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

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

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

2015 INTERIM RESULTS, **INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Board is pleased to submit the unaudited consolidated results of the Group for the six months ended 30 June 2015.

FINANCIAL HIGHLIGHTS

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Revenue and other income	6,853	4,621	48%
Operating expenses	1,580	1,423	11%
EBITDA *	5,273	3,198	65%
Profit attributable to shareholders	4,095	2,367	73%
Basic earnings per share	\$3.49	\$2.04	71%
Interim dividend per share	\$3.08	\$1.83	68%

- Revenue and other income experienced a significant uplift over the equivalent period in 2014 and represented record high half-year earnings for the Group.
 - The uplift in revenue reflects a significant increase in the contribution from the Group's UK operations as the post-acquisition commercialisation strategy for the LME yields returns. These include the increase in LME trading fees effective 1 January 2015 and the contribution from LME Clear, launched in September 2014; and
 - The Group also benefited from a significant increase in Hong Kong market activity, in both the Cash and Derivatives Markets, during the second quarter of 2015.
- Increased operating expenses over the prior period primarily reflect increased staff costs, including additional headcount to support strategic initiatives. The overall increase was mitigated by reductions in legal costs and recoveries from the liquidators of Lehman Brothers Securities Asia Limited.
- The EBITDA margin of 77 per cent was 8 per cent higher than EBITDA for the first half (1H) of 2014, and 7 per cent higher than the full year ended December 2014, reflecting the significant uplift in Group revenue.
- Profit attributable to shareholders increased by 73 per cent over 1H 2014 reflecting increased EBITDA combined with stable depreciation and amortisation compared to the comparative period.

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Change
KEY MARKET STATISTICS			
ADT of equity products traded on the Stock Exchange (\$bn)	96.9	51.6	88%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	28.4	11.3	151%
ADT traded on the Stock Exchange (\$bn)	125.3	62.9	99%
Average daily number of derivatives contracts traded on the Futures Exchange	365,449	262,653	39%
Average daily number of stock options contracts traded on the Stock Exchange	442,928	263,163	68%
Average daily volume of metals contracts traded on the LME (lots)	695,588	719,435	(3%)

* 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 venture.

CHAIRMAN'S STATEMENT

The financial markets in Hong Kong experienced high volatility in the first half of 2015. The year started with concerns about global economic growth and timing of a widely anticipated interest rate hike in the US. The Mainland's ongoing liberalisation of its economy and markets, and the gradual increase in the trading through the Shanghai-Hong Kong Stock Connect programme spurred investor confidence in the early part of the second quarter. In June, the markets reacted rigorously to the uncertainty arising from the Greek debt crisis and the Mainland stock market adjustments.

Against this backdrop, the average daily turnover in the securities market and the average daily trading volume of futures and options in the derivatives market were \$125.3 billion and 808,377 contracts for the first six months of 2015, an increase of 99 per cent and 54 per cent respectively as compared with the same period last year. The LME had a slight decrease in trading activity in the first half of the year. Average daily volume of metals contracts traded on the exchange fell 3 per cent from a year ago to 695,588 lots, due to weaker demand for industrial metals.

For the first six months of the year, the Group's consolidated revenue and other income reached \$6,853 million, and the LME's contribution accounted for 19 per cent as a result of its commercialisation. The Group's revenue and other income and the profit attributable to shareholders rose 48 per cent and 73 per cent respectively against the corresponding period last year. The Board declared an interim dividend of \$3.08 per share, which is 90 per cent of the profit attributable to shareholders. To facilitate Shareholders' reinvestment of their dividends into HKEx shares, the Board has decided to offer a 5 per cent discount on the subscription price for Shareholders who elect to receive the scrip alternative.

The Shanghai-Hong Kong Stock Connect programme has been running smoothly, and there have been some refinements since its launch. We are now working together with regulators, Mainland exchanges and market participants to expand our connectivity with the Mainland by establishing a link with the Shenzhen Stock Exchange. We believe our mutual market access strategy will continue to benefit us through greater liquidity and increased RMB business opportunities, which will help Hong Kong secure its position as the world's leading offshore RMB hub and ultimately become China's premier offshore wealth management centre.

A number of consultation papers and consultation conclusions have been recently released on ways to further strengthen our markets. The most recent conclusions explain our decision to introduce a volatility control mechanism and closing auction session in Hong Kong. In London, there is a new paper on proposed warehouse reforms which would have a significant impact on the LME's market. More information on our various initiatives is set out in the following Business Review section.

Despite fluctuations, our markets have continued to operate in an orderly manner in light of our robust trading, clearing and settlement systems, prudent risk management measures and sound regulatory framework. With multiple and complex challenges facing the world economy, the performance of the global financial markets, with Hong Kong being no exception, is subject to uncertainties in the second half of the year. We will continue to work closely with our regulators and market participants to enhance our platforms so they remain reliable and able to accommodate potential market growth. The Group will stay vigilant and strive to enhance its competitiveness further by introducing new products to meet market needs.

On behalf of the Board, I would like to welcome Ms Anita Fung and Mr Rafael Gil-Tienda to the Board and thank Messrs Stephen Hui and Michael Lee for their contributions to HKEx during their term of service as Directors. The Board is pleased that Mr Charles Li has agreed to continue as HKEx's Chief Executive for another term of 3 years. We look forward to the further growth of the Group under his leadership.

CHOW Chung Kong
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Update and Analysis of Results by Operating Segment

	Six months ended 30 Jun 2015		Six months ended 30 Jun 2014		Change	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m	Revenue and other income %	EBITDA %
Results by segment:						
Cash	1,886	1,610	1,316	1,093	43%	47%
Equity and Financial Derivatives	1,100	864	788	589	40%	47%
Commodities	886	632	645	317	37%	99%
Clearing	2,657	2,348	1,586	1,338	68%	75%
Platform and Infrastructure	248	174	196	123	27%	41%
Corporate Items	76	(355)	90	(262)	(16%)	35%
	6,853	5,273	4,621	3,198	48%	65%

Cash Segment

Key Market Indicators

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Change
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	96.9	51.6	88%
ADT of Northbound Trading ² (RMBbn)	7.4	—	N/A
Number of newly listed companies on the Main Board ³	37	46	(20%)
Number of newly listed companies on GEM	14	6	133%
Number of companies listed on the Main Board at 30 Jun	1,580	1,495	6%
Number of companies listed on GEM at 30 Jun	213	194	10%

1 Excludes DWs, CBBCs and warrants which are included in the Equity and Financial Derivatives segment

2 Includes buy and sell trades under Shanghai-Hong Kong Stock Connect which was launched on 17 November 2014. The ADT for Southbound Trading during 1H 2015 was \$4.4 billion (2014: \$Nil) and is included in the ADT of equity products traded on the Stock Exchange above.

3 Includes 5 transfers from GEM (2014: 4)

Business Update

The Hong Kong securities market experienced strong momentum in the second quarter (Q2) this year and a number of new records have been set including: ADT (a single-month high of \$200.1 billion for April), market capitalisation (reaching \$31,549.9 billion on 26 May), ETF turnover (\$30.8 billion on 29 June), and Stock Connect turnover (\$26.1 billion of Southbound Trading on 9 April and RMB19.3 billion of Northbound Trading on 23 June).

