Financial Assets and Financial Liabilities

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

At 30 June 2014 and 31 December 2013, no non-financial assets or non-financial liabilities were carried at fair value.

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

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

	At 30 Jun 2014			Total \$m
	Level 1 \$m	Level 2 \$m	Level 3 \$m	
Recurring fair value measurements:				
Financial assets				
Financial assets measured at fair value through profit or loss:				
- equity securities	281	-	140	421
- debt securities	-	3,575	-	3,575
	281	3,575	140	3,996
Recurring fair value measurements:				
Financial liabilities				
Other financial liabilities of Corporate Funds:				
Financial liabilities at fair value through profit or loss:				
- forward foreign exchange contracts	-	7	-	7

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

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

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

	At 31 Dec 2013			Total \$m
	Level 1 \$m	Level 2 \$m	Level 3 \$m	
Recurring fair value measurements:				
Financial assets				
Financial assets measured at fair value through profit or loss:				
- equity securities	276	-	141	417
- debt securities	-	3,472	-	3,472
- forward foreign exchange contracts	-	13	-	13
	276	3,485	141	3,902
Recurring fair value measurements:				
Financial liabilities				
Other financial liabilities of Corporate Funds:				
Financial liabilities at fair value through profit or loss:				
- forward foreign exchange contracts	-	6	-	6

During the six months ended 30 June 2014, there were no transfers of instruments between Level 1 and Level 2.

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	Investment in an unlisted company	
	2014 \$m	2013 \$m
At 1 Jan	141	292
(Losses)/gains recognised in profit or loss, under net investment income	(5)	106
Disposals	-	(247)
Exchange differences recognised in other comprehensive income, under currency translation differences of foreign subsidiaries	4	(10)
At 30 Jun 2014/31 Dec 2013	140	141
Change in unrealised (losses)/gains for the period/year included in profit or loss for assets held at 30 Jun 2014/31 Dec 2013, under net investment income	(5)	4

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

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

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

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Possible reasonable change	Impact on valuation	
					At 30 Jun 2014 \$m	At 31 Dec 2013 \$m
Investment in shares in an unlisted company	Future growth rates of the company	2% to 4%	The higher the future growth rates, the higher the fair value	+/-1%	+25/-19	+25/-19
Fair value at 30 Jun 2014 was \$140 million (31 Dec 2013: \$141 million)	Estimated WACC	8% to 12%	The higher the WACC, the lower the fair value	+/-1%	-18/+23	-18/+23
	Discount for value attributable to a minority stake	5% to 15%	The higher the discount, the lower the fair value	+/-3%	-4/+4	-4/+4

As the unlisted investment held by a subsidiary is not traded in an active market, its fair value has been determined using discounted cash flow valuation techniques. Major assumptions used in the valuation include historical financial results, assumptions about future growth rates, an estimate of weighted average cost of capital (WACC) and an adjustment for the value of the investment attributable to a minority stake.

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

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

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

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

	At 30 Jun 2014		At 31 Dec 2013	
	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 ¹	70	70	70	70
- other financial assets maturing over one year ²	57	51	60	57
Liabilities				
Borrowings:				
- liability component of convertible bonds ³	3,652	3,744	3,607	3,639
- notes ³	1,513	1,549	770	770
- written put options to non-controlling interests ³	222	228	218	219
Financial guarantee to the Collector of Stamp Revenue ⁴	20	63	20	55

¹ The fair values are determined based on quotes from market makers or alternative pricing sources supported by observable inputs.

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 0.83 per cent to 2.99 per cent at 30 June 2014 (31 December 2013: 0.80 per cent to 3.20 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 was 2.36 per cent at 30 June 2014 (31 December 2013: 2.90 per cent).

⁴ The fair values are based on the fees charged by financial institutions for granting such guarantees discounted using a ten-year Hong Kong Government bond rate to perpetuity but capped at the maximum exposure of the financial guarantee. The discount rate used was 2.00 per cent at 30 June 2014 (31 December 2013: 2.29 per cent).

25. Pledge of Assets

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

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