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HKEX

香港交易所

香港交易及結算所有限公司

HONG KONG EXCHANGES AND CLEARING LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 388)

Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

(Unaudited)

As at 11 August 2021, the Board of Directors of Hong Kong Exchanges and Clearing Limited (HKEX or the Company) comprises 12 Independent Non-executive Directors, namely Mrs Laura May-Lung CHA (Chairman), Mr Nicholas Charles ALLEN, Mr Apurv BAGRI, Mr CHEAH Cheng Hye, Ms CHEUNG Ming Ming, Anna, Mrs CHOW WOO Mo Fong, Susan, Mr Rafael GIL-TIENDA, Mr HUNG Pi Cheng, Benjamin, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr YIU Kin Wah, Stephen and Mr ZHANG Yichen, and one Executive Director, Mr Alejandro Nicolas AGUZIN, who is also the Chief Executive of HKEX.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Trading fees and trading tariffs	4	4,124	3,330
Stock Exchange listing fees		1,067	928
Clearing and settlement fees		2,672	1,990
Depository, custody and nominee services fees		889	551
Market data fees		512	472
Other revenue		786	668
REVENUE		10,050	7,939
Investment income		796	1,167
Interest rebates to Participants		(22)	(329)
Net investment income	5	774	838
HKEX Foundation donation income	(a)	74	-
Sundry income		11	5
REVENUE AND OTHER INCOME		10,909	8,782
Less: Transaction-related expenses	(a), 6	(81)	(31)
REVENUE AND OTHER INCOME LESS TRANSACTION-RELATED EXPENSES		10,828	8,751
OPERATING EXPENSES			
Staff costs and related expenses	7	(1,495)	(1,398)
Information technology and computer maintenance expenses		(338)	(315)
Premises expenses		(57)	(59)
Product marketing and promotion expenses		(36)	(17)
Professional fees		(48)	(66)
HKEX Foundation charitable donations	(a)	(69)	(28)
Other operating expenses		(178)	(162)
		(2,221)	(2,045)
EBITDA*		8,607	6,706
Depreciation and amortisation		(662)	(545)
OPERATING PROFIT		7,945	6,161
Finance costs	8	(77)	(96)
Share of profits less losses of joint ventures		38	39
PROFIT BEFORE TAXATION		7,906	6,104
TAXATION	9	(1,317)	(870)
PROFIT FOR THE PERIOD		6,589	5,234
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEX		6,610	5,233
- Non-controlling interests		(21)	1
PROFIT FOR THE PERIOD		6,589	5,234
Basic earnings per share	10(a)	\$5.22	\$4.15
Diluted earnings per share	10(b)	\$5.21	\$4.14

* 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.

(a) As disclosed in the 2020 Annual Report, the Group has revised the presentation of these items. Comparative figures have been restated to conform with the revised presentation.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
PROFIT FOR THE PERIOD	6,589	5,234
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	29	(92)
Cash flow hedges	(2)	(7)
Changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	10	7
OTHER COMPREHENSIVE INCOME	37	(92)
TOTAL COMPREHENSIVE INCOME	6,626	5,142
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEX	6,646	5,144
- Non-controlling interests	(20)	(2)
TOTAL COMPREHENSIVE INCOME	6,626	5,142