HKEx has continued to enhance the Stock Connect programme following its launch in the fourth quarter (Q4) of 2014 including short selling of eligible SSE Securities, the enhanced pre-trade checking model, and additional Southbound market data programmes that are being used by key Mainland brokerage firms. HKEx has been in close liaison with the Mainland authorities on ways to both enhance the programme mechanism and clarify the relevant policies, so as to facilitate Southbound Trading by Mainland institutional and retail investors. Considerable effort has also been expended in explaining and promoting Stock Connect through seminars and briefings for institutional players as well as the use of social media as a distribution channel for information relevant to retail investors. The total revenue and other income generated by Stock Connect during 1H 2015 was \$115 million.

The following papers have been published so far this year:

Date	Subject
16 January	Consultation on Proposal for Introduction of VCM in the Securities and Derivatives Markets and CAS in the Securities Market. The consultation conclusions were published on 3 July. The proposals will be implemented during 2016 to safeguard HKEx's securities and derivatives markets (by the VCM) and facilitate trade execution at securities' closing prices (under the CAS).
6 February	Consultation Conclusions on Review of Listing Rules on Disclosure of Financial Information with reference to the New Companies Ordinance and Hong Kong Financial Reporting Standards and Proposed Minor/Housekeeping Rule Amendments. The amendments unrelated to disclosure of financial information came into effect on 1 April 2015. The amendments relating to disclosure of financial information will apply to accounting periods ending on or after 31 December 2015.
27 March	Review of Disclosure in Issuers' Annual Reports to Monitor Rule Compliance – Report 2014. The report sets out the findings and recommendations from a review of issuers' annual reports for the financial years ended between December 2013 and November 2014.
19 June	Consultation Conclusions to Concept Paper on WVRs. Following the SFC's comments on the draft proposals, SEHK will further engage with the SFC and the Listing Committee will consider the best way forward.
17 July	Consultation Paper on Review of the ESG Reporting Guide, with an aim of strengthening ESG disclosure requirements. Consultation will end on 18 September 2015.
17 July	Financial Statements Review Programme Report 2014. The report summarises key findings from a review of 100 periodic financial reports released by issuers between October 2013 and April 2015, which helps issuers improve transparency and the quality of financial disclosure.

Analysis of Results
Summary

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Trading fees and trading tariff [#]	1,321	733	80%
Stock Exchange listing fees [#]	335	313	7%
Market data fees [#]	207	215	(4%)
Other revenue	23	55	(58%)
Total revenue	1,886	1,316	43%
Operating expenses	(276)	(223)	24%
EBITDA	1,610	1,093	47%
EBITDA margin	85%	83%	2%

[#] Excludes DWs, CBBCs and warrants, which are included in the Equity and Financial Derivatives segment

Trading fees and trading tariff rose by \$588 million or 80 per cent compared to 1H 2014 due to the significant uplift in the ADT of equity products. The percentage increase was less than the 88 per cent growth in ADT as the increase was partly offset by more exempt trades on ETFs from market makers and the impact of an increase in the average transaction size, compared to 1H 2014, which dampened the rate of growth in trading tariff income.

Stock Exchange listing fees rose by \$22 million or 7 per cent reflecting an increase in the total number of listed companies compared to 30 June 2014.

Other revenue dropped by \$32 million or 58 per cent due to lower brokerage fees on direct IPO allotments.

Operating expenses increased by 24 per cent principally due to higher staff costs attributable to increased headcount for strategic initiatives including Stock Connect, annual payroll adjustments, and an increase in variable accruals based on the profitability of the Group. As a result, the EBITDA margin increased from 83 per cent in 1H 2014 to 85 per cent.

Equity and Financial Derivatives Segment
Key Market Indicators

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Change
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	28.4	11.3	151%
Average daily number of derivatives contracts traded on the Futures Exchange ¹	365,202	262,653	39%
Average daily number of stock options contracts traded on the Stock Exchange	442,928	263,163	68%
Number of newly listed DWs	3,622	3,623	(0%)
Number of newly listed CBBCs	5,353	5,194	3%
Average daily number of contracts traded during AHFT ^{1,2}	18,307	10,457	75%
	At 30 Jun 2015	At 30 Jun 2014	Change
Open interest of futures and options ¹	9,785,226	6,450,173	52%

¹ Information disclosed under the Equity and Financial Derivatives segment excludes London Metal Mini Futures contracts traded on the Futures Exchange, which are included in the Commodities segment.

² Representing 7 per cent of the total number of the relevant contracts traded during the day session (2014: 6 per cent)

Business Update

As with the Cash segment, trading in equity and financial derivatives experienced a significant uplift in Q2 2015, which resulted in record highs for a number of products, including: 1,221,324 Stock Options contracts on 13 April, 397,125 H-shares Index Futures contracts on 26 May and 61,066 Mini H-shares Index Futures contracts on 4 June, and 79,586 contracts during AHFT on 17 April.

HKEx has continued to offer new products and services to Participants; on 22 June 2015, 3 new stock option classes were introduced: New China Life Insurance Co Ltd, Hang Seng H-Share Index ETF and CITIC Securities Co Ltd, and on 29 June capital adjustment methods for stock options and futures, when there are bonus warrant issues, spin-offs, mergers and privatisations, were formally stipulated in the trading rules. This should help streamline market operations and provide more certainty to Participants. HKEx is also working closely with the SFC on a proposed hedging exemption regime that would enable institutional investors to apply for additional position limits to facilitate hedging or arbitrage.

Under an order granted by the CFTC in March 2015, SFC-licensed corporations are now permitted to solicit and accept orders and funds for trading futures on HKFE directly from US customers without having to register with the CFTC. This helps broaden HKEx's derivatives product distribution to US investors. In August 2015, HKEx will also be applying for the Class No-Action Relief from the SEC, which will enable EPs to engage eligible broker-dealers/institutions in the US in trading of Stock Options, H-shares Index Options and Mini-Hang Seng Index Options in HKEx's market.

As part of a continuous effort to promote RMB business in Hong Kong, HKEx hosted its second annual RMB FIC Conference on 11 June 2015. Over 500 delegates, including many senior FIC executives, attended the event.

Analysis of Results**Summary**

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Trading fees and trading tariff	776	479	62%
Stock Exchange listing fees	229	228	0%
Market data fees	92	77	19%
Other revenue	3	4	(25%)
Total revenue	1,100	788	40%
Operating expenses	(236)	(199)	19%
EBITDA	864	589	47%
EBITDA margin	79%	75%	4%

Trading fees and trading tariff increased by \$297 million or 62 per cent due to the uplift in ADT of DWs, CBBCs and warrants, and an increase in average daily number of derivatives contracts and stock options contracts traded. The overall growth in income was partly offset by a higher proportion of derivatives contracts in 2015 being lower fee products such as H-shares Index futures and options.

Operating expenses increased by \$37 million or 19 per cent principally due to higher staff costs attributable to increased headcount, annual payroll adjustments and an increase in variable accruals based on the profitability of the Group. As a result, the EBITDA margin increased by 4 per cent to 79 per cent.

Commodities Segment

Key Market Indicators

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Change
Average daily volume of metals contracts traded on the LME (lots)			
Aluminium	255,767	279,943	(9%)
Copper	172,533	165,934	4%
Lead	55,223	55,239	(0%)
Nickel	82,094	80,101	2%
Zinc	120,439	125,354	(4%)
Others	9,532	12,864	(26%)
	695,588	719,435	(3%)
	At 30 Jun 2015	At 31 Dec 2014	Change
Total futures MOI (lots)	2,449,799	2,268,769	8%

Business Update

During 1H 2015, the average daily turnover of metals contracts on the LME decreased by 3 per cent reflecting a general downturn in activity by LME Members and weaker demand for industrial metals. There were however slight increases in the trading volumes of copper and nickel, compared to 1H 2014.

