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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 Code: 388)

2019 INTERIM RESULTS, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

HIGHLIGHTS

Financial Highlights

- Revenue and other income up 5 per cent compared with 1H¹ 2018, driven by:
 - An increase in net investment income, including fair value gains on collective investment schemes and higher interest income, and record half-yearly revenue and other income from Stock Connect;
 - These more than offset a reduction in trading and clearing fees driven by lower Cash Market turnover
- Operating expenses up 2 per cent against 1H 2018 due to higher staff and IT costs, partly offset by lower premises expenses as a result of adopting the new accounting standard for leases²
- EBITDA³ margin was 77 per cent, the same as in 1H 2018 and 3 per cent higher than the full 2018 fiscal year

Strategic Highlights

- Stock Connect Northbound ADT saw a record half-yearly high in 1H 2019, more than double that of the previous record achieved in 2H 2018. This follows the successful inclusion of China A shares in MSCI and FTSE Russell indexes
- MSCI licence agreement signed for the launch of MSCI China A index futures
- Derivatives Markets trading hours extension, from 1 a.m. to 3 a.m., was rolled out in June 2019
- Bond Connect ADT grew significantly to RMB6.6 billion, 94 per cent higher than 1H 2018
- Successful completion of the acquisition of a majority stake in Ronghui Tongjin, a Shenzhen-based financial markets technology firm, in June 2019

Charles Li, Chief Executive said:

"HKEX had a solid first half in 2019 despite a more challenging political and economic backdrop. Record Stock Connect revenue, a robust IPO pipeline and good returns from investment income offset some macro-driven softness in Cash Market volumes. We were also pleased to see encouraging performances from Bond Connect and our Derivatives Market. We continue to focus on executing our 3-year strategic plan, maintaining good cost discipline and capturing further growth opportunities."

Key Financials

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m	Change
Revenue and other income	8,578	8,194	5%
Operating expenses	1,953	1,918	2%
EBITDA	6,625	6,276	6%
Profit attributable to shareholders	5,205	5,041	3%
Basic earnings per share	\$4.16	\$4.07	2%
Interim dividend per share	\$3.72	\$3.64	2%

Key market statistics

	Six months ended 30 Jun 2019	Six months ended 30 Jun 2018	Change
ADT of equity products traded on the Stock Exchange (\$bn)	75.1	100.4	(25%)
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	22.8	26.2	(13%)
ADT of the Stock Exchange (Headline ADT) (\$bn)	97.9	126.6	(23%)
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	672	659	2%
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	508	574	(11%)
Chargeable ADV ⁴ of metals contracts traded on the LME ('000 lots)	619	659	(6%)

1 Q1 = first quarter, Q2 = second quarter, Q3 = third quarter, Q4 = fourth quarter, 1H = first half, 2H = second half

2 As a result of the adoption of HKFRS 16: Leases, operating lease rentals are no longer recognised under operating expenses. Please refer to note 2 to the condensed consolidated financial statements for further details.

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 ventures.

4 Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades. Admin Trades were introduced in 2017 to meet requirements resulting from Markets in Financial Instruments Directive (MiFID) II.

CHAIRMAN'S STATEMENT

Global financial markets in the first half of 2019 remained volatile against the backdrop of the Sino-US trade dispute and the slowing global economic growth momentum. Markets continued to be sensitive to uncertainties in the US interest rate outlook, a potential no-deal Brexit, heightened geopolitical tensions, especially in the Middle East, and recent social unrest in Hong Kong.

Amid this more challenging environment, the average daily turnover in Hong Kong's securities market (\$97.9 billion) and the average daily volume of futures and options trading in the derivatives market (1,180,169 contracts) represented a drop of 23 per cent and 4 per cent respectively, compared with the same period last year. IPO funds raised in the first six months of 2019 totalled \$71.8 billion, up 39 per cent year-on-year, though there was a fall in the number of new listing applications and an increase in withdrawn cases. The LME saw the chargeable average daily volume of metals contracts traded on the LME decreased by 6 per cent.

For the six months ended 30 June 2019, the Group recorded consolidated revenue and other income of \$8,578 million and profit attributable to shareholders of \$5,205 million, up 5 per cent and 3 per cent, respectively, against the corresponding period in 2018. The Board declared an interim dividend of \$3.72 per share, which is 90 per cent of the profit attributable to shareholders.

Since the launch of HKEX's Strategic Plan 2019-2021 in February 2019, our focus has been on reinforcing our position as the global markets leader in the Asian time zone and expanding our preeminent role in connecting China and the rest of the world. We were pleased to see continued strong growth in Stock Connect Northbound Trading and increased weighting of A-shares in global benchmark indices. We signed a licence agreement with MSCI Limited in March for the introduction of futures contracts on the MSCI China A Index, further helping support the hedging of A-shares by international investors. The proposed contracts will be launched subject to regulatory approval and market conditions. Consensus has been reached with the two Mainland Chinese exchanges on the criteria for Hong Kong listed companies with weighted voting rights to be included for the first time in Stock Connect Southbound Trading.

HKEX remains Asia's largest new issuer market and we have been very encouraged by the growing number of new economy companies listing on the Exchange following the implementation of our new listing regime in April 2018. We are now exploring measures to further optimise our IPO process to enhance the ongoing competitiveness of our market. To maintain market quality and efficiency, the Exchange announced in the first half of 2019 consultation conclusions on backdoor listings, shell activities and issuers publishing financial statements with disclaimer or adverse audit opinions, as well as the streamlining of the documentary requirements for listed issuers. The Exchange issued a consultation paper in May seeking market views on proposed enhancements to ESG reporting and disclosure by listed issuers. The Exchange also published a consultation paper in August on codification of general waivers and principles relating to IPOs and listed issuers and minor Rule amendments. The LME published a consultation paper in July on proposals to enhance the efficiency of its warehousing network and market transparency. Building on the broad market engagement to its 2018 position paper, the LME also launched a formal market-wide consultation in April on the introduction of responsible sourcing standards across all LME-listed brands.

Aligning with our strategic plan growth focus, we continued to expand our product range across asset classes. To promote further development of Hong Kong's Exchange Traded Products market, we introduced the first two-time Inverse Product in May and the first active ETF in June. We also entered into a partnership with Euroclear Bank, an international central securities depository, to enhance the cross-listing of international ETFs in Hong Kong. Hong Kong is the world's largest equity structured products market, and in July 2019 we launched Inline Warrants to

further enrich our structured product offerings. We introduced US dollar-denominated London Metal Mini Futures for six base metals in August, to complement our existing RMB-denominated futures products. We also extended the Hong Kong After-Hours Trading Session by two hours to 3 a.m. in mid-June to meet our customers' investment and risk management needs. At the LME, seven new cash-settled futures contracts were rolled out in March to capture, in part, increased interest in ferrous metals hedging and trading. An electronic closing price trial for nickel contracts was successfully completed between March and June.