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	At 30 Jun 2021			At 31 Dec 2020		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	12	154,621	-	154,621	157,996	-	157,996
Financial assets measured at fair value through profit or loss	12	129,770	837	130,607	100,081	516	100,597
Financial assets measured at fair value through other comprehensive income	12	8,288	-	8,288	7,942	-	7,942
Financial assets measured at amortised cost	12	64,271	402	64,673	62,589	99	62,688
Accounts receivable, prepayments and deposits	13	27,279	21	27,300	47,059	21	47,080
Tax recoverable		8	-	8	26	-	26
Interests in joint ventures		-	202	202	-	164	164
Goodwill and other intangible assets		-	18,897	18,897	-	18,737	18,737
Fixed assets		-	1,553	1,553	-	1,657	1,657
Right-of-use assets		-	2,037	2,037	-	2,193	2,193
Deferred tax assets		-	36	36	-	26	26
Total assets		384,237	23,985	408,222	375,693	23,413	399,106
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities at fair value through profit or loss	14	121,427	-	121,427	92,884	-	92,884
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants	15	191,360	-	191,360	187,008	-	187,008
Accounts payable, accruals and other liabilities	16	17,044	-	17,044	42,974	-	42,974
Deferred revenue		725	352	1,077	1,049	371	1,420
Taxation payable		1,741	-	1,741	1,174	-	1,174
Other financial liabilities		106	-	106	48	-	48
Participants' contributions to Clearing House Funds	17	21,501	-	21,501	20,439	-	20,439
Lease liabilities		299	1,902	2,201	304	2,054	2,358
Borrowings	18	340	85	425	340	83	423
Provisions		126	98	224	114	98	212
Deferred tax liabilities		-	1,077	1,077	-	930	930
Total liabilities		354,669	3,514	358,183	346,334	3,536	349,870
Equity							
Share capital	19			31,891			31,891
Shares held for Share Award Scheme	19			(807)			(485)
Employee share-based compensation reserve	20			360			232
Hedging and revaluation reserves				33			25
Exchange reserve				(190)			(218)
Designated reserves	21			622			628
Reserve relating to written put options to non-controlling interests				(369)			(369)
Retained earnings				18,201			17,214
Equity attributable to shareholders of HKEX				49,741			48,918
Non-controlling interests				298			318
Total equity				50,039			49,236
Total liabilities and equity				408,222			399,106
Net current assets				29,568			29,359

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Attributable to shareholders of HKEX									
	Share capital and shares held for Share Award Scheme (note 19) \$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 2021	31,406	232	25	(218)	628	(369)	17,214	48,918	318	49,236
Profit for the period	-	-	-	-	-	-	6,610	6,610	(21)	6,589
Other comprehensive income	-	-	8	28	-	-	-	36	1	37
Total comprehensive income	-	-	8	28	-	-	6,610	6,646	(20)	6,626
Total transactions with shareholders of HKEX, recognised directly in equity:										
- 2020 second interim dividend at \$4.46 per share	-	-	-	-	-	-	(5,646)	(5,646)	-	(5,646)
- Unclaimed HKEX dividends forfeited	-	-	-	-	-	-	13	13	-	13
- Shares purchased for Share Award Scheme	(331)	-	-	-	-	-	-	(331)	-	(331)
- Vesting of shares of Share Award Scheme	9	(9)	-	-	-	-	-	-	-	-
- Employee share-based compensation benefits	-	137	-	-	-	-	-	137	-	137
- Tax relating to Share Award Scheme	-	-	-	-	-	-	4	4	-	4
- Transfer of reserves	-	-	-	-	(6)	-	6	-	-	-
	(322)	128	-	-	(6)	-	(5,623)	(5,823)	-	(5,823)
At 30 Jun 2021	31,084	360	33	(190)	622	(369)	18,201	49,741	298	50,039

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
CASH FLOWS FROM PRINCIPAL OPERATING ACTIVITIES			
Net cash inflow from principal operating activities	22	8,030	5,075
CASH FLOWS FROM OTHER OPERATING ACTIVITIES			
Net (payments to)/redemption from external fund managers for (purchases)/sales of financial assets measured at fair value through profit or loss		(1,450)	2,189
Net cash inflow from operating activities		6,580	7,264
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets and intangible assets		(720)	(637)
Net increase in financial assets of Corporate Funds:			
Decrease/(increase) in time deposits with original maturities more than three months		1,268	(3,164)
Proceeds received upon maturity of financial assets measured at amortised cost (excluding time deposits)		79	-
Payments for purchases of financial assets measured at amortised cost (excluding time deposits)		(305)	(305)
Payments for financial assets measured at fair value through profit or loss		(249)	(160)
Interest received from financial assets measured at fair value through other comprehensive income		21	32
Net cash inflow/(outflow) from investing activities		94	(4,234)
CASH FLOWS FROM FINANCING ACTIVITIES			
Purchases of shares for Share Award Scheme		(331)	(3)
Payments of other finance costs		(34)	(47)
Dividends paid to shareholders of HKEX		(5,620)	(2,314)
Lease payments			
- Capital elements		(157)	(140)
- Interest elements		(41)	(46)
Net cash outflow from financing activities		(6,183)	(2,550)
Net increase in cash and cash equivalents		491	480
Cash and cash equivalents at 1 Jan		10,442	10,603
Exchange differences on cash and cash equivalents		5	-
Cash and cash equivalents at 30 Jun		10,938	11,083
Analysis of cash and cash equivalents			
Cash on hand and balances and deposits with banks and short-term investments of Corporate Funds	12	11,416	12,113
Less: Cash reserved for supporting Skin-in-the-Game and default fund credits of clearing houses	12(b)	(478)	(1,030)
		10,938	11,083