On 18 March 2015, the LME announced that it had disposed of its remaining shareholding in LCH to Borsa Istanbul. The LME and HKEx also entered into a partnership agreement with Borsa Istanbul under which the LME will license the LME Steel Billet settlement data and Borsa Istanbul will have the right to disseminate real-time pricing data from the LME and HKEx. The LME and Borsa Istanbul have agreed to work together in developing further products and services for the steel market.

In April 2015, the LME announced a further reform of the physical delivery network designed to increase the rate at which queues fall at affected warehouses. The decay factor in the Linked Load-In/Load-Out rule is to be increased from 0.5x to 1.0x effective August 2015. In May 2015, a pre-trade risk management tool was introduced which allows Clearing Members to set a variety of risk limits for their own trades and for their clients to submit orders on LMEselect.

The LME has sought market views on a number of important issues as set out in the following table.

Date	Subject
2 March	Discussion Paper on measures to both address existing queues and prevent the build-up of future queues in the warehousing system.
26 May	Consultation on proposals designed to broaden access to LMEselect with a view to making the LME electronic market more attractive to non-UK based traders. The proposals include: (i) opening access to LMEselect for Category 3 and Category 4 Members; and (ii) providing flexibility in the application criteria for LME membership.
26 May	Consultation on proposed LME Rulebook changes that will facilitate the implementation of incentive schemes. Subject to the consultation results and regulatory approval, a discount on volume transacted on both the three month and the third Wednesday date will be provided.
1 July	Consultation on a near-term increase in the standard load-out rate and queue-based rent capping.

The LME continues to expand its business and product development initiatives, and subject to regulatory approval, plans to launch new LME Aluminium Premium (AP), LME Steel Scrap and LME Steel Rebar contracts in November 2015. The AP contracts will be physically settled and the other two cash settled.

To continue improving the LME's presence in Asia and introduce its products and services to investors in this region, the third annual LME Week Asia was held in May in Hong Kong.

Analysis of Results

Summary

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Trading fees and trading tariff	721	468	54%
Market data fees	87	90	(3%)
Other revenue	78	87	(10%)
Total revenue	886	645	37%
Operating expenses	(254)	(328)	(23%)
EBITDA	632	317	99%
EBITDA margin	71%	49%	22%

Despite a small drop in average daily volume of metals contracts traded, trading fees and trading tariff rose by \$253 million or 54 per cent as a result of increases in the LME's trading fees effective from 1 January 2015.

Operating expenses dropped by \$74 million or 23 per cent. Over half of this improvement is attributable to a reduction in legal fees for litigation. No material legal costs for litigation were incurred in 2015 and \$5 million was recovered from the insurers in respect of the litigation in the UK (2014: \$38 million of litigation costs were incurred). Further reductions in operating expenses are attributable to lower legal and professional fees relating to strategic projects and savings on IT costs as a result of insourcing a previously outsourced IT team in May 2014. As a result, EBITDA nearly doubled to \$632 million and the EBITDA margin rose from 49 per cent in 1H 2014 to 71 per cent in 1H 2015.

Clearing Segment

Key Market Indicators

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014	Change
ADT traded on the Stock Exchange (\$bn)	125.3	62.9	99%
Average daily value of Settlement Instructions settled by CCASS (\$bn)	292.9	196.5	49%

Business Update

The liquidators of LBSA declared a final dividend in March 2015, of which \$77 million was due to HKSCC and credited to income statement during 1H 2015 (2014: \$54 million). HKSCC has now received 100 per cent of its previously admitted claims totalling \$160 million.

HKSCC rolled out a significant enhancement to CCASS in April 2015 that allows investors to settle Northbound trades of A shares through Stock Connect in a similar manner to their trades of Hong Kong stocks. The new service allows investors to open SPSAs in CCASS. By maintaining securities in SPSAs, investors will only be required to transfer shares they are selling to their brokers for settlement after their sell orders are executed. This new feature has addressed Northbound investors' biggest concern by enabling them to meet Stock Connect's pre-trade checking requirement without transferring their shares before they sell them. SPSAs can also help investors minimise their counterparty risk in A-share settlement.

On 27 April 2015, HKSCC, HKCC, SEOCH and OTC Clear were each recognised by the ESMA as a Third-country Central Counterparty under EMIR, allowing them to offer clearing services to European financial institutions including banks.

HKEx provided an additional \$265 million of funding to OTC Clear in February 2015, through the subscription for a further 1,260 ordinary shares. After close of the extended subscription period on 3 August 2015, the holders of non-voting ordinary shares also confirmed that they would subscribe \$88 million for an additional 420 non-voting shares. This additional funding will support OTC Clear's future development needs and product expansion plans. To enable OTC Clear to continue providing clearing services to banks incorporated in the US, the clearing house has applied to the CFTC for an exemption from the requirement to become a Derivative Clearing Organisation.

In March 2015, LME Clear introduced a new method of calculating risk arising on price spreads between contract dates, which has reduced the overall amount of margin posted by LME Clear's Clearing Members and their clients. Further, in May, LME Clear added several enhancements to its LMEmercury system to assist its Members, including an automated bulk positions transfer tool and a SPAN Margin detail file. In July, LME Clear expanded its cash collateral service to accept offshore RMB, and also announced that it has obtained the regulatory approval to launch a trade-compression service to optimise Member capital requirements and intends to launch the service later this year. Subject to regulatory approval, it is also proposed that LME warrants will be accepted as collateral against Member risk positions later in the current year.

In light of market volatility and for better risk management, HKSCC, HKCC and SEOCH revised the triggering and collection mechanism of their Guarantee/Reserve Funds in July 2015. Under the enhanced mechanism, the 3 clearing houses will collect a 25 per cent (previously 5 per cent) buffer on top of the calculated maximum risk exposure. These revisions have equipped the clearing

houses to be more responsive to market turnover and volatility changes. Subject to the SFC approval, HKCC and SEOCH will also revise their concentration risk management measures in the third quarter (Q3) this year to better manage concentration risk in the market. The proposed revisions require higher margins from CPs with concentrated exposure over a specified threshold.

Analysis of Results

Summary

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Trading fees and trading tariff – reallocated from Equity and Financial Derivatives segment for clearing derivatives products	123	85	45%
Clearing and settlement fees	1,676	843	99%
Depository, custody and nominee services fees	483	379	27%
Other revenue and sundry income	58	17	241%
	2,340	1,324	77%
Net investment income	317	262	21%
Total revenue and other income	2,657	1,586	68%
Operating expenses	(309)	(248)	25%
EBITDA	2,348	1,338	75%
EBITDA margin	88%	84%	4%

Trading fees and trading tariff reallocated for clearing derivatives products rose due to an increase in number of derivatives contracts traded (see Equity and Financial Derivatives Segment commentary above).

Clearing and settlement fees nearly doubled due to the increase in ADT on the Stock Exchange, higher volume of settlement instructions and \$337 million of clearing fees generated by LME Clear (launched in September 2014). Clearing and settlement fees, excluding LME Clear, increased by 59 per cent compared to the 99 per cent increase in ADT on the Hong Kong Cash Market. The difference arises due to an increase in average transaction size, which results in fewer trades being subject to the minimum clearing fee and more trades being subject to the maximum clearing fee, together with a lower percentage increase in the volume of settlement instructions.

