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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 Codes: 388 (HKD counter) and 80388 (RMB counter)

(Financial figures in this announcement are expressed in Hong Kong dollar (HKD) unless otherwise stated)

2023 INTERIM RESULTS, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

STRATEGIC AND FINANCIAL HIGHLIGHTS

Nicolas Aguzin, Chief Executive Officer said:

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

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

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

Strategic & Operational Highlights

Corporate

27 Jun 23rd Anniversary of HKEX as a listed company

Products and Services

13 Mar Expansion of eligible stocks under Stock Connect

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

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

Market Operations

20 Mar Hong Kong Investor Identification Regime (HKIDR) implemented

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

24 Apr Stock Connect trading calendar enhancement took effect

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

Regulation

31 Mar Specialist Technology Company listing regime took effect

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

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

Corporate Social Responsibility and ESG

28 Mar 2023 HKEX Impact Funding Scheme launched

2 May 2023 HKEX Charity Partnership Programme launched

30 Jun 2022 HKEX Research Funding Scheme awardees announced

Comparison of 1H 2023 with 1H 2022 Results

Financial Highlights

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

Key Financials

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

Key Market Statistics

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

1 Includes buy and sell trades under Stock Connect

2 ADT of Southbound Trading is included within Headline ADT.

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

4 New record half-yearly high in 1H 2023

¹ For the purposes of this announcement, EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint ventures. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.

Comparison of Q2 2023 with Q2 2022 Results

Financial Highlights

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

Key Financials

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

Key Market Statistics

	Three months ended 30 Jun 2023	Three months ended 30 Jun 2022	Change
ADT of equity products traded on the Stock Exchange ¹ (\$bn)	90.8	113.6	(20%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	12.0	16.1	(25%)
ADT traded on the Stock Exchange ^{1,2} (Headline ADT) (\$bn)	102.8	129.7	(21%)
ADT of Northbound Trading of Stock Connect ¹ (RMBbn)	122.5	101.8	20%
ADT of Southbound Trading of Stock Connect ¹ (\$bn)	30.1	30.9	(3%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	717	704	2%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	599	570	5%
Chargeable ADV ³ of metals contracts traded on the LME ('000 lots)	574	487	18%
ADT of Northbound Bond Connect (RMBbn)	40.8⁴	29.7	37%

¹ Includes buy and sell trades under Stock Connect

² ADT of Southbound Trading is included within Headline ADT.

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

⁴ New record quarterly high in Q2 2023

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Looking forward, ongoing macroeconomic and geopolitical uncertainties and global megatrends, such as AI and climate change, will continue to shape the broader market and business environment. As Asia's premier international exchange group, we are confident that our resilience and our clear strategic focus make us very well placed to address both the challenges and capture the significant opportunities ahead. We look forward to continuing to work closely with our clients, partners, regulators and other stakeholders to drive connectivity, innovation and sustainability across our markets and business, reinforcing our leadership role at the heart of the global financial community.

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

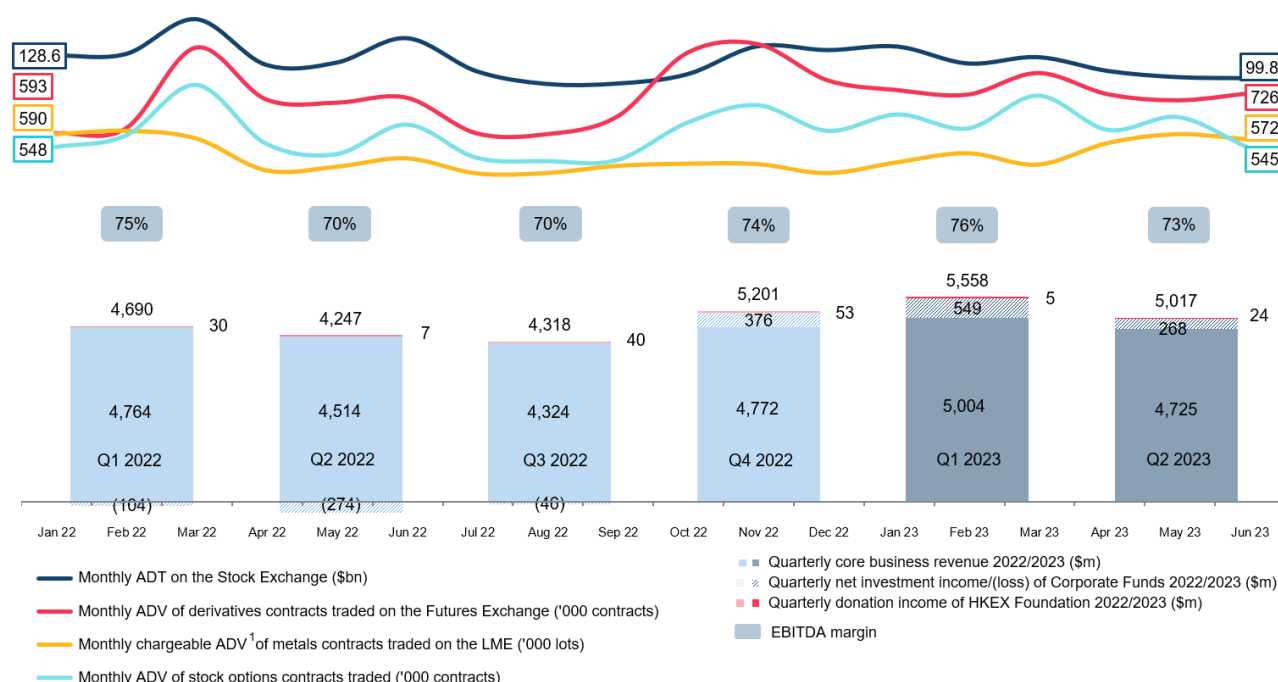
Laura M CHA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Quarterly Results, Q1 2022 – Q2 2023