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

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

These unaudited condensed consolidated financial statements should be read in conjunction with the 2020 annual consolidated financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2020.

The financial information relating to the year ended 31 December 2020 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2021 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

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

2. Adoption of new/revised HKFRSs

In 2021, the Group has adopted the following amendment to Hong Kong Financial Reporting Standards (HKFRSs) which is pertinent to the Group's operations:

Amendments to HKFRS 16	Leases: COVID-19-Related Rent Concessions ¹
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¹ Effective for accounting periods beginning on or after 1 June 2020

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

3. Operating Segments

The Group determines its operating segments based on the internal management reports that are used to make strategic decisions reviewed by the chief operating decision-maker.

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

The operations in each of the Group's reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms of The Stock Exchange of Hong Kong Limited (Stock Exchange), the Shanghai Stock Exchange and the Shenzhen Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (Stock Connect), sales of market data relating to these products and other related activities. The major sources of revenue of the segment are trading fees, trading tariffs, listing fees of equity products and market data fees.

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

The **Commodities** segment refers to the operations of The London Metal Exchange (LME), which operates an exchange in the UK for the trading of base, ferrous, and precious metals futures and options contracts, and the operations of Qianhai Mercantile Exchange Co., Ltd. (QME), the commodity trading platform in the Mainland. It also covers the commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees of commodity products, commodity market data fees and fees from ancillary operations.

The **Post Trade** segment refers to the operations of the five clearing houses, namely Hong Kong Securities Clearing Company Limited (HKSCC), The SEHK Options Clearing House Limited (SEOCH), HKFE Clearing Corporation Limited (HKCC), OTC Clearing Hong Kong Limited (OTC Clear) and LME Clear Limited (LME Clear), which are responsible for clearing, settlement and custodian activities of the exchanges of the Group and Northbound trades under Stock Connect, and clearing and settlement of over-the-counter derivatives contracts. Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on the Margin Funds and Clearing House Funds.

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

Central income (including net investment income of Corporate Funds and HKEX Foundation donation income) and central costs (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 segment) are included as "Corporate Items".

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

3. Operating Segments (continued)

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, 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 2021						
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:							
Point in time	2,406	1,029	579	3,511	54	-	7,579
Over time	794	702	143	362	467	3	2,471
Revenue	3,200	1,731	722	3,873	521	3	10,050
Net investment income	-	-	-	346	-	428	774
HKEX Foundation donation income	-	-	-	-	-	74	74
Sundry income	-	-	1	5	2	3	11
Revenue and other income	3,200	1,731	723	4,224	523	508	10,909
Less: Transaction-related expenses	-	(63)	-	(18)	-	-	(81)
Revenue and other income less transaction-related expenses	3,200	1,668	723	4,206	523	508	10,828
Operating expenses	(305)	(337)	(324)	(446)	(148)	(661)	(2,221)
Reportable segment EBITDA	2,895	1,331	399	3,760	375	(153)	8,607
Depreciation and amortisation	(80)	(69)	(171)	(163)	(39)	(140)	(662)
Finance costs	(6)	(6)	(4)	(33)	(1)	(27)	(77)
Share of profits less losses of joint ventures	38	-	-	-	-	-	38
Reportable segment profit before taxation	2,847	1,256	224	3,564	335	(320)	7,906
	Six months ended 30 Jun 2020						
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:							
Point in time	1,491	1,076	616	2,586	30	-	5,799
Over time	762	562	133	268	412	3	2,140
Revenue	2,253	1,638	749	2,854	442	3	7,939
Net investment income	-	-	-	772	-	66	838
Sundry income	-	-	-	3	1	1	5
Revenue and other income	2,253	1,638	749	3,629	443	70	8,782
Less: Transaction-related expenses	-	(23)	-	(8)	-	-	(31)
Revenue and other income less transaction-related expenses	2,253	1,615	749	3,621	443	70	8,751
Operating expenses	(285)	(284)	(329)	(424)	(139)	(584)	(2,045)
Reportable segment EBITDA	1,968	1,331	420	3,197	304	(514)	6,706
Depreciation and amortisation	(60)	(51)	(169)	(106)	(22)	(137)	(545)
Finance costs	(7)	(6)	(4)	(46)	(1)	(32)	(96)
Share of profits less losses of joint ventures	39	-	-	-	-	-	39
Reportable segment profit before taxation	1,940	1,274	247	3,045	281	(683)	6,104