Depository, custody and nominee services fees rose by \$104 million or 27 per cent due to increases in scrip fees, as more companies had their first book close and/or declared a dividend in 1H 2015 than in 1H 2014, plus the introduction of portfolio fees following the launch of Stock Connect.

The key components of net investment income are as follows:

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014		
	Average fund size \$bn	Net investment income \$m	Annualised net investment return %	Average fund size \$bn	Net investment income \$m	Annualised net investment return %
Margin Funds	146.4	307	0.42%	41.4	250	1.21%
Clearing House Funds	11.4	10	0.17%	3.8	12	0.68%
Total	157.8	317	0.40%	45.2	262	1.16%

The significant increase in the average amount of Margin Funds and Clearing House Funds, relative to 1H 2014, was substantially due to the margin deposits and cash contributions collected by LME Clear from its CPs following its launch on 22 September 2014. Additional margin deposits were also collected in Hong Kong reflecting an increased level of open interests, higher margin requirements per contract and increased Clearing House Funds contributions were collected in response to market fluctuations and changes in risk exposure.

Higher net investment income of Margin Funds in 2015 was mainly attributable to additional interest income due to increased overall fund size. The overall net investment return reduced, from 1.16 per cent in 1H 2014 to 0.40 per cent in 1H 2015, due to regulatory restrictions on LME Clear, which can only invest its Margin Funds and Clearing House Funds in very short-term instruments.

Operating expenses increased following the launch of LME Clear in September 2014 and also reflect payroll costs for increased headcount and annual payroll adjustments. The overall increase was partly offset by \$23 million of higher recovery from the liquidators of LBSA. As a result, EBITDA margin increased from 84 per cent in 1H 2014 to 88 per cent in 1H 2015.

Platform and Infrastructure Segment

Business Update

In response to the significant increase in trading volume in Q2 2015, where a number of new volume records were reached, a capacity upgrade was initiated for CCASS. This is designed to increase processing capacity from 7.5 million trades to a maximum daily volume of 12.5 million trades. The maximum daily volume experienced to date was 3.6 million trades on 9 April 2015. The first phase of the upgrade was completed in June 2015 which provided extra processing power. The remaining phases, which are for technology replacement, are in progress and HKEx aims to complete them by the end of 2015.

At the end of June 2015, the 100 EPs using HKEx's Hosting Services accounted for approximately 40 per cent of HKEx's securities market turnover and about 51 per cent of the trading volume of HKEx's derivatives market.

The replacement of AMS terminals, provided by HKEx for securities trading, by a new vendor solution (New Securities Trading Devices), started in April 2015 and will be completed in Q3 this year.

HKEx plans to introduce a Pre-Trade Risk Management system in its derivatives market during 1H 2016. Briefing sessions were arranged for EPs and system vendors in February 2015 and the technical information and implementation details were released in June.

Analysis of Results
Summary

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Network, terminal user, dataline and software sub-license fees	194	144	35%
Hosting services fees	50	47	6%
Others	4	5	(20%)
Total	248	196	27%
Operating expenses	(74)	(73)	1%
EBITDA	174	123	41%
EBITDA margin	70%	63%	7%

Network, terminal user, dataline and software sub-license fees rose by \$50 million or 35 per cent due to an increase in sales of throttles, network usage fees relating to Stock Connect and an increase in Cash Market trading system line rental income following the launch of the HKEx Orion Central Gateway in June 2014.

Operating expenses remained stable compared to 1H 2014 with some staff being redeployed to strategic projects in other areas. As a result, EBITDA margin rose from 63 per cent in 1H 2014 to 70 per cent in 1H 2015.

Corporate Items

“Corporate Items” is not a business segment but comprises central income (mainly net investment income of Corporate Funds) and central costs (costs of central support functions that provide services to all operating segments and other costs not directly related to any operating segments).

Revenue and Other Income

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Investment income	74	87	(15%)
Others	2	3	(33%)
Total	76	90	(16%)

The analysis of net investment income is as follows:

	Six months ended 30 Jun 2015			Six months ended 30 Jun 2014		
	Average fund size \$bn	Net investment income \$m	Annualised net investment return %	Average fund size \$bn	Net investment income \$m	Annualised net investment return %
Corporate Funds	12.6	74	1.17%	10.7	87	1.62%

The increase in average fund size arises principally from retention of cash generated by the business over the past 12 months.

The lower net investment income and return on Corporate Funds in 1H 2015 is attributable to a mix of lower fair value gains on investments in 1H 2015, a higher proportion of investments in short-term deposits for regulatory purposes, and higher foreign exchange losses. These declines were partly offset by a \$31 million gain on sale of the remaining stake of the LME's investment in LCH shares.

Expenses, Other Costs and Taxation

Operating Expenses

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Staff costs and related expenses	1,034	822	26%
IT and computer maintenance expenses	251	261	(4%)
Premises expenses	139	145	(4%)
Product marketing and promotion expenses	21	18	17%
Legal and professional fees	29	103	(72%)
Other operating expenses	106	74	43%
Total	1,580	1,423	11%

Staff costs and related expenses increased by \$212 million or 26 per cent mainly due to annual payroll adjustments, increased headcount for strategic initiatives including Stock Connect, the insourcing of a previously outsourced IT team by the LME Group, and an increase in variable accruals based on the profitability of the Group.

IT and computer maintenance expenses consumed by the Group, excluding costs of services and goods directly consumed by the Participants of \$36 million (2014: \$38 million), was \$215 million (2014: \$223 million). The decrease was mainly attributable to lower IT costs of the LME Group following the insourcing of the IT team.

Legal and professional fees decreased by \$74 million or 72 per cent as no material litigation costs were incurred in 1H 2015 (2014: \$38 million of litigation costs were incurred), \$5 million was recovered from the insurers in respect of litigation in the UK and lower legal and professional fees were incurred on strategic projects.

Other operating expenses increased by \$32 million or 43 per cent due to higher bank charges from an increase in committed facilities, higher post launch investment management services costs and operating expenses for LME Clear and an increase in repairs and maintenance expenses. These increases were partly offset by a \$23 million higher recovery from LBSA's liquidators than in 1H 2014.

Depreciation and Amortisation

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Depreciation and amortisation	325	324	0%

Depreciation and amortisation remained stable during 1H 2015 as compared to 1H 2014.

Finance Costs

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Finance costs	77	98	(21%)

The decrease in finance costs was mainly due to the full conversion of the Convertible Bonds due 2017 (Convertible Bonds) in Q2 2015 and the refinancing of the floating rate bank loan at a lower interest rate in July 2014.

Taxation

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m	Change
Taxation	783	417	88%

Taxation increased due to higher profit before taxation in 2015 and higher profits generated by the LME and LME Clear whose profits are subject to a higher tax rate.