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

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

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

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

Q2 2023 revenue and other income of \$5.0 billion was a record second quarter high, boosted by very good net investment income as a result of the high interest rate environment. Compared with Q1 2023, core business revenue for Q2 2023 was 6 per cent lower, reflecting the 20 per cent drop in Headline ADT and lower net investment income of Margin Funds, partly offset by the seasonal increase in depository fees. Total revenue and other income for Q2 2023 was 10 per cent lower than Q1 2023, due to the decrease in core business revenue, lower fair value gains of the External Portfolio (Q2 2023: \$20 million; Q1 2023: \$195 million), and lower investment income of Corporate Funds. As operating expenses remained broadly in line with Q1 2023, profit was, overall, 15 per cent lower than Q1 2023. Comparing Q2 2023 results with the same quarter last year, revenue and other income was up 18 per cent, EBITDA was up 25 per cent and profit was up 34 per cent, again reflecting the strong performance of net investment income.

Analysis of Results and Business Update by Operating Segment

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

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

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

Cash Segment

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

Analysis of Results

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

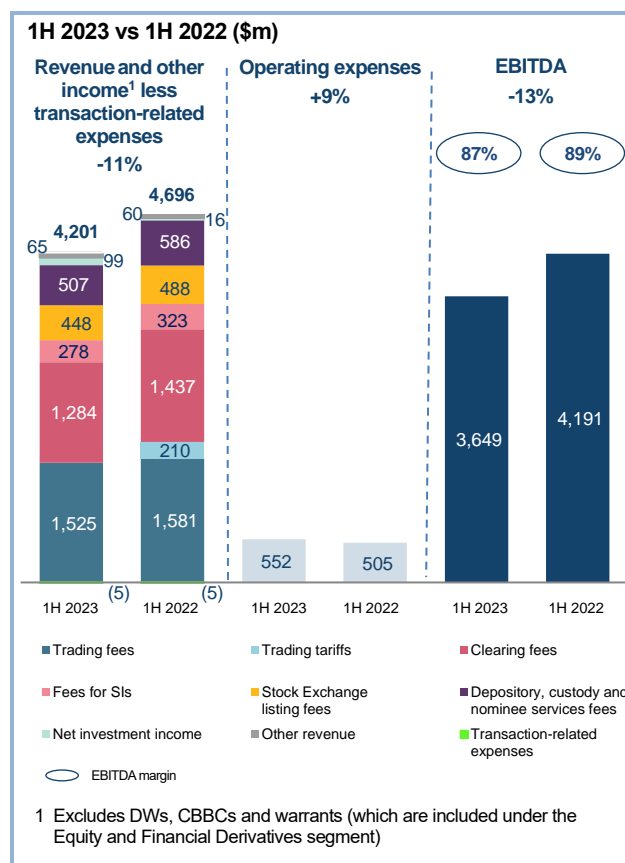
Trading fees of equity products for 1H 2023 were \$1,525 million, a 15 per cent decrease compared with the total trading fees and tariffs of \$1,791 million in 1H 2022. The reduction was attributable to the 14 per cent decrease in ADT of equity products traded on the Stock Exchange, and the net decrease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

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

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

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

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



Business Update

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

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

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

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

On 20 March 2023, the Hong Kong Investor Identification Regime (HKIDR) was successfully implemented. This HKIDR mechanism seeks to

identify originators of orders and trades, facilitating more effective market governance and surveillance.