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

4. Trading Fees and Trading Tariffs

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Equity securities traded on the Stock Exchange and through Stock Connect	2,392	1,479
DWs, CBBCs and warrants traded on the Stock Exchange	412	329
Futures and options contracts traded on the Stock Exchange and the Futures Exchange	795	949
Base, ferrous, and precious metals futures and options contracts traded on the LME and QME	525	573
	4,124	3,330

5. Net Investment Income

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Gross interest income from financial assets measured at amortised cost	438	1,311
Gross interest income from financial assets measured at fair value through other comprehensive income	21	32
Interest rebates to Participants	(22)	(329)
Net interest income	437	1,014
Net gains/(losses) on financial assets mandatorily measured at fair value through profit or loss and financial liabilities at fair value through profit or loss		
- collective investment schemes	321	(138)
- other investments	4	-
	325	(138)
Others	12	(38)
Net investment income	774	838

6. Transaction-related Expenses

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

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

7. Staff Costs and Related Expenses

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Salaries and other short-term employee benefits	1,261	1,174
Employee share-based compensation benefits of HKEX Share Award Scheme (Share Award Scheme)	137	135
Termination benefits	6	1
Retirement benefit costs (note (a))	91	88
	1,495	1,398

(a) The Group has sponsored a defined contribution provident fund scheme (ORSO Plan) and a Mandatory Provident Fund scheme (MPF Scheme) for the benefits of its employees in Hong Kong. The Group has also sponsored a defined contribution pension scheme for all employees of LME and LME Clear (LME Pension Scheme), and has joined defined contribution retirement schemes arranged by local government labour and security authorities for employees of its PRC subsidiaries and representative office (PRC Retirement Schemes). The retirement benefit costs charged to the condensed consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan, the MPF Scheme, the LME Pension Scheme, the PRC Retirement Schemes and related fees.

8. Finance Costs

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Interest on borrowings	2	3
Interest on lease liabilities	41	46
Banking facility commitment fees	26	26
Negative interest on Euro and Japanese Yen deposits	8	21
	77	96

9. Taxation

Taxation charge in the condensed consolidated income statement represents:

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Current tax - Hong Kong Profits Tax	1,080	724
Current tax - Overseas Tax	99	104
Total current tax	1,179	828
Deferred tax (note (b))	138	42
Taxation charge	1,317	870

9. Taxation (continued)

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2020: 16.5 per cent) and overseas profits tax at the rates of taxation prevailing in the countries in which the Group operates, with the average corporation tax rate applicable to the subsidiaries in the UK being 19 per cent (2020: 19 per cent).
- (b) Through the enactment of the Finance Act 2021 in June 2021, the UK Corporate Tax rate would increase from 19 per cent to 25 per cent from 1 April 2023. As a result, a one-off deferred tax charge on acquired LME intangible assets of \$160 million was recognised during the six months ended 30 June 2021 (2020: \$61 million deferred tax charge was recognised as the UK Corporate Tax rate remained at 19 per cent from 1 April 2020 instead of reducing to 17 per cent as previously enacted).