FINANCIAL REVIEW

Financial Assets and Financial Liabilities by Funds

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m	Change
Financial assets			
Cash and cash equivalents	145,081	136,778	6%
Financial assets measured at fair value through profit or loss	76,206	62,686	22%
Financial assets measured at amortised cost	32,054	10,256	213%
Total	253,341	209,720	21%

The Group's financial assets comprised financial assets of Corporate Funds, Margin Funds, Clearing House Funds, base metals derivatives contracts, and cash prepayments for A shares traded under Stock Connect. The amounts attributable to the respective categories were as follows:

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m	Change
Financial assets			
Corporate Funds	13,844	10,264	35%
Margin Funds [^]	153,284	128,869	19%
Clearing House Funds	14,285	10,289	39%
Base metals derivatives contracts	71,928	59,679	21%
Cash prepayments for A shares [#]	—	619	(100%)
Total	253,341	209,720	21%

[^] Excludes margin receivable from CPs and Settlement Reserve Fund and Settlement Guarantee Fund which have been paid to ChinaClear of \$1,262 million (31 December 2014: \$615 million)

[#] The trading of A shares under Stock Connect was not available on 30 June 2015.

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m	Change
Financial liabilities			
Base metals derivatives contracts	71,928	59,679	21%
Other financial liabilities at fair value through profit or loss of Corporate Funds	9	1	800%
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	154,546	129,484	19%
Participants' contributions to Clearing House Funds	13,355	9,426	42%
Total	239,838	198,590	21%

The increase in financial assets and financial liabilities of Margin Funds at 30 June 2015 compared to 31 December 2014 was mainly due to an increase in open interest in futures and options contracts on HKCC and higher margin requirement per contract at 30 June 2015.

The increase in financial assets and financial liabilities of Clearing House Funds at 30 June 2015 compared to 31 December 2014 was mainly attributable to the increased contributions required from Participants in response to market volatility and changes in risk exposures.

Corporate Funds at 30 June 2015 increased by \$3,580 million or 35 per cent during 1H 2015 due to the retention of cash generated by the business over the past 12 months partly offset by the cash element of the 2014 final dividend payment.

Working Capital, Financial Resources and Gearing

Working capital rose by \$3,059 million or 32 per cent to \$12,683 million at 30 June 2015 (31 December 2014: \$9,624 million). The increase was primarily due to the profit of \$4,095 million generated during 1H 2015, but was partly offset by the payment of the 2014 final dividend, net of scrip dividend, of \$1,240 million in June 2015.

During 1H 2015, all of the US\$500 million of Convertible Bonds with carrying value of \$3,701 million at 31 December 2014 were converted into HKE_x shares at the adjusted conversion price of HK\$157.62 per share and cancelled upon the exercise of the conversion rights by the bondholders.

At 30 June 2015, the Group had the following outstanding borrowings:

	At 30 Jun 2015		At 31 Dec 2014	
	Carrying value \$m	Maturity	Carrying value \$m	Maturity
USD floating rate bank borrowings	1,585	July 2020 & July 2021	1,585	July 2020 & July 2021
2 USD fixed rate notes with average coupon of 2.8 per cent	1,516	Dec 2018 & Jan 2019	1,515	Dec 2018 & Jan 2019
Convertible Bonds	–	N/A	3,701	Oct 2017
Written put options to non- controlling interests	228	N/A	225	N/A
	3,329		7,026	

At 30 June 2015, the Group had a gross gearing ratio (ie, gross debt divided by adjusted capital) of 12 per cent (31 December 2014: 34 per cent), and a net gearing ratio (ie, net debt divided by adjusted capital) of zero per cent (31 December 2014: zero per cent). For this purpose, gross debt is defined as total borrowings and net debt is defined as total borrowings less cash and cash equivalents of Corporate Funds (and will be zero when the amount of cash and cash equivalents of Corporate Funds is greater than total borrowings), and adjusted capital as all components of equity attributable to shareholders other than designated reserves.

Apart from the borrowings used to fund the acquisition of the LME Group, banking facilities have been put in place for contingency purposes. At 30 June 2015, the Group's total available banking facilities for its daily operations amounted to \$17,012 million (31 December 2014: \$17,012 million), which included \$10,000 million (31 December 2014: \$10,000 million) of committed banking facilities and \$7,000 million (31 December 2014: \$7,000 million) of repurchase facilities.

The Group has also put in place foreign exchange facilities for the RMB Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 30 June 2015, the total amount of the facilities was RMB17,000 million (31 December 2014: RMB17,000 million). In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (31 December 2014: RMB13,000 million) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements, e.g. natural disasters or extreme weather conditions in Hong Kong.

At 30 June 2015, 92 per cent (31 December 2014: 93 per cent) of the Group's cash and cash equivalents (comprising cash on hand, bank balances, and time deposits within 3 months of maturity when acquired) were denominated in HKD or USD.

Capital Expenditure and Commitments

During 1H 2015, the Group incurred capital expenditure of \$262 million (2014: \$231 million) related to the development and upgrade of various trading and clearing systems including commodities trading and clearing systems, a cash clearing system, trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong, and a corporate Enterprises Resource Planning system.

The Group's capital expenditure commitments at 30 June 2015, including those authorised by the Board but not yet contracted for, amounted to \$778 million (31 December 2014: \$574 million) and were mainly related to the development and enhancement of IT systems including clearing systems for Cash Market, OTC derivatives and commodities, Cash Market and commodities trading systems, and trading and clearing systems to facilitate mutual stock market access between the mainland of China and Hong Kong.

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 was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

Charges on Assets

One of the Group's subsidiaries, LME Clear, receives debt securities as non-cash collateral for margins posted by its CPs. It also holds debt 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\$10,413 million (HK\$80,727 million) at 30 June 2015 (31 December 2014: US\$10,251 million (HK\$79,495 million)).

This non-cash collateral, which was not recorded on the condensed consolidated statement of financial position of the Group at 30 June 2015, together with certain financial assets amounting to US\$685 million (HK\$5,310 million) at 30 June 2015 (31 December 2014: US\$590 million (HK\$4,575 million)), have been repledged to LME Clear's investment agent and custodian banks under first floating charge and security arrangements for the settlement and depository services they provide in respect of the collateral and investments held. The floating charge could convert to a fixed charge in the event of contract termination, or default or insolvency of LME Clear.

Exposure to Fluctuations in Exchange Rates and Related Hedges

In respect of its funds available for investment in Hong Kong, the Group may invest in non-HKD securities from time to time. Forward foreign exchange contracts have been used to hedge the currency exposure of the Group's non-HKD investments to mitigate risks arising from fluctuations in exchange rates.

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

The functional currency of the LME and LME Clear is USD since the majority of their income is denominated in USD. As a result, the LME Group is exposed to foreign currency risk arising from expenditure (predominantly in GBP) and investments and bank deposits denominated in foreign currencies (mainly GBP and EUR). Its risk management policy is to forecast and monitor the amount of future GBP payments and to retain some GBP bank deposits or convert from USD to GBP as soon as deemed appropriate. Forward foreign exchange contracts may also be used to hedge the currency exposure resulting from its USD revenue against GBP payments.

The aggregate net open foreign currency positions at 30 June 2015 amounted to HK\$1,020 million, of which HK\$377 million were non-USD exposures (31 December 2014: HK\$1,441 million, of which HK\$764 million were non-USD exposures) and the maximum gross nominal value of outstanding forward foreign exchange contracts amounted to HK\$915 million (31 December 2014: HK\$1,042 million). All forward foreign exchange contracts mature within 2 months (31 December 2014: 3 months).