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

Key Market Indicators	Six months ended	Six months ended
	30 Jun 2023	30 Jun 2022
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	102.9	119.9
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect ² (RMBbn)	50.7	48.5
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect ² (RMBbn)	58.6	55.4
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect ² (\$bn)	16.9	17.0
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect ² (\$bn)	16.9	16.2
ADT of Northbound Bond Connect (RMBbn)	38.9⁴	31.2
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,720	1,900
Average daily value of SIs for Stock Exchange trades (\$bn)	268.5	326.8
Average daily number of SIs for Stock Exchange trades ('000)	105	120
Average daily value of SIs for Northbound Trading of Stock Connect (RMBbn)	29.3	29.8
Number of newly listed companies on the Main Board ³	33	27
Number of newly listed companies on GEM	-	-
Total equity funds raised		
- IPOs (\$bn)	17.9	19.7
- Post-IPO (\$bn)	57.1	95.3
Portfolio values of Northbound Trading of Stock Connect at 30 Jun (RMBbn)	2,377	2,532
Portfolio values of Southbound Trading of Stock Connect at 30 Jun (\$bn)	2,253	2,231
Number of companies listed on the Main Board at 30 Jun	2,271	2,223
Number of companies listed on GEM at 30 Jun	333	345
Number of trading days	120	120
1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes ADT of Southbound Trading under Stock Connect		
2 Includes buy and sell trades under Stock Connect		
3 Includes 2 transfers from GEM (1H 2022: 1)		
4 New record half-yearly high in 1H 2023		

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

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

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

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

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

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

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

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

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

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

- Completed the 2022 Annual Attestation and Inspection Programme and shared the results and findings with the market in February 2023; commenced the 2023 Annual Attestation and Inspection Programme with a focus on two key areas: (1) China Connect rules and (2) risk management
 - Developed and maintained the central data repository for HKIDR and supported market participants to better understand the regime and prepare for the reporting requirements
 - Collaborated with the surveillance teams of the Shanghai Stock Exchange and Shenzhen Stock Exchange to host two seminars to all China Connect Exchange Participants and Trade Through Exchange Participants, enhancing their understanding of the rules governing the real-time monitoring of abnormal trading applicable to Stock Connect Northbound Trading
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On 14 April 2023, the Stock Exchange published a consultation paper on *Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework*. The proposals aim to accelerate the building of resiliency and the sustainability journey of issuers and strengthen Hong Kong's role as a trusted and attractive venue for capital raising. The consultation period ended on 14 July 2023.

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

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

Guidance materials

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

Equity and Financial Derivatives Segment

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

Analysis of Results

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

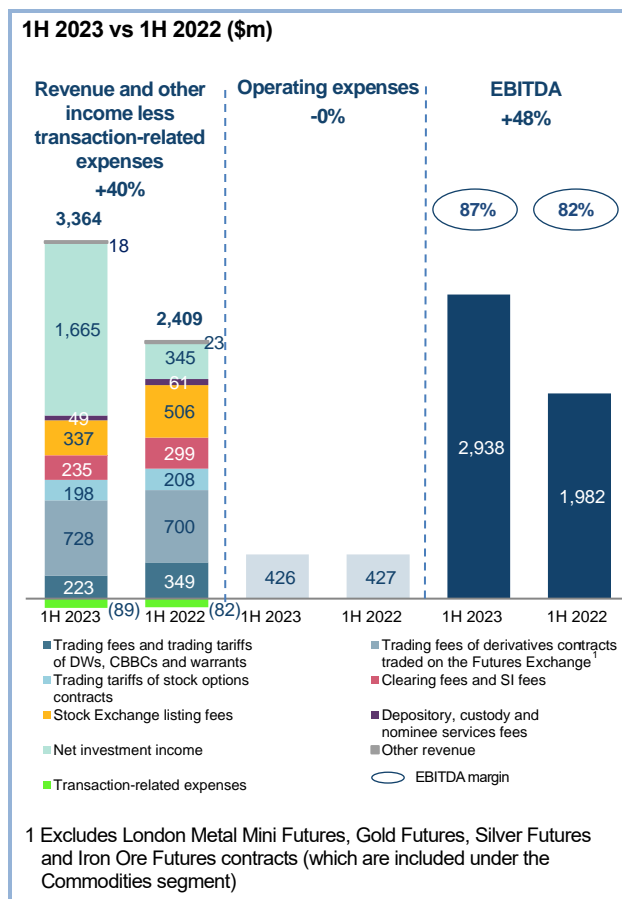
Trading fees and trading tariffs of DWs, CBBCs and warrants fell by 36 per cent compared with 1H 2022, attributable to the 32 per cent decrease in ADT and the removal of the fixed trading tariffs, but partly offset by the increased ad valorem trading fees (see commentary in the Cash segment).