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 2021	Six months ended 30 Jun 2020
Profit attributable to shareholders (\$m)	6,610	5,233
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,672	1,260,758
Basic earnings per share (\$)	5.22	4.15

(b) Diluted earnings per share

	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020
Profit attributable to shareholders (\$m)	6,610	5,233
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,265,672	1,260,758
Effect of shares awarded under Share Award Scheme (in '000)	1,879	3,172
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,267,551	1,263,930
Diluted earnings per share (\$)	5.21	4.14

11. Dividends

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Interim dividend declared of \$4.69 (2020: \$3.71) per share at 30 Jun	5,946	4,704
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(12)	(12)
	5,934	4,692

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

12. Financial Assets

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
Cash and cash equivalents	154,621	157,996
Financial assets measured at fair value through profit or loss	130,607	100,597
Financial assets measured at fair value through other comprehensive income	8,288	7,942
Financial assets measured at amortised cost	64,673	62,688
	358,189	329,223

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

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
<u>Cash for A shares</u> (note (a))		
Cash and cash equivalents	-	6,212
<u>Corporate Funds</u>		
Cash and cash equivalents (note (b))	11,416	10,753
Financial assets measured at fair value through profit or loss	9,180	7,713
Financial assets measured at amortised cost (note (b))	13,915	15,281
	34,511	33,747
<u>Margin Funds</u> ¹		
Cash and cash equivalents	123,574	122,184
Financial assets measured at fair value through other comprehensive income	5,554	5,538
Financial assets measured at amortised cost	50,758	47,407
	179,886	175,129
<u>Clearing House Funds</u> (note 17)		
Cash and cash equivalents	19,631	18,847
Financial assets measured at fair value through other comprehensive income	2,734	2,404
	22,365	21,251
<u>Metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss (note (d))	121,427	92,884
	358,189	329,223

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to China Securities Depository and Clearing Corporation Limited (ChinaClear) and margin receivable from Clearing Participants of \$11,474 million (31 December 2020: \$11,879 million), which are included in accounts receivable, prepayments and deposits. If such amounts are included, total Margin Funds would be \$191,360 million (31 December 2020: \$187,008 million) (note 15).

12. Financial Assets (continued)

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

	At 30 Jun 2021						At 31 Dec 2020					
	Cash	Margin	Clearing	Metals	Corporate	Total	Cash	Margin	Clearing	Metals	Corporate	Total
	for A shares \$m	Funds \$m	House Funds \$m	derivatives contracts \$m	Funds \$m		A shares \$m	Funds \$m	House Funds \$m	derivatives contracts \$m	Funds \$m	
Within twelve months	-	179,886	22,365	121,427	33,272	356,950	6,212	175,129	21,251	92,884	33,132	328,608
Over twelve months	-	-	-	-	1,239	1,239	-	-	-	-	615	615
	-	179,886	22,365	121,427	34,511	358,189	6,212	175,129	21,251	92,884	33,747	329,223

- (a) Cash for A shares includes:
- (i) Renminbi (RMB) cash prepayments received by HKSCC from its Clearing Participants for releasing their allocated A shares on the trade day. Such prepayments will be used to settle HKSCC's Continuous Net Settlement (CNS) obligations payable on the next business day; and
 - (ii) Hong Kong Dollar/ United States Dollar cash collateral received by HKSCC from its Clearing Participants for releasing their allocated A shares on the trade day. Such collateral will be refunded to the Clearing Participants when they settle their RMB CNS obligations on the next business day.
- (b) At 30 June 2021, cash and cash equivalents of Corporate Funds of \$478 million (31 December 2020: \$311 million) and financial assets measured at amortised cost of Corporate Funds of \$609 million (31 December 2020: \$930 million) were solely used to support Skin-in-the-Game and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund (note 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 purpose in the condensed consolidated statement of cash flows.
- (d) Metals derivatives contracts represent the fair value of outstanding base, ferrous, and precious metals futures and options contracts cleared through LME Clear that do not qualify for netting under HKAS 32: Financial Instruments: Presentation, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME. A corresponding amount has been recognised under financial liabilities at fair value through profit or loss (note 14).