In support of our commitment to future growth in the evolving technology and business landscape, the first phase of the Next Generation Post Trade Programme, Client Connect, was rolled out in May to improve our customers' Post Trade experience. The completion of our acquisition of a 51 per cent equity interest in Shenzhen Ronghui Tongjin Technology Co. Ltd., a specialist financial markets technology firm based in Shenzhen, also expanded our technology capabilities, supporting the acceleration of many of our IT projects and initiatives. We are also delighted to be part of the Infinium team which received a virtual banking licence from the Hong Kong Monetary Authority in May. We look forward to further contributing to the development of virtual banking and financial technology in Hong Kong.

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

To contribute to HKEX's understanding of the global environment and the advanced technology landscape, an International Advisory Council was established in February, which comprises experts in economics, business, technology and the financial sector from around the world. The Council provides the Board with advice and insights from a global perspective. Two Council meetings were held in the first half of this year.

Building on our successes and solid foundations established over the years, I am confident that HKEX Group is well positioned for the next chapter of growth and the opportunities and challenges ahead. We continue to promote the highest standards of market integrity and governance in all that we do. We also continue to work closely with our regulators and stakeholders in implementing our strategic plan and fulfilling our responsibilities as an exchange controller, a regulator, as well as a listed company, to drive sustainable growth in our industry and community. As part of the wider Hong Kong community, we are focused on working together with our stakeholders for the long-term success of our marketplace, and upholding Hong Kong's long-standing status as a world-leading financial centre.

Last but not least, I extend my sincere thanks for the support and guidance of my fellow Directors, and the devotion and hard work of all our employees.

Laura M CHA
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

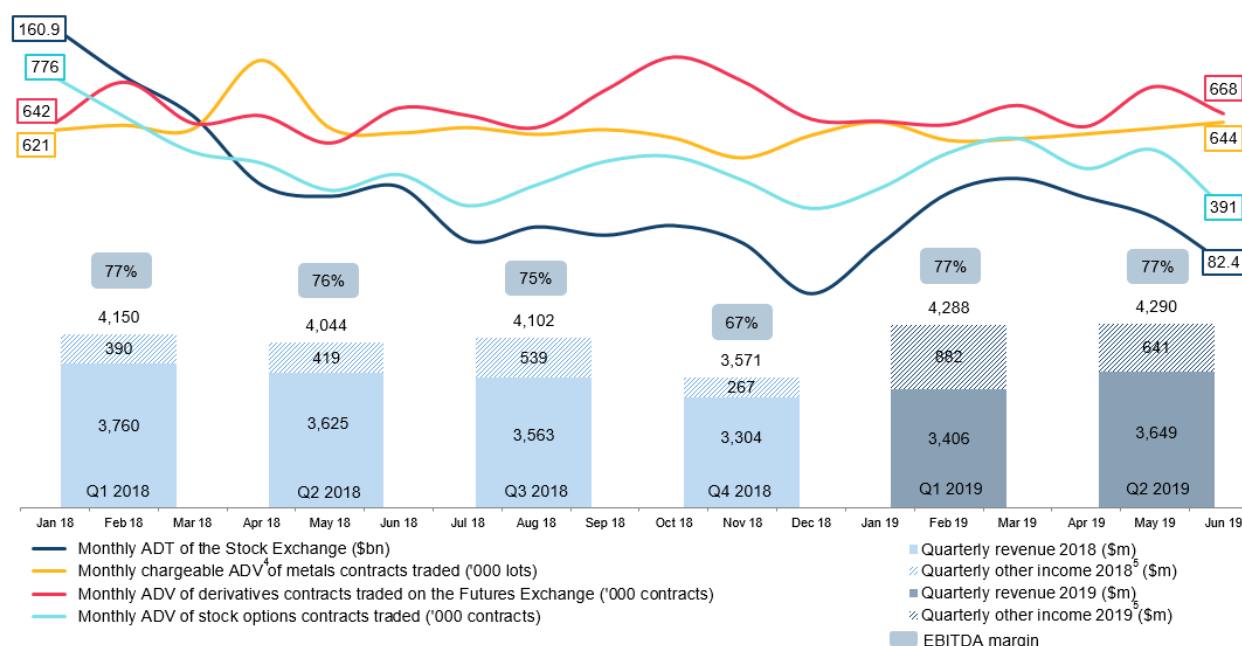


Fig. 1 – Market activity and Group's revenue and other income

HKEX's business held up well in Q2 2019 despite weakening global market sentiment driven by escalating trade tensions between China and the US. Whilst headline ADT⁶ dropped to \$94.7 billion, 6 per cent below Q1 2019 and 11 per cent below Q2 2018, Northbound Stock Connect ADT reached a record quarterly high in Q2 2019, up 29 per cent compared with Q1 2019. This was boosted by the further inclusion of China A shares in MSCI and FTSE Russell indexes.

Revenue and other income in Q2 2019 was \$2 million higher than Q1 2019. The seasonal increases in depository, custody and nominee services fees compensated for the smaller fair value gains on collective investment schemes, lower trading and clearing revenue, and a reduction in listing fees from newly listed DWs and CBCs.

Revenue and other income for 1H 2019 rose by 5 per cent against 1H 2018 and reached a half-yearly record of \$8.6 billion. Despite a drop in Cash Market headline ADT and a modest decline in trading volumes in the Derivatives and Commodities Markets against 1H 2018, the reduction in trading and clearing fees was more than offset by an increase in net investment income from fair value gains on collective investment schemes and higher net interest income from Corporate Funds and Margin Funds.

Operating expenses for 1H 2019 increased by 2 per cent against 1H 2018. This was attributable to increased headcount and annual payroll adjustments, higher maintenance expenses for new IT systems and upgraded networks, which were partly offset by lower premises expenses as a result of adopting the new accounting standard for leases². Excluding the impact of this accounting change, operating expenses increased by 10 per cent against 1H 2018.

⁵ Includes net investment income and sundry income

⁶ ADT of equity products, DWs, CBCs and warrants traded on the Stock Exchange

Business Update and Analysis of Results by Operating Segment

	Six months ended 30 Jun 2019		Six months ended 30 Jun 2018	
	Revenue and other income \$m	EBITDA \$m	Revenue and other income \$m	EBITDA \$m
Results by segment:				
Cash	1,863	1,561	2,099	1,817
Equity and Financial Derivatives	1,631	1,340	1,734	1,454
Commodities	694	370	706	352
Post Trade	3,262	2,842	3,140	2,740
Technology	373	271	327	252
Corporate Items	755	241	188	(339)
	8,578	6,625	8,194	6,276

To optimise resources to successfully deliver the initiatives set out in the Group's Strategic Plan 2019-2021, the Group's operating segments have been reorganised. As a result, since April 2019, the "Clearing segment" has been renamed the "Post Trade segment", and the "Platform and Infrastructure segment" has been renamed the "Technology segment".