Futures Exchange derivatives trading fees² increased by \$28 million, or 4 per cent, due to the increase in number of derivatives contracts traded; this was partly offset by lower fees per contract being traded in 1H 2023, attributable to increased popularity of recently launched products (including Hang Seng TECH Index Futures and Options), which have lower fees than contracts such as HSI Futures and Options.

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

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

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



² Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

Business Update

Driven by the record half-yearly number of derivatives contracts traded on the Futures Exchange, ADV of derivatives contracts traded² (i.e., all futures and options contracts including stock options) in 1H 2023 reached a record half-yearly high of 1,368,112 contracts – 5 per cent higher than both 1H 2022 and 2H 2022, reflecting increasing demand for products recently launched and increased cross-product trading activities.

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

Key Market Indicators	Six months ended	Six months ended
	30 Jun 2023	30 Jun 2022
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	12.6	18.4
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	318	388
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	735 ³	701
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	633	604
Number of newly listed DWs	4,334	6,157
Number of newly listed CBBCs	11,995	19,413
ADV of contracts traded during After-Hours Trading (AHT) ¹ ('000 contracts)	84	117
Number of trading days ²	129	122
	At	At
	30 Jun 2023	30 Jun 2022
Open interest of futures and options contracts ¹ ('000 contracts)	12,702	10,466
1 Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)		
2 Includes 9 holiday trading days (1H 2022: 2)		
3 New record half-yearly high in 1H 2023		

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

Physically-settled Options on Futures Contracts continued to gain traction and recorded several record highs during 1H 2023. The aggregate ADV of the three products in the suite, namely Hang Seng Index Futures Options, HSCEI Futures Options and Hang Seng TECH Index Futures Options³, was 39,947 contracts in 1H 2023, up more than 170 per cent compared with 1H 2022. The aggregate OI as at 30 June 2023 stood at 988,615 contracts, up 24 per cent compared with 31 December 2022.

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

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

³ Hang Seng TECH Index Futures Options were launched in November 2022.

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

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

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

Commodities Segment

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

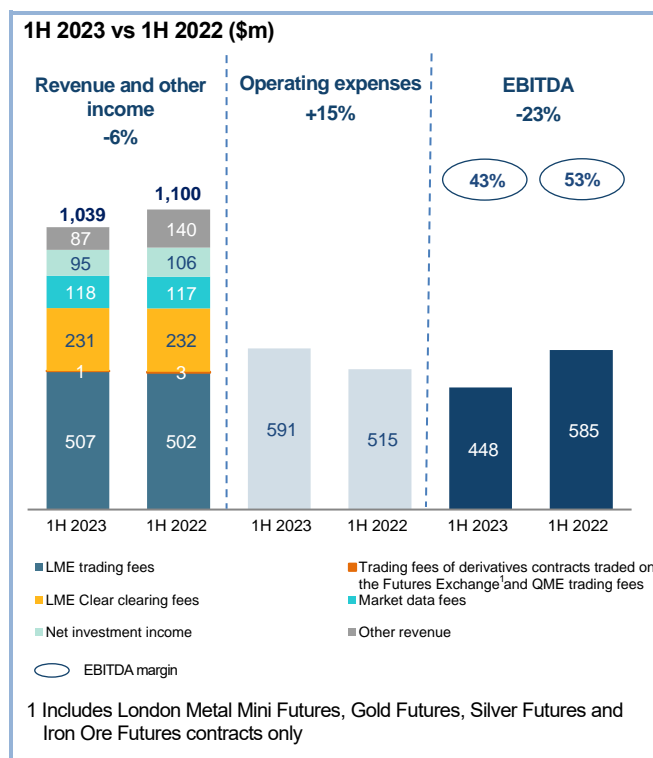
Analysis of Results

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

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

Other revenue declined by \$53 million, mainly due to lower accommodation income collected from LME Clear CPs on cash collateral, as USD investment returns rose above the benchmark interest rate stipulated in the rules of LME Clear.