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

13. Accounts Receivable, Prepayments and Deposits

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
The breakdown of accounts receivable, prepayments and deposits, net of provision for impairment losses, are as follows:		
CNS money obligations receivable	13,958	32,910
Settlement Reserve Fund and Settlement Guarantee Fund held by ChinaClear	11,420	11,862
Other receivables, prepayments and deposits	1,922	2,308
	27,300	47,080

CNS money obligations receivable mature within two days after the trade date. The balance of Settlement Reserve Fund and Settlement Guarantee Fund with ChinaClear is rebalanced on a monthly basis. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

14. Financial Liabilities at Fair Value through Profit or Loss

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
<u>Held by LME Clear in its capacity as a central counterparty</u>		
Derivative financial instruments:		
- base, ferrous, and precious metals futures and options contracts cleared through LME Clear (note 12(d))	121,427	92,884

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

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
Margin deposits, Mainland security and settlement deposits, and cash collateral from Clearing Participants comprised:		
SEOCH Clearing Participants' margin deposits	18,701	16,873
HKCC Clearing Participants' margin deposits	51,818	59,422
HKSCC Clearing Participants' margin deposits, Mainland security and settlement deposits, and cash collateral	25,350	27,111
OTC Clear Clearing Participants' margin deposits	7,280	6,899
LME Clear Clearing Participants' margin deposits	88,211	76,703
	191,360	187,008

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 82 per cent (31 December 2020: 91 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 2021 \$m	At 31 Dec 2020 \$m
The Clearing House Funds comprised:		
Clearing Participants' cash contributions	21,501	20,439
Contribution to OTC Clear Rates and FX Guarantee Resources	156	156
Clearing House Funds reserves (note 21)	622	628
	22,279	21,223
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds:		
Financial assets of Clearing House Funds (note 12)	22,365	21,251
Less: Other financial liabilities of Clearing House Funds	(86)	(28)
	22,279	21,223
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	3,429	5,667
SEOCH Reserve Fund	2,207	909
HKCC Reserve Fund	1,475	1,205
OTC Clear Rates and FX Guarantee Fund	2,758	2,730
OTC Clear Rates and FX Guarantee Resources	171	171
LME Clear Default Fund	12,239	10,541
	22,279	21,223

- (a) Contributions by HKSCC, SEOCH and HKCC to their respective default funds (Skin-in-the-Game) are set at 10 per cent of the size of the respective funds, and such contributions, together with default fund credits granted to HKSCC and HKCC Participants, are included in Corporate Funds. At 30 June 2021, the Skin-in-the-Game and default fund credits amounted to \$1,087 million (31 December 2020: \$1,241 million) (note 12(b)).

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

18. Borrowings

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
Written put options to non-controlling interests	425	423
Analysed as:		
Non-current liabilities	85	83
Current liabilities	340	340
	425	423

During the six months ended 30 June 2021, 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 2020	1,261,201	(3,274)	30,449	(770)	29,679
Shares issued in lieu of cash dividends (note (a))	6,636	(45)	1,438	(10)	1,428
Shares purchased for Share Award Scheme (note (b))	-	(84)	-	(31)	(31)
Vesting of shares of Share Award Scheme (note (c))	-	1,420	4	326	330
At 31 Dec 2020	1,267,837	(1,983)	31,891	(485)	31,406
At 1 Jan 2021	1,267,837	(1,983)	31,891	(485)	31,406
Shares purchased for Share Award Scheme (note (b))	-	(697)	-	(331)	(331)
Vesting of shares of Share Award Scheme (note (c))	-	22	-	9	9
At 30 Jun 2021	1,267,837	(2,658)	31,891	(807)	31,084

- (a) In April 2020, 6,635,576 new fully paid HKEX shares were issued and allotted at \$216.70 per share to the shareholders (including 45,127 shares allotted to the Share Award Scheme) who elected to receive HKEX shares in lieu of cash dividends pursuant to the scrip dividend scheme. Following the suspension of the scrip dividend scheme from August 2020, no HKEX shares were issued during the six months ended 30 June 2021.
- (b) During the six months ended 30 June 2021, the Share Award Scheme acquired 697,300 HKEX shares (year ended 31 December 2020: 84,000 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$331 million (year ended 31 December 2020: \$31 million).
- (c) During the six months ended 30 June 2021, a total of 22,003 HKEX shares (year ended 31 December 2020: 1,419,931 shares) were vested. The total cost of the vested shares was \$9 million (year ended 31 December 2020: \$326 million). During the year ended 31 December 2020, \$4 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 under the following two categories of awards:

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

The employee share-based compensation expenses in relation to the share awards are charged to the condensed consolidated income statement under staff costs over the relevant vesting periods with a corresponding increase in employee share-based compensation reserve.