As set out in the Group's Strategic Plan 2019-2021, our vision is to be ***the Global Markets Leader in the Asian Time Zone – Connecting China, Connecting the World***. To support this vision, HKEX's focus has been on the following areas: China Anchored, Globally Connected, and Technology Empowered.

Progress made up to the date of this announcement is set out in the table below and further elaborated upon in the Business Update sections in each of the operating segments:

China Anchored

- **Expand Northbound capital inflows:** In the process of obtaining regulatory approval and preparing for launch of MSCI China A Index futures contracts
- **WVR Inclusion in Southbound Stock Connect:** Consensus reached with the two Mainland Chinese exchanges on the criteria for Hong Kong listed companies with weighted voting rights (WVR) to be included for the first time in Stock Connect Southbound Trading

Globally Connected

- **Improve our market microstructure:** Further expansion of Closing Auction Session; extension of after-hours trading in our Derivatives Market to 3 a.m.; and introduction of Exchange Traded Product (ETP) buy-in exemption
- **Expanding our product ecosystem across asset classes:** Launch of the International Central Securities Depository settlement model for ETPs; expansion of ETP product suite; launch of Inline Warrants; six gold indexes and USD-denominated London Metal Mini Futures for six base metals in Hong Kong; and seven new cash-settled metals futures contracts on the LME

Technology Empowered

- **Modernise our core systems:** Upgrade of Derivatives Market platform; and launch of Client Connect
- **Leverage new technology:** Continued development of HKEX Innovation Lab
- **Expand our horizons:** Completed acquisition of a 51 per cent equity interest in Ronghui Tongjin

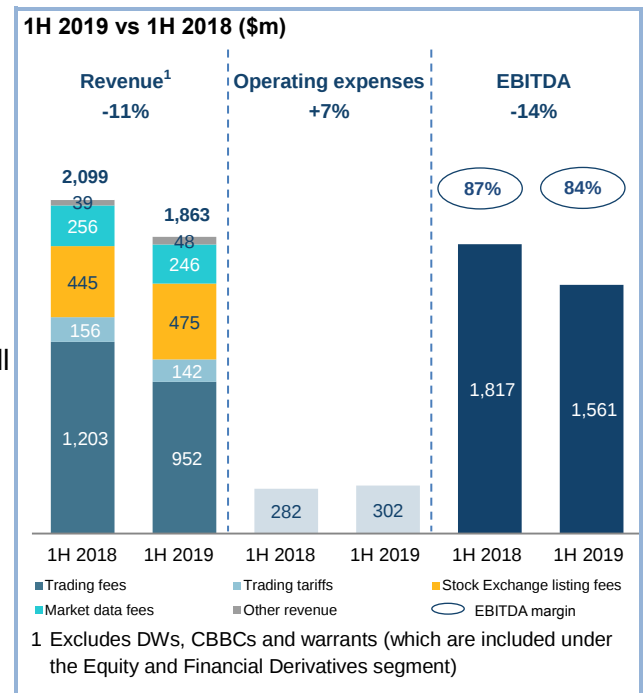
Cash Segment

Analysis of Results

Trading fees decreased by 21 per cent compared with 1H 2018. This was less than the 25 per cent drop in equity products ADT, primarily due to record high fees from Northbound Trading of Stock Connect. Trading tariffs fell by 9 per cent, in line with the decrease in equity products trading.

Stock Exchange listing fees were up by \$30 million, reflecting an \$11 million increase in annual listing fees as a result of the higher overall number of listed companies on the Stock Exchange, and a \$19 million increase in initial listing fees, due mainly to more forfeitures.

Operating expenses rose by 7 per cent due to additional headcount for strategic projects and annual payroll adjustments, partly offset by lower premises expenses (\$21 million) as a result of adopting the new accounting standard for leases².



Business Update

The Cash Market saw a more modest level of trading in 1H 2019 as compared with 1H 2018, with headline ADT dropping by 23 per cent to \$97.9 billion. Trading activities in Q2 2019 also recorded a 6 per cent decrease compared with Q1 2019.

Stock Connect generated record half-yearly revenue and other income of \$508 million in 1H 2019 (1H 2018: \$365 million), of which \$356 million (1H 2018: \$221 million) arose from trading and clearing activities. In particular, Northbound Trading turnover reached a record half-yearly high, with record monthly turnover in March and a new daily record turnover of RMB77.4 billion on 6 May 2019.

On 28 February 2019, MSCI announced that it would further increase the weighting of China A shares (including ChiNext shares) in MSCI Indexes from the initial 5 per cent inclusion, using a 3-step inclusion process, in May, August and November 2019. The May 2019 MSCI rebalancing was completed smoothly on 28 May 2019. In addition, FTSE Russell announced the phased inclusion of China A shares in its global benchmark indexes in three tranches, with the first tranche completed on 21 June 2019. These inclusions are expected to further stimulate Northbound Trading.

On 8 May 2019, HKEX launched the International Central Securities Depository (ICSD) settlement model for its ETPs (which comprise ETFs and L&I Products) in collaboration with Euroclear Bank. The ICSD model enhances the fungibility of ETPs that are issued using the ICSD settlement model and cross-listed on the Stock Exchange. In addition, the first two-time Inverse Product and the first actively-managed ETF were listed on the Stock Exchange on 28 May 2019 and 18 June 2019, respectively. On 4 July 2019, HKEX introduced a new buy-in exemption for ETP transactions to give Securities Market Makers one extra day to cover any short positions resulting from their market making activities under a one-year pilot programme.

HKEX continues its focus on improving market microstructure. On 5 July 2019, HKEX announced the further expansion of its Closing Auction Session (CAS) to standardise closing hours for all equities, improve trading liquidity at market close, and simplify trading operations for market participants. Effective 8 October 2019, the same CAS model (including the price limit of 5 per cent of the reference price during CAS) will be expanded to cover all equities (including depositary receipts, equities of investment companies, preference shares and stapled securities) and funds (including ETFs and real estate investment trusts).

On 26 July 2019, HKEX, Shanghai Stock Exchange (SSE) and Shenzhen Stock Exchange (SZSE) announced that Stock Connect inclusion arrangements for companies with A shares listed on the SSE's Sci-Tech Innovation Board (STAR Market) and H shares listed in Hong Kong, have been agreed. A date for inclusion will be announced in due course.