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



Business Update

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

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

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

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

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

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

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

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

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

Data and Connectivity Segment

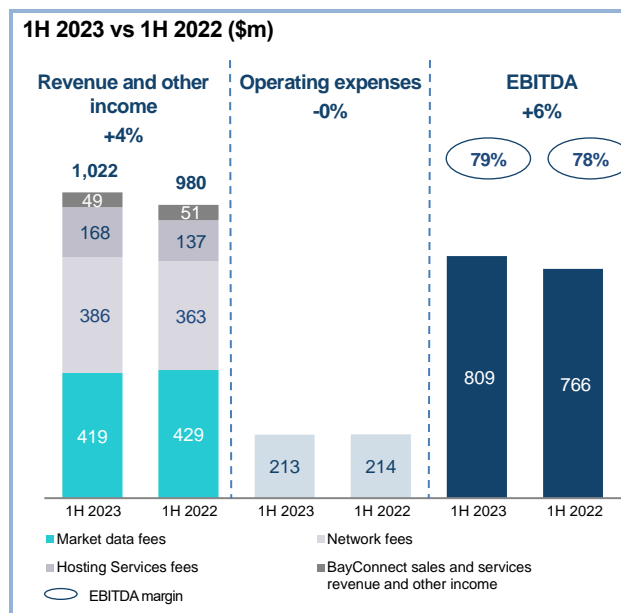
The Data and Connectivity segment covers sales of market data relating to the Hong Kong Cash and Derivatives Markets; all services in connection with providing users with access to the platform and infrastructure of the Group; and services provided by BayConnect. Its major sources of revenue are market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

Analysis of Results

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

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

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



Business Update

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

The LME experienced a hardware-related systems issue on 8 August 2023 impacting trade feeds into its clearing system, which was swiftly resolved. Trading and pricing were uninterrupted, however the LME was required to process a trading backlog over the affected period. The LME successfully resolved the vast majority of the backlog on 8 August, with a small proportion of activity needing to be resubmitted by some members the following day. The LME would like to thank members for their support and cooperation during this process.

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

Corporate Items

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

Analysis of Results

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

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

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

¹ Investments in minority stakes of unlisted companies

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

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

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

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

Business Update

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

To reinforce the Group's commitment to addressing climate change, HKEX continued to facilitate the transition to a net-zero global economy across its markets, business and operations. During 1H 2023, the Group focused on the ongoing development of its carbon market, Core Climate; the promotion of sustainable-focused products through STAGE; and driving educational engagement with industry practitioners, professional bodies, regulators and other stakeholders. In addition, the Group ran its annual "HKEX Goes Green" campaign, raising environmental awareness and supporting more eco-friendly behaviours amongst HKEX employees and the community. As a market regulator, HKEX published a consultation on enhancing climate-related disclosures as part of its ESG framework, helping issuers chart their own journey as part of a low-carbon economy.

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

Expenses, Other Costs and Taxation

Operating Expenses

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

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

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

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

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

Depreciation and Amortisation

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

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

During 1H 2023, the Group incurred capital expenditure⁴ of \$501 million, an increase of 5 per cent from 1H 2022.

Finance Costs

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

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

Taxation

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

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

⁴ Exclude right-of-use assets recognised under HKFRS 16: Leases

FINANCIAL REVIEW

Significant Financial Assets and Financial Liabilities by Funds

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

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

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

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

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

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

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

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

Margin Funds and Clearing House Funds of LME Clear are mainly invested in overnight reverse repurchase investments, where high quality assets are held against such investments as collateral. In Hong Kong, Clearing House Funds are predominantly kept overnight or invested in Exchange Fund Bills issued by the Hong Kong Monetary Authority due to regulatory requirements. For Margin Funds, a certain proportion of the funds are kept overnight to meet withdrawal requests from CPs (approximately 16 per cent at 30 June 2023), a certain proportion is invested in long-term investment grade debt

securities (approximately 8 per cent at 30 June 2023) and the remaining funds are invested in time deposits with maturity of up to 12 months (weighted original maturity of nine months as at 30 June 2023).

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

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

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

Net Investment Income of Margin Funds and Clearing House Funds

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

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

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

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

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

Working Capital, Financial Resources and Gearing

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

At 30 June 2023, the Group's outstanding borrowings represented written put options to non-controlling interests of \$495 million (31 December 2022: \$491 million). As a result, the Group had a gross gearing ratio (i.e., gross debt divided by adjusted capital) of 1 per cent (31 December 2022: 1 per cent), and a net gearing ratio (i.e., net debt divided by adjusted capital) of zero per cent (31 December 2022: zero per cent). For this purpose, gross debt is defined as total borrowings (excluding lease liabilities) and net debt⁵ is defined as gross debt less cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds), and adjusted capital as all components of equity attributable to shareholders of HKEX other than designated reserves.

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

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

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

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

Capital Expenditure and Commitments

During 1H 2023, the Group incurred capital expenditure⁴ of \$501 million (1H 2022: \$478 million) mainly related to the development and upgrade of various trading and clearing systems (notably trading systems for Commodities Market).

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

⁵ Net debt is zero when the amount of cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds) is higher than gross debt.