During the six months ended 30 June 2021, no Senior Executive Awards were granted and details of Employee Share Awards awarded are set out below:

Date of award	Number of shares awarded	Average fair value per share \$	Vesting period
13 May 2021	600	442.39	31 Mar 2022 - 31 Mar 2023
13 May 2021	727,088 ¹	439.26	9 Dec 2022 - 9 Dec 2023
2 Jun 2021	211,756 ²	484.20	24 May 2022 - 24 May 2023

1 261,516 shares were awarded by re-granting the forfeited or unallocated shares held by the Scheme on 13 May 2021.

2 The shares were awarded to HKEX's Chief Executive.

21. Designated Reserves

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

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
Clearing House Funds reserves (note 17)		
- HKSCC Guarantee Fund reserve	175	185
- SEOCH Reserve Fund reserve	114	113
- HKCC Reserve Fund reserve	245	244
- OTC Clear Rates and FX Guarantee Fund reserve	73	71
- OTC Clear Rates and FX Guarantee Resources reserve	15	15
	622	628

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 2021 \$m	Six months ended 30 Jun 2020 \$m
Profit before taxation	7,906	6,104
Adjustments for:		
Net interest income	(437)	(1,014)
Net fair value (gains)/losses including interest income on financial assets mandatorily measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	(325)	138
Finance costs	77	96
Depreciation and amortisation	662	545
Employee share-based compensation benefits	137	135
Share of profits less losses of joint ventures	(38)	(39)
Other non-cash adjustments	12	5
Net increase in financial assets of Margin Funds	(4,340)	(17,015)
Net increase in financial liabilities of Margin Funds	4,352	17,022
Net increase in Clearing House Fund financial assets	(1,114)	(1,707)
Net increase in Clearing House Fund financial liabilities	1,120	1,669
Decrease in cash prepayments and collateral for A shares	6,212	1,460
Decrease/(increase) in Corporate Funds used for supporting Skin-in-the- Game and default fund credits	154	(212)
Decrease in accounts receivable, prepayments and deposits	19,425	7,423
Decrease in other liabilities	(25,595)	(8,741)
Net cash inflow from principal operations	8,208	5,869
Interest received from financial assets measured at amortised cost and cash and cash equivalents	438	1,311
Interest paid to Participants	(22)	(329)
Income tax paid	(594)	(1,776)
Net cash inflow from principal operating activities	8,030	5,075

23. Capital Expenditures and Commitments

During the six months ended 30 June 2021, the Group incurred capital expenditures of \$536 million (2020: \$519 million).

- (a) At 30 June 2021, the Group's commitments in respect of capital expenditure were as follows:

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m
Contracted but not provided for:		
- fixed assets	14	15
- intangible assets	189	146
Authorised but not contracted for:		
- fixed assets	204	260
- intangible assets	304	469
	711	890

- (b) Commitments for investment in an unlisted equity investment

In June 2021, the Group has undertaken to make a further capital injection of \$100 million to Fusion Bank Limited. Upon the completion of this investment in the fourth quarter of 2021, the Group's total investment in Fusion Bank Limited will become \$200 million.

24. Contingent Liabilities

At 30 June 2021, the Group's material contingent liabilities were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the repealed Securities Ordinance up to an amount not exceeding \$71 million (31 December 2020: \$71 million). Up to 30 June 2021, 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 628 trading Participants (31 December 2020: 635) covered by the indemnity at 30 June 2021 defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$126 million (31 December 2020: \$127 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.

25. Material Related Party Transactions

(a) Key management personnel compensation

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Salaries and other short-term employee benefits	60	63
Employee share-based compensation benefits	35	30
Retirement benefit costs	3	4
	98	97

(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, gold bullion and warrants as collateral for margins posted by its Clearing Participants. The total fair value of this collateral was US\$756 million (approximately HK\$5,871 million) at 30 June 2021 (31 December 2020: US\$2,241 million (approximately HK\$17,376 million)). LME Clear is obliged to return this non-cash collateral upon request when the Clearing Participants' collateral obligations have been substituted with cash collateral or otherwise discharged.