Key Market Indicators		
	Six months ended 30 Jun 2019	Six months ended 30 Jun 2018
ADT of equity products traded on the Stock Exchange ^{1,2} (\$bn)	75.1	100.4
ADT of Northbound Trading ² – Shanghai-Hong Kong Stock Connect (RMB bn)	23.5 ⁴	11.2
ADT of Northbound Trading ² – Shenzhen-Hong Kong Stock Connect (RMB bn)	20.4 ⁴	8.6
ADT of Bond Connect (RMB bn)	6.6 ⁴	3.4
Average daily number of trades of equity products traded on the Stock Exchange ^{1,2} ('000)	1,245	1,340
Number of newly listed companies on the Main Board ³	78	58
Number of newly listed companies on GEM	6	50
Total equity funds raised		
- IPOs (\$bn)	71.8	51.6
- Post-IPOs (\$bn)	77.4	141.1
Number of companies listed on the Main Board at 30 Jun	1,996	1,848
Number of companies listed on GEM at 30 Jun	386	367
Number of trading days	119	121
1 Excludes DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes \$7.1 billion (1H 2018: \$10.6 billion) of ADT of Southbound Trading under Shanghai-Hong Kong Stock Connect and \$4.0 billion (1H 2018: \$5.7 billion) under Shenzhen-Hong Kong Stock Connect 2 Includes buy and sell trades under Stock Connect 3 Includes 8 transfers from GEM (1H 2018: 7) 4 New record half-yearly high in 1H 2019		

On 2 August 2019, in preparation for the inclusion of companies with WVR in Southbound Trading of Stock Connect, SSE and SZSE, after agreeing the inclusion criteria for WVR companies with HKEX, consulted the market on their proposals for the corresponding changes to their respective rules. Following the end of their respective consultations on 9 August 2019, and subject to relevant regulatory approvals, WVR companies meeting the inclusion criteria will be included for Southbound Trading of Stock Connect.

Bond Connect saw significant growth in 1H 2019, with a record monthly ADT in June of RMB9.1 billion and record daily high of RMB16.2 billion on 12 June 2019. As compared with 1H 2018, ADT in 1H 2019 increased by 94 per cent due to the expansion of the market participant base and increased trading demand for Chinese bonds following inclusion of Chinese RMB-denominated bonds in the Bloomberg Barclays Global Aggregate Indices from April 2019. In March 2019, the Central Bank of Ireland gave approval for Irish Undertakings for Collective Investments in Transferable Securities and Alternative Investment Funds to invest in the Chinese interbank bond market via Bond Connect. As of 30 June 2019, there were 1,038 approved investors from 29 jurisdictions, up 106 per cent from 503 as of 31 December 2018.

Several enhancements were made in 1H 2019 to further strengthen trading on Bond Connect:

- Bloomberg was welcomed as a second trading platform on 17 January 2019;
- Primary Market Information Platform, the first English language portal for the dissemination of Chinese primary bond market information, was launched on 22 February 2019; and
- Negotiable Certificate of Deposit (NCD) primary subscription service was launched on 29 April 2019.

Hong Kong continues to be an attractive listing and fund raising venue for new economy and traditional sector companies from Hong Kong, China and other jurisdictions. In 1H 2019, 84 companies were newly listed in Hong Kong with total funds raised of \$71.8 billion, representing a 39 per cent increase compared with 1H 2018.

The positive impact of introducing the Biotech Companies chapter (Chapter 18A of the Main Board Listing Rules) continued in 2019. In 1H 2019, the Stock Exchange welcomed seven biotech and healthcare companies (including three biotech companies listed under Chapter 18A), raising a total of \$19 billion. In Q2 2019, HKEX organised “HKEX Biotech Week 2019”, its flagship biotech event, which attracted over 1,000 scientists, biotech entrepreneurs, investors, technology experts and policymakers, to share industry insights and trends on the Stock Exchange.

The Stock Exchange published consultation conclusions along with related guidance materials during 2019 on the following topics:

Consultation conclusions	Effective date of changes
• Proposed Changes to Documentary Requirements relating to Listed Issuers and Other Minor Rule Amendments	1 March 2019
• Review Structure in relation to Listing Committee Decisions	6 July 2019
• Proposal relating to Listed Issuers with Disclaimer or Adverse Audit Opinion on Financial Statements	1 September 2019 ¹
• Backdoor Listing, Continuing Listing Criteria and other Rule Amendments	1 October 2019

¹ The new Listing Rule will apply to issuers' preliminary annual results announcements for financial years commencing on or after 1 September 2019.

On 17 May 2019, the Stock Exchange published (i) a consultation paper on “Review of the Environmental, Social and Governance Reporting Guide and related Listing Rules”; (ii) ESG guidance materials (including e-training and Frequently Asked Questions); and (iii) an updated guidance letter for new applicants on ESG and diversity disclosures. The key focus of the Stock Exchange's latest ESG consultation is to support and improve issuers' governance and disclosure of ESG activities and metrics. The consultation period closed on 19 July 2019. The Stock Exchange is currently reviewing and analysing the responses to the consultation paper.

On 2 August 2019, the Stock Exchange published a consultation paper on Codification of General Waivers and Principles relating to IPOs and Listed Issuers and Minor Rule Amendments to seek view on the proposed codification of certain waivers, the principles and conditions underpinning certain waivers and minor Rule amendments. The consultation period will close on 27 September 2019.

The Stock Exchange also published the following guidance materials during 2019:

Guidance materials

- New guidance letters on (i) sanctions risks; (ii) competition between the businesses of a new applicant and its controlling shareholder; (iii) accounting policies and stock-taking procedures performed by the reporting accountants; and (iv) presentation of the non-GAAP financial measures in a listing document, and updated ten guidance letters as part of its continuous effort to streamline guidance materials
- A new listing decision to provide guidance on why the Stock Exchange rejected certain listing applications in 2018
- An updated “Guide on Trading Arrangements for Selected Types of Corporate Actions” outlining key issues and best practices in relation to schedule setting, provision of information and trading arrangements for selected types of corporate actions
- A “Review of Issuers’ Annual Report Disclosure – Report 2018” covering findings and recommendations from a review of issuers’ annual reports for the financial year that ended between January and December 2017

Equity and Financial Derivatives Segment

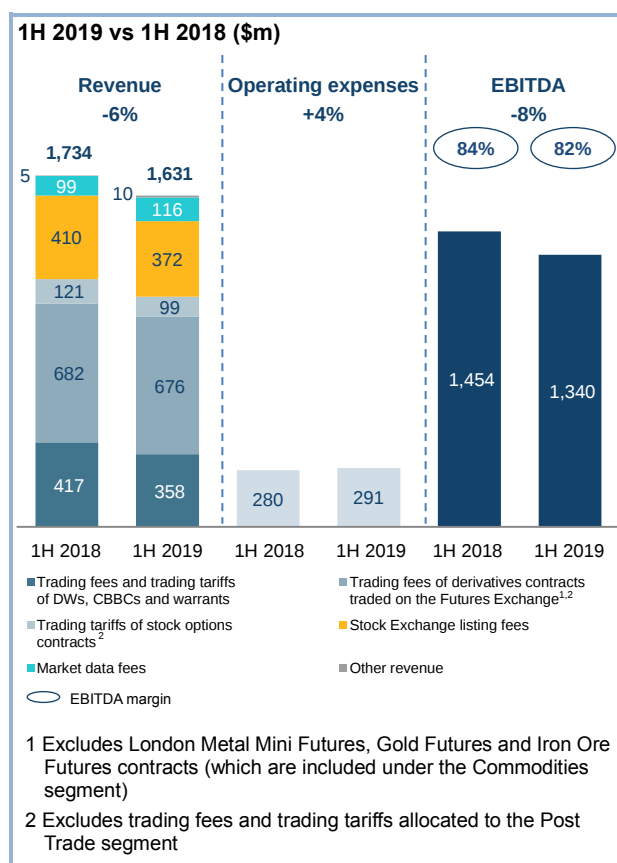
Analysis of Results

ADV of derivatives contracts traded on the Futures Exchange⁷ was 2 per cent higher than 1H 2018. Fewer trading days in the period, however, resulted in derivatives trading fees of the Futures Exchange decreasing marginally by 1 per cent. On a quarterly basis, ADV in Q2 2019 increased by 4 per cent against Q1 2019 and 6 per cent against Q2 2018.