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

Save for those disclosed in this announcement, there were no other significant investments held, nor were there any material acquisitions or disposals of subsidiaries during the period under review. Apart from those disclosed in this announcement, there were no material investments or additions of capital assets authorised by the Board at the date of this announcement.

Pledges of Assets

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

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

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

Exposure to Fluctuations in Exchange Rates and Related Hedges

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

Forward foreign exchange contracts and foreign currency bank deposits may be used to hedge the currency exposure of the Group's non-HKD and non-USD assets and liabilities and highly probable forecast transactions to mitigate risks arising from fluctuations in exchange rates, and foreign exchange swaps may be used for optimising foreign currency cash flows while hedging the overall foreign exchange exposures of the Group.

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

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

Contingent Liabilities

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

- (a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the repealed Securities Ordinance up to an amount not exceeding \$71 million (31 December 2022: \$71 million). Up to 30 June 2023, no calls had been made by the SFC in this connection.

- (b) The Group had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 583 trading Participants (31 December 2022: 598) covered by the indemnity at 30 June 2023 defaulted, the maximum liability of the Group under the indemnity would amount to \$117 million (31 December 2022: \$120 million).
- (c) HKEX had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.
- (d) Material litigation

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

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

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

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

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

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

CHANGES SINCE 31 DECEMBER 2022

There were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2022.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2023 in conjunction with HKEX's external auditor. Based on this review and discussions with the management, the Audit Committee was satisfied that the Unaudited Condensed Consolidated Financial Statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the six months ended 30 June 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2023, HKEX complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exception of Code Provision B.2.2 (retirement by rotation of directors).

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

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

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

SUSTAINABLE WORKPLACE

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

As at 30 June 2023, the Group had 2,305 permanent employees and 143 temporary employees. HKEX's remuneration policy has remained unchanged since the date of the 2022 Annual Report.

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

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	Note	At 30 Jun 2023			At 31 Dec 2022		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
Assets							
Cash and cash equivalents	9	148,578	-	148,578	184,965	-	184,965
Financial assets measured at fair value through profit or loss	9	6,394	827	7,221	6,177	787	6,964
Financial assets measured at fair value through other comprehensive income	9	18,917	-	18,917	14,962	-	14,962
Financial assets measured at amortised cost	9	68,314	1,507	69,821	70,285	209	70,494
Derivative financial instruments	9	69,073	-	69,073	80,718	-	80,718
Accounts receivable, prepayments and deposits	10	21,388	21	21,409	25,354	21	25,375
Tax recoverable		42	-	42	17	-	17
Interests in joint ventures		-	309	309	-	291	291
Goodwill and other intangible assets		-	19,084	19,084	-	18,968	18,968
Fixed assets		-	1,505	1,505	-	1,640	1,640
Right-of-use assets		-	1,497	1,497	-	1,604	1,604
Deferred tax assets		-	36	36	-	53	53
Total assets		332,706	24,786	357,492	382,478	23,573	406,051
Liabilities and equity							
Liabilities							
Derivative financial instruments		69,041	-	69,041	80,705	-	80,705
Margin deposits, Mainland security and settlement deposits, and cash collateral from Participants		187,899	-	187,899	227,902	-	227,902
Accounts payable, accruals and other liabilities	11	19,885	-	19,885	19,054	-	19,054
Deferred revenue		721	322	1,043	1,076	333	1,409
Taxation payable		1,037	-	1,037	2,172	-	2,172
Other financial liabilities		100	-	100	40	-	40
Participants' contributions to Clearing House Funds		23,072	-	23,072	21,205	-	21,205
Lease liabilities		260	1,363	1,623	297	1,448	1,745
Borrowings	12	432	63	495	430	61	491
Provisions		79	108	187	67	90	157
Deferred tax liabilities		-	1,037	1,037	-	1,072	1,072
Total liabilities		302,526	2,893	305,419	352,948	3,004	355,952
Equity							
Share capital				31,918			31,918
Shares held for Share Award Scheme				(859)			(918)
Employee share-based compensation reserve				455			346
Hedging and revaluation reserves				(196)			(266)
Exchange reserve				(122)			(155)
Designated reserves				827			686
Reserve relating to written put options to non-controlling interests				(430)			(430)
Retained earnings	13			20,057			18,547
Equity attributable to shareholders of HKEX				51,650			49,728
Non-controlling interests				423			371
Total equity				52,073			50,099
Total liabilities and equity				357,492			406,051
Net current assets				30,180			29,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation

These unaudited condensed consolidated financial statements should be read in conjunction with the 2022 annual consolidated financial statements. Except as described in note 2 below and the change in operating segments as described in note 3, the accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2022.