Contingent Liabilities

At 30 June 2015, 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 Securities Ordinance up to an amount not exceeding \$71 million (31 December 2014: \$71 million). Up to 30 June 2015, 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 500 trading Participants covered by the indemnity at 30 June 2015 (31 December 2014: 500) defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$100 million (31 December 2014: \$100 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) LME litigation
 - (i) US litigation concerning aluminium prices

In August 2013, the LME, LMEH, and HKEx were named as defendants in aluminium warehousing litigation alleging anti-competitive behaviour in the US. This litigation was subsequently consolidated into 3 class action complaints – the “first level” purchasers complaint, the consumer end-users complaint and the commercial end-users complaint – and 3 individual “direct action” complaints. Following vigorous defence by the Group, the US District Court for the Southern District of New York (US District Court) has dismissed all claims against the LME, LMEH, and HKEx in a series of orders.

The 3 “direct action” plaintiffs and the plaintiffs of the “first level” purchasers complaint do not have a right to appeal against the US District Court’s decisions at this time. They will have a right to appeal the decisions after the conclusion of the aluminium litigation against the other defendants or if the court grants them permission to appeal before the conclusion of the litigation. To date, no plaintiff has sought leave to appeal before the conclusion of the litigation.

The US Court of Appeals dismissed the appeals of the consumer end-users and commercial end-users on 24 July 2015, which brought an end to those class actions against the LME and LMEH. Dismissal of the appeals follows the terms of a settlement agreement entered into between those plaintiffs and the LME, LMEH and HKEx as disclosed in HKEx’s announcement dated 19 July 2015. Under the settlement agreement, the plaintiffs agreed, among others, to release all HKEx group companies and directors from existing and future claims that may relate to matters alleged in the relevant complaints or the warehousing of metals on the LME that could be asserted by the plaintiffs under US law. No monetary consideration was involved on either side in arriving at the settlement.

- (ii) US litigation concerning zinc prices

In May 2014, the LME, LMEH, and HKEx were named as defendants in zinc warehousing litigation alleging anti-competitive behaviour in the US. That litigation was subsequently consolidated into a single, amended class action complaint filed in June 2015. No HKEx group company was named as a defendant in the consolidated amended complaint. There is currently no outstanding claim or appeal against HKEx group companies in the zinc litigation.

Changes since 31 December 2014

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 2014.

Review of Financial Statements

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2015 in conjunction with HKEx's external and internal auditors. Based on this review and discussions with the management, the Audit Committee was satisfied that the 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 2015.

Compliance with Corporate Governance Code

Throughout the six months ended 30 June 2015, HKEx complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code, with the exceptions of Code Provisions A.4.1 (re-election of non-executive directors) and A.4.2 (retirement by rotation of directors).

The Government Appointed Directors, all being Non-executive Directors, are not subject to election or re-election by Shareholders as their appointments are governed by Section 77 of the SFO. HKEx's Chief Executive in his capacity as a Director is also not subject to retirement by rotation, as his term on the Board is coterminous with his employment with HKEx under Article 88(5) of HKEx's Articles of Association.

Purchase, Sale or Redemption of HKEx's Listed Securities

During the six months ended 30 June 2015, neither HKEx nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Sustainable Workplace

During the six months ended 30 June 2015, the Group organised 45 in-house courses for employees to enhance their job knowledge, skills and well-being. Moreover, the Group sponsored a total of 107 employees to attend external training.

As at 30 June 2015, the Group had 1,528 employees, including 63 temporary staff and 49 interns. HKEx's remuneration policy has remained unchanged since the date of 2014 Annual Report.

Details of HKEx's principles and practices related to governance and sustainability are set out in the About HKEx (Corporate Governance and Corporate Social Responsibility) section of the HKEx website.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Trading fees and trading tariff		2,941	1,765
Stock Exchange listing fees		564	541
Clearing and settlement fees		1,676	843
Depository, custody and nominee services fees		483	379
Market data fees		386	382
Other revenue		407	353
REVENUE	2	6,457	4,263
Investment income		402	351
Interest rebates to Participants		(11)	(2)
Net investment income	3	391	349
Sundry income		5	9
REVENUE AND OTHER INCOME		6,853	4,621
OPERATING EXPENSES			
Staff costs and related expenses		(1,034)	(822)
IT and computer maintenance expenses		(251)	(261)
Premises expenses		(139)	(145)
Product marketing and promotion expenses		(21)	(18)
Legal and professional fees		(29)	(103)
Other operating expenses:			
Reversal of provision for impairment losses arising from Participants' default on market contracts	4	77	54
Others		(183)	(128)
		(1,580)	(1,423)
EBITDA		5,273	3,198
Depreciation and amortisation		(325)	(324)
OPERATING PROFIT		4,948	2,874
Finance costs	5	(77)	(98)
Share of loss of a joint venture		(5)	(5)
PROFIT BEFORE TAXATION	2	4,866	2,771
TAXATION	6	(783)	(417)
PROFIT FOR THE PERIOD		4,083	2,354
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEX		4,095	2,367
- Non-controlling interests		(12)	(13)
		4,083	2,354
Basic earnings per share	7(a)	\$3.49	\$2.04
Diluted earnings per share	7(b)	\$3.47	\$2.04

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
PROFIT FOR THE PERIOD	4,083	2,354
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries recorded in exchange reserve	(3)	604
OTHER COMPREHENSIVE INCOME	(3)	604
TOTAL COMPREHENSIVE INCOME	4,080	2,958
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEx	4,092	2,971
- Non-controlling interests	(12)	(13)
TOTAL COMPREHENSIVE INCOME	4,080	2,958

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		At 30 Jun 2015			At 31 Dec 2014		
	Note	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	9	145,081	–	145,081	136,778	–	136,778
Financial assets measured at fair value through profit or loss	9	76,206	–	76,206	62,686	–	62,686
Financial assets measured at amortised cost	9	31,996	58	32,054	10,199	57	10,256
Accounts receivable, prepayments and deposits	9, 10	27,751	6	27,757	22,517	6	22,523
Taxation recoverable		2	–	2	8	–	8
Interest in a joint venture		–	72	72	–	77	77
Goodwill and other intangible assets		–	17,886	17,886	–	17,901	17,901
Fixed assets		–	1,491	1,491	–	1,603	1,603
Lease premium for land		–	22	22	–	23	23
Deferred tax assets		–	33	33	–	5	5
		281,036	19,568	300,604	232,188	19,672	251,860
Non-current assets held for sale	11	59	–	59	–	–	–
Total assets		281,095	19,568	300,663	232,188	19,672	251,860
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities at fair value through profit or loss		71,937	–	71,937	59,680	–	59,680
Margin deposits, Mainland security and settlement deposits, and cash collaterals from CPs		154,546	–	154,546	129,484	–	129,484
Accounts payable, accruals and other liabilities	12	27,039	–	27,039	22,835	14	22,849
Deferred revenue		437	–	437	646	–	646
Taxation payable		968	–	968	348	–	348
Other financial liabilities		52	–	52	84	–	84
Participants' contributions to Clearing House Funds		13,355	–	13,355	9,426	–	9,426
Borrowings	13	–	3,329	3,329	–	7,026	7,026
Provisions		78	65	143	61	58	119
Deferred tax liabilities		–	826	826	–	839	839
Total liabilities		268,412	4,220	272,632	222,564	7,937	230,501
Equity							
Share capital				17,404			12,225
Shares held for Share Award Scheme				(475)			(482)
Employee share-based compensation reserve				209			142
Exchange reserve				(250)			(247)
Convertible bond reserve				–			409
Designated reserves				742			643
Reserve relating to written put options to non-controlling interests				(217)			(217)
Retained earnings							
- Proposed dividend				3,679			2,505
- Others				6,830			6,295
Equity attributable to shareholders of HKEx				27,922			21,273
Non-controlling interests				109			86
Total equity				28,031			21,359
Total liabilities and equity				300,663			251,860
Net current assets				12,683			9,624

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements should be read in conjunction with the 2014 annual consolidated financial statements. Except the accounting policy for non-current assets held for sale as described in note 11, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2014. Amendments to Hong Kong Financial Reporting Standards effective for financial year ending 31 December 2015 do not have any financial impact to the Group.