Trading fees and trading tariffs of DWs, CBBCs and warrants dropped by 14 per cent compared with 1H 2018, reflecting the 13 per cent decrease in ADT and fewer trading days.

Stock Exchange listing fees dropped by 9 per cent, due to fewer newly listed DWs and CBBCs compared with 1H 2018.

Operating expenses rose by 4 per cent due to additional headcount for strategic projects and annual payroll adjustments, partly offset by lower premises expenses (\$18 million) as a result of adopting the new accounting standard for leases².



⁷ Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

Business Update

After the inclusion in the After-Hours Trading (T+1) Session on 14 May 2018, ADV of equity index options increased to 10,714 contracts in 1H 2019, 66 per cent higher than 2018⁸. Equity index options volume in the T+1 Session reached 7 per cent of the T Session volume in 1H 2019, compared with 4 per cent in 2018⁸. The number of equity index options traded in the T+1 Session reached a daily record high of 43,348 contracts on 18 June 2019. To further enhance market liquidity of equity index options in the T+1 Session, HKEX increased the required minimum quoted series by market makers in the T+1 Session in June 2019.

On 17 June 2019, HKEX successfully extended trading hours from 1 a.m. to 3 a.m. for 27 products including equity index futures and options, currency futures and commodity futures, which provided investors the opportunity to trade and risk manage their positions during the extended hours. The volume of equity index products traded during the extended hours reached 30 per cent of the total volume in the T+1 Session on 19 June 2019 during the extended hours.

Key Market Indicators		
	Six months ended 30 Jun 2019	Six months ended 30 Jun 2018
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	22.8	26.2
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	358	390
ADV of derivatives contracts traded on the Futures Exchange ¹ ('000 contracts)	670	658
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	508	574
Number of newly listed DWs	5,048	5,785
Number of newly listed CBBCs	12,503	12,811
ADV of contracts traded during After-Hours Trading ¹ ('000 contracts)	85	79
Number of trading days	119	121
	At 30 Jun 2019	At 30 Jun 2018
Open interest of futures and options contracts ¹ ('000 contracts)	11,452	13,074
1 Excludes London Metal Mini Futures, Gold Futures and Iron Ore Futures contracts (which are included under the Commodities segment)		

RMB currency derivatives volume expanded in 1H 2019, with over 1 million USD/CNH Futures contracts traded during 1H 2019, 48 per cent higher than 1H 2018. On the back of intensified two-way volatility of RMB against the USD in Q2 2019, ADV of USD/CNH Futures surged to 10,782 contracts (notional value of US\$1.08 billion) in June 2019, an increase of 29 per cent as compared with the first five months of 2019. New liquidity providers were recruited for USD/CNH Futures and its calendar spread contracts in 1H 2019 to further enhance market liquidity.

Following the signing of a licence agreement on 11 March 2019 between HKFE and MSCI Limited to facilitate the introduction of MSCI China A Index futures contracts (subject to regulatory approval and market conditions), HKEX continues to engage with the SFC, system developers and market participants to facilitate the introduction.

Hong Kong is the world's leading structured products market and on 18 July 2019, HKEX was pleased to add Inline Warrants to our offering. This product gives investors the opportunity to receive a pre-determined fixed payment, depending on whether the price of the underlying asset falls within or outside the upper and lower strikes at the expiry of the warrant. These complement HKEX's existing structured products suite that includes DWs and CBBCs. Inline Warrants were initially issued on the Hang Seng Index and the five most actively-traded stocks on the Stock Exchange. 129 Inline Warrants have been listed on the Stock Exchange in July since launch.

The sixth annual HKEX RMB FIC Pan-Asian Conference was hosted in Hong Kong and Singapore in April 2019, attracting over 1,200 industry experts and professionals across Asia. Key regulatory and business issues were discussed, including China's bond market development, inclusion of Chinese bonds in global indices and the development of the bond issuance business in Hong Kong.

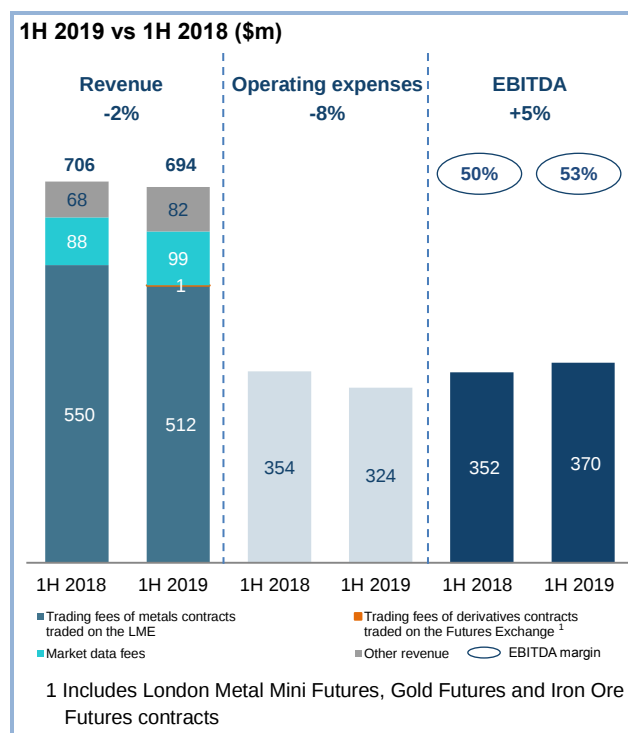
⁸ For the period from 14 May 2018 to 31 December 2018

Commodities Segment

Analysis of Results

EBITDA was up 5 per cent although revenue was marginally down by 2 per cent, due to a reduction in operating expenses. The fall in revenue was due to the decline in chargeable ADV of metals contracts traded in 1H 2019, being 6 per cent lower compared with 1H 2018, resulting in a drop in LME trading fees of \$38 million (7 per cent). Chargeable ADV excludes Admin Trades (which became chargeable from May 2019 at a lower fee rate of US\$0.04 per contract) and other non-chargeable trades.

Operating expenses dropped by 8 per cent primarily due to lower premises expenses (\$17 million) as a result of adopting the new accounting standard for leases² and lower costs at QME.