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

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

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

2. Accounting Policies

(a) Adoption of new/revised HKFRSs

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

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

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

3. Operating Segments

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

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

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

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

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

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

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

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

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

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

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

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

	Six months ended 30 Jun 2023					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	3,387	1,414	780	49	5	5,635
Over time	713	374	164	969	3	2,223
Revenue	4,100	1,788	944	1,018	8	7,858
Net investment income	99	1,665	95	-	817	2,676
Donation income of HKEX Foundation	-	-	-	-	29	29
Sundry income	7	-	-	4	1	12
Revenue and other income	4,206	3,453	1,039	1,022	855	10,575
Less: Transaction-related expenses	(5)	(89)	-	-	-	(94)
Revenue and other income less transaction-related expenses	4,201	3,364	1,039	1,022	855	10,481
Operating expenses	(552)	(426)	(591)	(213)	(840)	(2,622)
Reportable segment EBITDA	3,649	2,938	448	809	15	7,859
Depreciation and amortisation	(179)	(124)	(165)	(74)	(177)	(719)
Finance costs	(17)	(24)	(2)	(1)	(26)	(70)
Share of profits less losses of joint ventures	38	1	-	-	-	39
Reportable segment profit before taxation	3,491	2,791	281	734	(188)	7,109

	As restated Six months ended 30 Jun 2022					
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Data and Connectivity \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:						
Point in time	3,929	1,607	784	36	1	6,357
Over time	745	539	204	940	3	2,431
Revenue	4,674	2,146	988	976	4	8,788
Net investment income/(loss)	16	345	106	-	(378)	89
Donation income of HKEX Foundation	-	-	-	-	37	37
Sundry income	11	-	6	4	2	23
Revenue and other income	4,701	2,491	1,100	980	(335)	8,937
Less: Transaction-related expenses	(5)	(82)	-	-	-	(87)
Revenue and other income less transaction-related expenses	4,696	2,409	1,100	980	(335)	8,850
Operating expenses	(505)	(427)	(515)	(214)	(795)	(2,456)
Reportable segment EBITDA	4,191	1,982	585	766	(1,130)	6,394
Depreciation and amortisation	(187)	(119)	(190)	(63)	(158)	(717)
Finance costs	(18)	(23)	(3)	(2)	(27)	(73)
Share of profits less losses of joint ventures	42	-	-	-	-	42
Reportable segment profit before taxation	4,028	1,840	392	701	(1,315)	5,646

4. Net Investment Income

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

5. Finance Costs

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

6. Taxation

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

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

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

7. Earnings Per Share

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

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

8. Dividends

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

9. Financial Assets

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

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

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

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

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

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

(a) Cash for A-shares includes:

- (i) RMB cash prepayments received by HKSCC from its CPs for releasing their allocated A-shares on the trade day. Such prepayments will be used to settle HKSCC's CNS obligations payable on the next business day; and
- (ii) HKD/USD cash collateral received by HKSCC from its CPs for releasing their allocated A-shares on the trade day. Such collateral will be refunded to the CPs when they settle their RMB CNS obligations on the next business day.

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

(c) Derivative financial instruments include outstanding derivatives contracts of LME Clear, which acts as a central counterparty to the base and ferrous metals futures and options contracts traded on the LME, forward foreign exchange contracts held as cash flow hedging instruments, and foreign exchange swaps.

10. Accounts Receivable, Prepayments and Deposits

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

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

11. Accounts Payable, Accruals and Other Liabilities

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

12. Borrowings

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

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

13. Retained Earnings

	2023 \$m	2022 \$m
At 1 Jan	18,547	18,173
Profit attributable to shareholders	6,312	10,078
Transfer to designated reserves	(141)	(63)
Dividends:		
2022/2021 second interim dividend	(4,669)	(5,290)
2022 first interim dividend	-	(4,366)
Unclaimed HKEX dividends forfeited	10	26
Vesting of shares of Share Award Scheme	(2)	(15)
UK tax relating to Share Award Scheme	-	(3)
Change in ownership interest in a subsidiary	-	7
At 30 Jun 2023 / 31 Dec 2022	20,057	18,547

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

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

Key Dates for 2023 Interim Dividend

Ex-dividend date	29 August 2023
Closure of HKEX's Register of Members	31 August to 1 September 2023 (both dates inclusive)
Record date	1 September 2023
Despatch of dividend warrants	12 September 2023

To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with HKEX's registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 pm on Wednesday, 30 August 2023.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKEXnews website at www.hkexnews.hk and the HKEX Group website at www.hkexgroup.com/Investor-Relations/Regulatory-Disclosure/Announcements/2023. The 2023 Interim Report will be available on the HKEXnews and HKEX Group websites and despatched to Shareholders on or about Thursday, 31 August 2023.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
David Fu
Group Company Secretary

Hong Kong, 16 August 2023

As at the date of this announcement, HKEX's Board of Directors 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 HUNG Pi Cheng, Benjamin, Ms LEUNG Nisa Bernice Wing-Yu, Mr LEUNG Pak Hon, Hugo, Mr Carlson TONG, Mr YAM Chi Kwong, Joseph and Mr ZHANG Yichen, and one Executive Director, Mr Alejandro Nicolas AGUZIN, who is also the Chief Executive of HKEX.