The financial information relating to the year ended 31 December 2014 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2015 as comparative information does not constitute the statutory annual consolidated financial statements of HKEx 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 2014 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. Operating Segments

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

The Group has 5 reportable segments ("Corporate Items" is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different IT systems and marketing strategies. The operations in each of the Group's reportable segments are as follows:

The **Cash** segment covers all equity products traded on the Cash Market platforms and the SSE through Stock Connect, sales of market data relating to these products and other related activities. Currently, the Group operates 2 Cash Market platforms, the Main Board and the GEM. The major sources of revenue of the segment are trading fees, trading tariff and listing fees of equity products and market data fees.

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

The **Commodities** segment refers to the operations of the LME, which operates an exchange in the UK for the trading of base metals futures and options contracts. It also covers the Asia Commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees, commodity market data fees and fees generated from other ancillary operations.

The **Clearing** segment refers to the operations of the 5 clearing houses, namely HKSCC, SEOCH, HKCC, OTC Clear, and LME Clear which are responsible for clearing, settlement and custodian activities of the Stock Exchange, the Futures Exchange and the SSE through Stock Connect, clearing and settlement of OTC derivatives contracts, and clearing and settlement of base metals futures and options contracts traded on the LME. Its principal sources of revenue are derived from providing clearing, settlement, depository, custody and nominee services and net investment income earned on Margin Funds and Clearing House Funds.

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

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

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

Six months ended 30 Jun 2015							
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Clearing \$m	Platform and Infrastructure \$m	Corporate Items \$m	Group \$m
Revenue from external customers	1,886	1,100	886	2,335	248	2	6,457
Net investment income	–	–	–	317	–	74	391
Sundry income	–	–	–	5	–	–	5
Revenue and other income	1,886	1,100	886	2,657	248	76	6,853
Operating expenses	(276)	(236)	(254)	(309)	(74)	(431)	(1,580)
Reportable segment EBITDA	1,610	864	632	2,348	174	(355)	5,273
Depreciation and amortisation	(49)	(36)	(129)	(69)	(22)	(20)	(325)
Finance costs	–	–	–	–	–	(77)	(77)
Share of loss of a joint venture	–	(5)	–	–	–	–	(5)
Reportable segment profit before taxation	1,561	823	503	2,279	152	(452)	4,866

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

3. Net Investment Income

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Gross interest income	357	292
Interest rebates to Participants	(11)	(2)
Net interest income	346	290
Net fair value gains including interest income on financial assets mandatorily measured at fair value through profit or loss and financial liabilities at fair value through profit or loss	57	50
Others	(12)	9
Net investment income	391	349

4. Reversal of Provision for Impairment Losses Arising from Participants' Default on Market Contracts

In prior years, the Group lodged claims with the liquidators of LBSA in respect of the losses of approximately \$160 million previously recognised in the Group's results. During the six months ended 30 June 2015, the liquidators paid dividends of \$77 million (2014: \$54 million), and these were recognised in the Group's consolidated income statement, as a reversal of a provision for impairment losses booked in prior years. Following the receipt of the dividend in 2015, the full amount of the claim lodged has now been recovered.

The amount recovered of \$77 million (2014: \$54 million), together with an interim dividend declared in December 2014 but received in January 2015 of \$23 million, were apportioned to the HKSCC Guarantee Fund reserve from retained earnings during the six months ended 30 June 2015.

5. Finance Costs

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Interest expenses on borrowings	78	99
Net foreign exchange gains on financing activities	(1)	(1)
	77	98

6. Taxation

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

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Current tax - Hong Kong Profits Tax	648	427
Current tax - Overseas Tax	172	—
	820	427
Deferred tax	(37)	(10)
	783	417

Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2014: 16.5 per cent) and overseas profits tax at the rates of taxation prevailing in the countries in which the Group operates.

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 2015	Six months ended 30 Jun 2014
Profit attributable to shareholders (\$m)	4,095	2,367
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,172,838	1,161,380
Basic earnings per share (\$)	3.49	2.04

(b) Diluted earnings per share

	Six months ended 30 Jun 2015	Six months ended 30 Jun 2014
Profit attributable to shareholders (\$m)	4,095	2,367
Interest expenses on Convertible Bonds (net of tax) (\$m)	41	–
Adjusted profit attributable to shareholders (\$m)	4,136	2,367
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,172,838	1,161,380
Effect of employee share options (in '000)	12	458
Effect of shares awarded under Share Award Scheme (in '000)	2,821	1,281
Effect of Convertible Bonds (in '000)	17,829	–
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,193,500	1,163,119
Diluted earnings per share (\$)	3.47	2.04

- (i) The effects of the outstanding Convertible Bonds (note 13) were not included in the computation of diluted earnings per share during the six months ended 30 June 2014 as they were anti-dilutive during that period.

8. Dividends

	Six months ended 30 Jun 2015 \$m	Six months ended 30 Jun 2014 \$m
Interim dividend declared of \$3.08 (2014: \$1.83) per share at 30 Jun	3,688	2,136
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(9)	(3)
	3,679	2,133

9. Financial Assets

The financial assets of Clearing House Funds, Margin Funds, base metals derivatives contracts, cash prepayments for A shares and Corporate Funds are allocated into cash and cash equivalents, financial assets measured at fair value through profit or loss, financial assets measured at amortised cost, and accounts receivable and deposits, details of which are as follows:

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
<u>Clearing House Funds</u>		
Cash and cash equivalents	14,070	10,189
Financial assets measured at amortised cost	215	100
	14,285	10,289
<u>Margin Funds</u>		
Cash and cash equivalents	119,111	117,903
Financial assets measured at fair value through profit or loss	2,705	895
Financial assets measured at amortised cost	31,468	10,071
Accounts receivable and deposits	1,262	615
	154,546	129,484
<u>Base metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss (note (a))	71,928	59,679
<u>Cash prepayments for A shares</u>		
Cash and cash equivalents	—	619
<u>Corporate Funds</u>		
Cash and cash equivalents	11,900	8,067
Financial assets measured at fair value through profit or loss	1,573	2,112
Financial assets measured at amortised cost	371	85
	13,844	10,264
	254,603	210,335

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

	At 30 Jun 2015						At 31 Dec 2014					
	Clearing House Funds \$m	Margin Funds \$m	Base metals derivatives contracts \$m	Cash prepayments for A shares \$m	Corporate Funds \$m	Total \$m	Clearing House Funds \$m	Margin Funds \$m	Base metals derivatives contracts \$m	Cash prepayments for A shares \$m	Corporate Funds \$m	Total \$m
Within twelve months	14,285	154,546	71,928	—	13,786	254,545	10,289	129,484	59,679	619	10,207	210,278
Over twelve months	—	—	—	—	58	58	—	—	—	—	57	57
	14,285	154,546	71,928	—	13,844	254,603	10,289	129,484	59,679	619	10,264	210,335

- (a) The amount represents the fair value of outstanding base metals futures and options contracts of LME Clear that do not qualify for netting under Hong Kong Accounting Standard 32, where LME Clear is acting in its capacity as a central counterparty to the contracts traded on the LME. A corresponding amount was recorded under financial liabilities at fair value through profit or loss.

10. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable under the T+2 settlement cycle, which accounted for 89 per cent (31 December 2014: 91 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within 2 days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within 3 months.

11. Non-current Assets Held for Sale

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
Leasehold land and building	59	–

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continuing use. This condition will only be satisfied when the sale is highly probable and the assets are available for immediate sale in their present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (except for investment properties) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

On 30 June 2015, the Group entered into a provisional agreement with a third party to sell a leasehold property for a consideration of \$509 million. The sale transaction will be completed on 30 September 2015. Accordingly, the carrying value of the leasehold property used by the Group was reclassified as non-current assets held for sale. No impairment losses were recognised on the reclassification of the property as held for sale.

12. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 92 per cent (31 December 2014: 92 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations payable mature within 2 days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities mature within 3 months.

13. Borrowings

	At 30 Jun 2015 \$m	At 31 Dec 2014 \$m
Bank borrowings	1,585	1,585
Convertible Bonds (note (a))	–	3,701
Notes	1,516	1,515
Written put options to non-controlling interests	228	225
Total borrowings	3,329	7,026

- (a) During the six months ended 30 June 2015, all of the US\$500 million Convertible Bonds were converted into HKE_x's shares at the prevailing adjusted conversion price of HK\$157.62 per share and cancelled upon the exercise of the conversion rights by the bondholders. As the Convertible Bonds were fully converted, the convertible bond reserve was partly transferred to share capital (\$143 million) and partly transferred to retained earnings (\$266 million).

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of \$3.08 per share (2014: \$1.83 per share) for the year ending 31 December 2015. The interim dividend will be payable in cash with a scrip dividend alternative. The scrip dividend alternative is conditional upon the SFC's granting the listing of, and permission to deal in, new shares of HKEx to be issued pursuant thereto.

The scrip dividend alternative has been offered to Shareholders since 2011 to enable them to increase their investment in HKEx without incurring brokerage fees, stamp duty and related dealing costs. To facilitate Shareholders' reinvestment of their dividends into HKEx shares, the Board has resolved to offer a 5 per cent discount on the subscription price for Shareholders who elect the scrip alternative. The subscription price will be determined and announced on the HKEx and HKExnews websites no less than 6 business days before the deadline for returning the scrip election form to HKEx's registrar. Details will be set out in a circular to Shareholders. This new arrangement is applicable to the interim dividend declared for the year ending 31 December 2015 and all subsequent dividends declared with a scrip alternative.

Relevant Dates for Interim Dividend Payment

Ex-dividend date	25 August 2015
Closure of ROM	27 to 28 August 2015 (both dates inclusive)
Record date	28 August 2015
Despatch of scrip dividend circular and election form	on or about 2 September 2015
Announcement of scrip share subscription price for calculating the number of new shares to be allotted	8 September 2015
Despatch of dividend warrants/definitive share certificates	24 September 2015

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, Wanchai, Hong Kong no later than 4:30 pm on Wednesday, 26 August 2015.

PUBLICATION OF 2015 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKExnews website at www.hkexnews.hk and the HKEx website at www.hkex.com.hk/eng/exchange/invest/results/2015Results.htm. The 2015 Interim Report will be available on the HKExnews and HKEx websites, and despatched to Shareholders on or about Thursday, 27 August 2015.

By Order of the Board
Hong Kong Exchanges and Clearing Limited
Joseph MAU
Company Secretary

Hong Kong, 12 August 2015

At the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mr CHOW Chung Kong (Chairman), Mr CHAN Tze Ching, Ignatius, Mr Timothy George FRESHWATER, Ms FUNG Yuen Mei, Anita, Mr Rafael GIL-TIENDA, Mr John Barrie HARRISON, Dr HU Zuli, Fred, Dr KWOK Chi Piu, Bill, Mr LEE Kwan Ho, Vincent Marshall, Mrs LEUNG KO May Yee, Margaret, Mr John Mackay McCulloch WILLIAMSON and Mr WONG Sai Hung, Oscar, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEx's Chief Executive.

GLOSSARY

ADT	Average daily turnover value
AHFT	After-Hours Futures Trading
AMS	Automatic Order Matching and Execution System
Board	HKEx's board of directors
CAS	Closing Auction Session
Cash Market	HKEx's securities related business excluding stock options
CBBCs	Callable bull/bear contracts
CCASS	The Central Clearing and Settlement System
CFTC	Commodity Futures Trading Commission
ChinaClear	China Securities Depository and Clearing Corporation Limited
Corporate Governance Code	Refers to Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
CPs	Clearing Participants
Derivatives Market	HKEx's derivatives related business including stock options
Director(s)	HKEx's director(s)
DWs	Derivative warrants
EMIR	European Market Infrastructure Regulation
EPs or Participants	Exchange Participants
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ETF(s)	Exchange Traded Fund(s)
EUR	The official currency of the Eurozone
FIC	Fixed income and currency
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
GBP	Pound sterling
GEM	The Growth Enterprise Market
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	HKEx and its subsidiaries
HKCC	HKFE Clearing Corporation Limited
HKEx or the Company	Hong Kong Exchanges and Clearing Limited
HKSCC	Hong Kong Securities Clearing Company Limited
H-shares Index	Hang Seng China Enterprises Index
IPO	Initial Public Offering
IT	Information Technology
LBSA	Lehman Brothers Securities Asia Limited
LCH	LCH.Clearnet Group Limited
LME	The London Metal Exchange
LME Clear	LME Clear Limited
LME Group	LMEH, the LME and LME Clear
LMEH	LME Holdings Limited
LMEmercury	LME Clear's clearing system which enables its Members to view their risk positions in real time
LMeselect	The electronic platform for the trading of all LME contracts
London Metal Mini Futures	London Aluminium Mini Futures, London Zinc Mini Futures and London Copper Mini Futures
MOI	Market open interest
Northbound Trading	Hong Kong and overseas investors trading in eligible securities that are listed on the SSE through Shanghai-Hong Kong Stock Connect
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited

RMB	Renminbi
ROM	HKEx's Register of Members
SEC	Securities and Exchange Commission
SEOCH	The SEHK Options Clearing House Limited
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Shanghai-Hong Kong Stock Connect or Stock Connect	A pilot programme that links the stock markets in Shanghai and Hong Kong. Under the programme, investors in Hong Kong and the mainland of China can 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 Employees' Share Award Scheme adopted by the Board on 14 September 2005 which was subsequently amended on 16 August 2006, 13 May 2010, 17 December 2013 and 17 June 2015
Southbound Trading	Mainland investors trading in eligible securities that are listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect
SPAN	Standard Portfolio Analysis of Risk
SPSAs	Special Segregated Accounts
SSE	Shanghai Stock Exchange
SSE Securities	Shares eligible for trading under Northbound Trading of the Stock Connect
Stock Exchange or SEHK	The Stock Exchange of Hong Kong Limited
UK	United Kingdom
US	United States of America
US\$/USD	United States dollar
VCM	Volatility Control Mechanism
WVRs	Weighted Voting Rights
\$/HK\$/HKD	Hong Kong dollar
\$bn/bn	Hong Kong dollar in billion/billion
\$m	Hong Kong dollar in million