LME Clear also holds securities as collateral in respect of its investments in overnight triparty reverse repurchase agreements under which it is obliged to return equivalent securities to the counterparties at maturity of the reverse repurchase agreements. The fair value of this collateral was US\$13,110 million (approximately HK\$101,810 million) at 30 June 2021 (31 December 2020: US\$11,486 million (approximately HK\$89,061 million)).

The above non-cash collateral, which LME Clear is permitted to sell or repledge in the absence of default by the counterparties, was not recorded on the condensed consolidated statement of financial position of the Group at 30 June 2021. Such non-cash collateral, together with certain financial assets amounting to US\$525 million (approximately HK\$4,077 million) at 30 June 2021 (31 December 2020: US\$496 million (approximately HK\$3,845 million)), have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

27. Capital Management

At 30 June 2021, the Group had set aside \$4,000 million (31 December 2020: \$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 2020: \$2,160 million) had been injected into HKSCC, SEOCH 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.

Recurring fair value measurements:	At 30 Jun 2021				At 31 Dec 2020			
	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Financial assets								
Financial assets measured at fair value through profit or loss:								
- collective investment schemes	1,768	6,939	-	8,707	1,131	6,362	-	7,493
- equity securities	-	-	473	473	-	-	220	220
- base, ferrous, and precious metals futures and options contracts cleared through LME Clear	-	121,427	-	121,427	-	92,884	-	92,884
Financial assets measured at fair value through other comprehensive income:								
- debt securities	5,776	2,512	-	8,288	5,439	2,503	-	7,942
	7,544	130,878	473	138,895	6,570	101,749	220	108,539
Financial liabilities								
Financial liabilities at fair value through profit or loss:								
- base, ferrous, and precious metals futures and options contracts cleared through LME Clear	-	121,427	-	121,427	-	92,884	-	92,884

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

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

During the six months ended 30 June 2021 and 30 June 2020, there were no transfers of instruments between Level 1 and Level 2 or transfer into or out of Level 3.

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

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

Fair value measurements using significant unobservable inputs (Level 3)

	2021 \$m	2020 \$m
At 1 Jan	220	50
Investment in minority stakes in unlisted companies	249	160
Gains recognised in profit or loss	4	-
Gains recognised in other comprehensive income	-	10
At 30 Jun 2021 / 31 Dec 2020	473	220
Total gains or losses recognised for the period / year in the condensed consolidated income statement for assets held at 30 Jun 2021 / 31 Dec 2020	4	-

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.

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

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

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

Description	Fair value		Valuation technique	Unobservable inputs	Range
	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m			
Minority stake in Fusion Bank Limited	100	100	Market approach ¹	N/A	N/A
Minority stake in Huakong TsingJiao Information Science (Beijing) Limited	120	120	Market approach ¹	N/A	N/A
Minority stake in Guangzhou Futures Exchange	253	-	Market approach ¹	N/A	N/A
Total	473	220			

¹ Based on recent transactions

Fusion Bank Limited has a virtual banking license granted by the Hong Kong Monetary Authority. The investment is not traded in an active market. The company launched its virtual banking platform in 2020, offering a variety of banking services including savings, time deposits, local fund transfers and foreign exchange. At 30 June 2021, the latest fair value was based on recent market transactions.

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. At 30 June 2021, the latest fair value was based on recent market transactions.

Guangzhou Futures Exchange was officially launched in April 2021, and it seeks to become an innovative and market-oriented exchange with international influence, focusing on serving the real economy and green development initiatives. At 30 June 2021, the latest fair value was based on recent market transactions.

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

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

Summarised in the following table are the carrying amounts and fair values of financial assets and financial liabilities not presented in the condensed consolidated statement of financial position at their fair values, 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 2021		At 31 Dec 2020	
	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	306	306	-	-
- other financial assets maturing over one year ²	96	87	99	94
Liabilities				
Borrowings:				
- written put options to non-controlling interests ³	425	431	423	430
Financial guarantee to the Collector of Stamp Revenue ⁴	20	60	20	76

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 0.28 per cent to 1.35 per cent at 30 June 2021 (31 December 2020: 0.12 per cent to 0.60 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 1.22 per cent at 30 June 2021 (31 December 2020: 1.19 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 2.65 per cent at 30 June 2021 (31 December 2020: 2.10 per cent).

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