GLOSSARY

ADT	Average daily turnover value
ADV	Average daily volume (in number of contracts/lots)
AI	Artificial intelligence
BayConnect	BayConnect Technology Company Limited
Board	HKEX's board of directors
Bond Connect	A mutual bond market access programme between Hong Kong and Mainland China, under which Northbound trading enables overseas investors to invest in the China Interbank Bond Market, and Southbound trading enables Mainland institutional investors to invest in offshore bonds through the Hong Kong bond market
Cash Market	HKEX's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
Chief Executive Officer	HKEX's Chief Executive
ChinaClear	China Securities Depository and Clearing Corporation Limited
CNH	Offshore RMB traded outside Mainland China
CNS	Continuous Net Settlement
Corporate Governance Code	Refers to Appendix 14 to the Main Board Listing Rules
CP(s)	Clearing Participant(s)
Derivatives Market	HKEX's derivatives related business including stock options
Director(s)	HKEX's director(s)
DWs	Derivative warrants
EPs	Exchange Participants
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
ETP(s)	Exchange Traded Product(s), which include(s) ETFs and L&I Products
Euro	The official currency of the Eurozone
Exchange or SEHK or Stock Exchange	The Stock Exchange of Hong Kong Limited
External Portfolio	Externally-managed investment funds
FINI	Fast Interface for New Issuance
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
Government Appointed Directors	Directors appointed by the Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China pursuant to Section 77 of the SFO
Group or HKEX Group	HKEX and its subsidiaries
Headline ADT	ADT of equity products, DWs, CBBCs and warrants traded on the Stock Exchange
HKCC	HKFE Clearing Corporation Limited
HKEX Foundation	HKEX Foundation Limited
HKEX or the Company	Hong Kong Exchanges and Clearing Limited
HKEX Group website	www.hkexgroup.com
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKIDR	Hong Kong Investor Identification Regime
HKSCC	Hong Kong Securities Clearing Company Limited
HSCEI	Hang Seng China Enterprises Index

HSI	Hang Seng Index
IPO(s)	Initial Public Offering(s)
Iron Ore Futures	TSI Iron Ore Fines 62 per cent Fe CFR China Futures
IT	Information Technology
L&I Products	Leveraged and Inverse Products
Listing Committee	Listing Committee of the Main Board and GEM
Listing Rule(s)	Main Board Listing Rules and Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
LME	The London Metal Exchange
LME Clear	LME Clear Limited
LME Group	HKEX Investment (UK) Limited, LME Holdings Limited, the LME and LME Clear
London Metal Mini Futures	London Aluminium/Zinc/Copper/Nickel/Tin/Lead Mini Futures
Main Board Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MSCI	MSCI Inc.
Northbound Trading or Stock Connect Northbound	Hong Kong and overseas investors trading in eligible securities that are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange through Stock Connect
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
PRC	The People's Republic of China
QME	Qianhai Mercantile Exchange Co., Ltd.
RMB	Renminbi
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai-Hong Kong Stock Connect	A mutual market access programme that links the stock markets in Shanghai and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market
Shareholders	HKEX's shareholders
Share Award Scheme	The HKEX Employees' Share Award Scheme and the HKEX Employees' Share Award 2023 Scheme
SHCH	Shanghai Clearing House
Shenzhen-Hong Kong Stock Connect	A mutual market access programme that links the stock markets in Shenzhen and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market
Southbound Trading or Stock Connect Southbound	Mainland investors trading in eligible securities that are listed on the Stock Exchange through Stock Connect
STAGE	HKEX's Sustainable and Green Exchange
Stock Connect	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
Swap Connect	A mutual market access programme that provides Hong Kong and international investors access to the onshore interest rate swap market through a Northbound channel initially launched in May 2023
UK	United Kingdom
US	United States of America
US\$/USD	United States dollar
\$/HK\$/HKD	Hong Kong dollar
\$bn/bn	Hong Kong dollar in billion/billion

\$m	Hong Kong dollar in million
£/GBP	Pound sterling
1H, 2H	First half, second half (of the year)
Q1, Q2, Q3, Q4	First quarter, second quarter, third quarter, fourth quarter (of the year)