Business Update

The LME launched seven new cash-settled futures contracts on 11 March 2019 across three product suites: aluminium, ferrous and minor metals. The new ferrous hot-rolled coil (HRC) contracts and one of the aluminium premium contracts have attracted good early volumes, notably the HRC Free On Board (FOB) China contract which has seen peak daily volume of close to 1,500 lots.

On 10 June 2019, the LME announced its lithium pricing partnership with the price reporting agency, Fastmarkets, to promote market uptake of a transparent and representative global lithium price. Adoption of reference pricing across the industry will pave the way for a future launch of a LME lithium contract, subject to market readiness.

The LME recently completed its three-month electronic closing price trial for LME Nickel which began on 18 March 2019. During the trial, the three-month LME Nickel closing price was determined using a volume weighted average price of trades on the LME's electronic trading platform. Relevant data throughout the trial will be published in due course and feedback from market participants will be sought before determining appropriate next steps.

Key Market Indicators

	Six months ended 30 Jun 2019	Six months ended 30 Jun 2018
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	240	247
Copper	133	142
Zinc	116	125
Nickel	80	87
Lead	41	46
Ferrous	1	2
Precious	2	4
Others	6	6
Total chargeable ADV excluding Admin Trades ¹	619	659
Chargeable Admin Trades ¹	28	-
Non-chargeable Admin Trades ¹ and other non-chargeable trades	68	105
Total ADV	715	764
Number of trading days	124	125
	At 30 Jun 2019	At 30 Jun 2018
Total futures Market Open Interest ('000 lots)	2,146	2,177

¹ Admin Trades were introduced in 2017 to meet requirements resulting from MiFID II. These trades were not chargeable prior to 1 May 2019, but became chargeable at US\$0.04 per contract thereafter.

The LME introduced a new membership model for Registered Intermediating Brokers (RIB) in Q1 2019. RIBs arrange trades between market counterparties and bring these on exchange for registration and clearing, and can be crucial to liquidity development, particularly in smaller or newer markets.

During 1H 2019, the LME published the following:

- A response notice to the market discussion paper on pre-trade transparency (PTT) published by The European Securities and Markets Authority (ESMA). The LME is working towards the implementation of a market-wide solution to the PTT requirement, with target compliance date of 31 December 2019;
- A formal consultation on the implementation of its responsible sourcing standards for all its listed brands. The consultation closed on 30 June 2019 and the LME received 33 written responses which are now being analysed; and
- A discussion paper requesting market feedback on proposals for possible warehousing reform, to which the LME received 46 written responses. On 25 July 2019, the LME published its analysis of the feedback to the discussion paper, and a consultation on the reform proposals which it believes would be positive for its warehouse network.

In Hong Kong, six gold indexes (Gold Futures Excess Return Index, Total Return Index and Spot Price Index in both USD and CNH) were successfully launched on 24 June 2019. In addition, USD-denominated London Metal Mini Futures for six base metals were launched on 5 August 2019, to complement the existing CNH-denominated London Metal Mini Futures.

HKEX hosted the seventh LME Asia Week in Hong Kong from 6 to 9 May 2019, attended by more than 2,000 metals industry professionals and media.

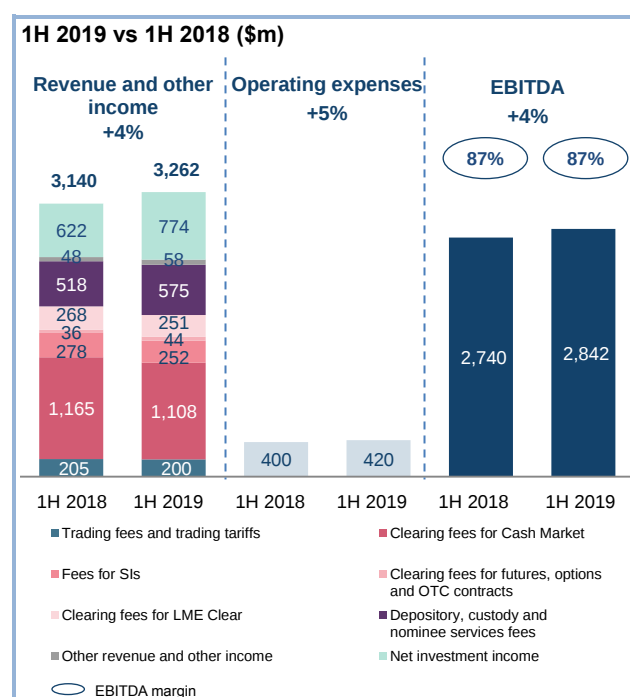
In Shenzhen, QME continues to grow its client and participant network, and its alumina trading volumes have maintained steady growth with increasing recognition from key industry players. On 25 April 2019, QME signed an MOU with Beijing Antaika Information Co Ltd (Antaika), one of China's leading information providers in metals, to include QME's alumina price into Antaika's alumina price benchmark. On 28 June 2019, QME launched two new products, aluminium ingot and aluminium rod, expanding its product portfolio and offering to better serve physical market needs.

Post Trade Segment

Analysis of Results

Revenue and other income, and EBITDA, during 1H 2019 were both up 4 per cent compared with 1H 2018. Clearing and settlement fees for Cash Market and Settlement Instructions (SIs) decreased by 5 per cent and 9 per cent respectively, primarily driven by a lower number of transactions.

Depository, custody and nominee services fees rose by \$57 million due to higher scrip fees and stock withdrawal fees, partly offset by lower e-IPO service fees. The higher scrip fees were attributable to more companies having their first book close or declaring a dividend in 1H 2019 compared with 1H 2018.



Net investment income increased by \$152 million or 24 per cent, attributable to an increase in Margin Fund investment income, as follows:

	<u>Six months ended 30 Jun 2019</u>			<u>Six months ended 30 Jun 2018</u>		
	Margin Funds \$m	Clearing House Funds \$m	Total \$m	Margin Funds \$m	Clearing House Funds \$m	Total \$m
Net investment income from:						
- Cash and bank deposits	679	45	724	567	23	590
- Debt securities	51	-	51	29	-	29
- Exchange (losses)/gains	(1)	-	(1)	3	-	3
Total net investment income	729	45	774	599	23	622
Average fund size (\$bn)	130.1	12.2	142.3	162.1	20.3	182.4
Annualised net investment return	1.12%	0.75%	1.09%	0.74%	0.23%	0.68%

The increase in net investment income of Margin Funds in 1H 2019 arose from higher interest income from rising interest rates, partly offset by lower average Margin Fund size of HKCC and SEOCH due to lower margin requirements per contract reflecting reduced volatility.

Operating expenses rose by 5 per cent due to additional headcount for strategic projects and annual payroll adjustments, partly offset by lower premises expenses (\$27 million) as a result of adopting the new accounting standard for leases².

Business Update

With the increased China A shares weighting in MSCI Indexes in May 2019 and FTSE Russell Indexes in June 2019, Stock Connect clearing facilities usage continued to grow during 1H 2019. The number of Special Segregated Accounts increased by 17 per cent (8,296 accounts as at 30 June 2019 compared with 7,062 as at 31 December 2018) and the average daily value of Northbound SIs increased by 59 per cent in 1H 2019 as compared with 1H 2018. In addition, Northbound portfolio value of A shares reached a record high of RMB1,050 billion in April 2019.

Key Market Indicators	Six months ended	Six months ended
	30 Jun 2019	30 Jun 2018
ADT traded on the Stock Exchange (\$bn)	97.9	126.6
Average daily number of Stock Exchange trades ('000)	1,603	1,729
Average daily value of SIs (\$bn)	254.4	296.2
Average daily number of SIs ('000)	101	109

In 1H 2019, the volume cleared by OTC Clear reached record half-yearly high, with a total of US\$105 billion of notional amount being cleared, 92 per cent higher than 1H 2018. For HKD interest rate swaps (IRS) a notional amount of US\$58 billion was cleared in 1H 2019, 242 per cent higher than 1H 2018. In addition, there was a good flow of USD/HKD cross currency swaps (CCS) with a total notional amount of US\$18 billion being cleared in 1H 2019, which was nearly double of the total USD/HKD CCS cleared volume in the full year of 2018. As a result of the increased volume, OTC Clear was profitable in 1H 2019.

Following comments received from the joint consultation on the uncertificated securities market (USM) in Hong Kong, the SFC, HKEX and the Federation of Share Registrars Limited are in discussion on the detailed implementation plan of USM and preparing for the consultation conclusion which will be issued in Q4 2019.

Work on changing LME Clear's existing current margin methodology to a Value-at-Risk model continues as LME Clear looks to bring a more efficient and accurate margin calculation methodology to the market.

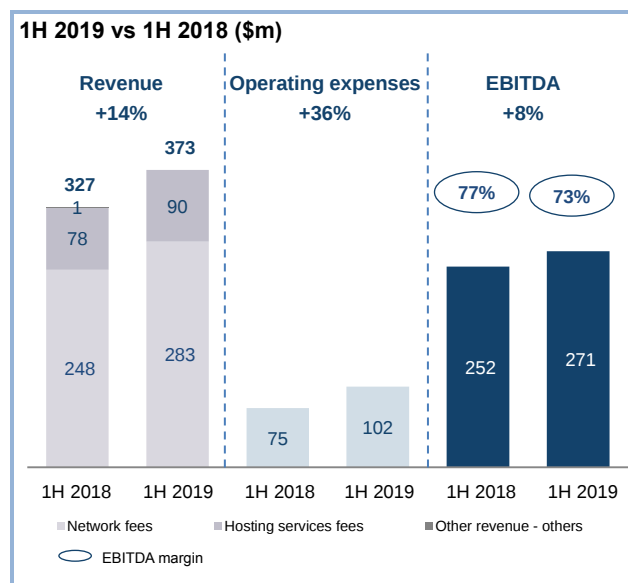
Technology Segment

Analysis of Results

Network fee income rose by 14 per cent due to increased usage of the Orion Central Gateway by new and existing EPs, additional fees arising from the newly introduced throttle monthly usage fees, and increased China Connect Central Gateway (CCCG) fees due to the completion of migration of China Connect EPs (CCEPs) from Open Gateway to CCCG in March 2018.

Hosting services fees increased by 15 per cent due to new customer subscriptions and increased usage by existing customers.

Operating expenses increased due to higher IT costs directly consumed by participants, and costs of the Innovation Lab (which were included in Corporate Items in 2018).



Business Update

During 1H 2019, all major trading, clearing, settlement, and market data dissemination systems for the Cash and Derivatives Markets in Hong Kong continued to perform robustly. LME platforms also performed well with minor incidents on 15 May 2019 and 19 July 2019, both having limited market impact. The root cause of the incidents were identified and corrective measures have been put in place.

The upgrade of the derivatives platforms, the Hong Kong Futures Automated Trading System (HKATS) and the Derivatives Clearing and Settlement System (DCASS), was successfully rolled out in May 2019 to enhance the stability and reliability of infrastructure, enable the swift adaptation to future market developments, and reduce the hardware footprint required at participants' premises.

The pilot run for Client Connect was launched on 14 May 2019. After the launch, HKEX held three Client Connect Days in May 2019 to introduce the Client Connect functionalities and platform structure to the market.

Following the successful replacement of the Third Generation Automatic Order Matching and Execution System (AMS/3.8) by Orion Trading Platform – Securities Market (OTP-C) in February 2018, Orion Trading Platform – China Stock Connect (OTP-CSC) has been successfully rolled out on 5 August to replace the existing legacy proprietary platform to support Northbound Trading of Stock Connect. OTP-CSC offers a scalable, flexible and high performing trading platform based on open systems technology to meet the evolving business needs and future Northbound volume growth.

In June 2019, HKEX completed the acquisition of a 51 per cent equity interest in Ronghui Tongjin, a Shenzhen-based financial markets technology firm that specialises in financial exchanges, regulation technologies and data applications. The acquisition is expected to support HKEX's strategy to further build its financial markets technological capabilities and spearhead its future IT projects and initiatives.

With “Technology Empowered” as one of the three themes of the Group’s Strategic Plan 2019-2021, the HKEX Innovation Lab has been actively exploring and bringing new technologies into the Group’s operations. In 1H 2019, a number of products, including enhanced knowledge graphs for risk management and an Artificial intelligence (AI) assisted system for corporate actions processing, concluded successful prototypes en route to production deployment. A robotic process automation programme, incubated in the HKEX Innovation Lab, is being scaled up across the Group, and has started to deliver targeted efficiencies in daily business operations.

Corporate Items

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m
Revenue and other income		
Net investment income	745	173
Others	10	15
Total	755	188
Operating expenses	514	527

Analysis of Results

The analysis of net investment income of Corporate Funds is as follows:

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m
Net investment income from:		
- Collective investment schemes ¹	535	52
- Cash and bank deposits	199	134
- Debt securities	4	-
- Exchange gains/(losses)	7	(13)
Total net investment income	745	173
Average fund size (\$bn)	26.7	24.3
Annualised net investment return	5.59%	1.42%

¹ See Financial Review section for further details

Net investment income from Corporate Funds rose by \$572 million compared with 1H 2018, principally due to higher fair value gains on collective investment schemes held under the external portfolio, and higher interest income earned on cash and bank deposits from the increased fund size and higher deposit rates.

The increase in fair value gains on collective investment schemes principally came from funds invested in the public equities asset class (\$276 million) and funds invested in the US government bonds and mortgage-backed securities asset class (\$97 million). As the valuation of external portfolio reflects movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold or mature.

Operating expenses decreased by 2 per cent against 1H 2018 due to lower premises expenses (\$55 million) as a result of adopting the new accounting standard for leases², partly offset by higher maintenance expenses for new IT systems and upgraded networks, and increased staff costs from annual payroll adjustments.

Business Update

In 1H 2019, HKEX became a minority shareholder in Fusion Bank Limited (formerly known as Infinium Limited), which has been granted a virtual banking licence by the Hong Kong Monetary Authority. Fusion Bank Limited aims to leverage its advanced technology and the new applications of FinTech to promote financial inclusion in Hong Kong and to bring customers a brand-new, efficient and secure virtual banking experience, enabling them to enjoy better and more convenient financial services. HKEX holds 9.99 per cent in Fusion Bank Limited.

Expenses, Other Costs and Taxation

Operating Expenses

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m	Change
Staff costs and related expenses	1,328	1,205	10%
IT and computer maintenance expenses	278	241	15%
Premises expenses	64	202	(68%)
Product marketing and promotion expenses	29	22	32%
Professional fees	37	42	(12%)
Other operating expenses	217	206	5%
Total	1,953	1,918	2%

Staff costs and related expenses increased by \$123 million (10 per cent) mainly due to annual payroll adjustments and increased headcount for strategic initiatives.

IT and computer maintenance expenses increased by \$37 million (15 per cent), attributable to higher maintenance expenses for new IT systems and upgraded networks.

Premises expenses dropped by \$138 million (68 per cent) as office rental of \$146 million was no longer recognised as premises expense under the new accounting standard for leases².

Depreciation and Amortisation

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m	Change
Depreciation and amortisation	495	378	31%

The “right-of-use assets” recognised under the new accounting standard for leases² adopted in 2019 gave rise to depreciation and amortisation of \$131 million. Excluding such impact, depreciation and amortisation dropped by \$14 million, as certain IT systems became fully amortised in Q4 2018 and 1H 2019.

During 1H 2019, the Group incurred capital expenditure⁹ of \$368 million, an increase of 9 per cent from 1H 2018.

⁹ Capital expenditure excludes right-of-use assets recognised due to the adoption of HKFRS 16: Leases.

Finance Costs

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m	Change
Finance costs	86	55	56%

Finance costs increased due to the recognition of interest expense on lease liabilities of \$44 million under the new accounting standard for leases², partly offset by the lower interest charge due to maturity of fixed rate notes in December 2018 and January 2019.

Taxation

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m	Change
Taxation	847	822	3%

Taxation increased due to a one-off \$47 million tax refund from the UK tax authority in 2018. Excluding the refund, taxation decreased by \$22 million or 3 per cent due to higher non-taxable income.

FINANCIAL REVIEW

Financial Assets and Financial Liabilities by Funds

	At 30 Jun 2019 \$m	At 31 Dec 2018 \$m	Change
Financial assets			
Cash and cash equivalents	114,532	121,196	(5%)
Financial assets measured at fair value through profit or loss	48,673	61,004	(20%)
Financial assets measured at fair value through other comprehensive income	4,247	3,755	13%
Financial assets measured at amortised cost	41,900	31,885	31%
Total	209,352	217,840	(4%)

The Group's financial assets comprised financial assets of Corporate Funds, Margin Funds, Clearing House Funds, base, ferrous, and precious metals derivatives contracts, and cash prepayments and collateral for A shares traded under Stock Connect, as follows:

	At 30 Jun 2019 \$m	At 31 Dec 2018 \$m	Change
Financial assets			
Corporate Funds ¹	27,912	24,833	12%
Margin Funds ²	128,879	120,573	7%
Clearing House Funds	13,122	15,505	(15%)
Base, ferrous, and precious metals derivatives contracts cleared through LME Clear	39,439	53,915	(27%)
Cash prepayments and collateral for A shares	-	3,014	(100%)
Total	209,352	217,840	(4%)

1 Includes \$866 million (31 December 2018: \$724 million) solely used for supporting contributions to default funds and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund

2 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear and margin receivable from CPs of \$5,248 million (31 December 2018: \$3,155 million), which are included in accounts receivable, prepayments and deposits

	At 30 Jun 2019 \$m	At 31 Dec 2018 \$m	Change
Financial liabilities			
Base, ferrous, and precious metals derivatives contracts cleared through LME Clear	39,439	53,915	(27%)
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	134,127	123,728	8%
CPs' contributions to Clearing House Funds	12,374	14,787	(16%)
Total	185,940	192,430	(3%)

The increase in financial assets and financial liabilities of Margin Funds at 30 June 2019 compared to 31 December 2018 was mainly attributable to increased contributions required from HKCC CPs due to higher margin requirements per contract.

The decrease in financial assets and financial liabilities of Clearing House Funds at 30 June 2019 compared to 31 December 2018 was mainly attributable to lower contributions required from LME Clear members in response to changes in risk exposures.

Financial assets of Corporate Funds increased by \$3,079 million during 1H 2019 due to the retention of cash generated by the business over the past 6 months, partly offset by the cash paid for the 2018 second interim dividend.

A portion of the Corporate Funds is invested in collective investment schemes which are designed to enhance returns and mitigate portfolio volatility and asset class concentration risk.

At 30 June 2019, the fair value of the Group's collective investment schemes by strategy employed was as follows:

	At 30 Jun 2019 \$m	At 31 Dec 2018 \$m	Change
Public Equities	2,620	2,021	30%
Absolute Return	1,587	1,312	21%
Multi-Sector Fixed Income	2,525	2,108	20%
US Government Bonds and Mortgage-backed Securities	2,452	1,648	49%
Total	9,184	7,089	30%

The increase in investment in collective investment schemes was mainly due to \$1.6 billion of additional funds invested and fair value gains generated by the schemes during 1H 2019.

Working Capital, Financial Resources and Gearing

Working capital rose by \$3,262 million or 15 per cent to \$25,464 million at 30 June 2019 (31 December 2018: \$22,202 million). The increase was primarily due to the profit of \$5,205 million generated during 1H 2019, partly offset by the 2018 second interim dividend (net of scrip dividend) of \$1,890 million paid in April 2019.

At 30 June 2019, the Group had the following outstanding borrowings:

	At 30 Jun 2019		At 31 Dec 2018	
	Carrying value \$m	Maturity	Carrying value \$m	Maturity
USD fixed rate note with coupon of 2.85 per cent	-	N/A	753	Jan 2019
Written put options to non-controlling interests	415	N/A	413	N/A
	415		1,166	

At 30 June 2019, the Group had a gross gearing ratio (ie, gross debt divided by adjusted capital) of 1 per cent (31 December 2018: 3 per cent), and a net gearing ratio (ie, net debt divided by adjusted capital) of zero per cent (31 December 2018: zero per cent). For this purpose, gross debt is defined as total borrowings and net debt¹⁰ is defined as total borrowings 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 other than designated reserves.

Banking facilities have been put in place for contingency purposes. At 30 June 2019, the Group's total available banking facilities for its daily operations amounted to \$20,016 million (31 December 2018: \$20,024 million), which included \$13,515 million (31 December 2018: \$13,523 million) of committed banking facilities and \$6,500 million (31 December 2018: \$6,500 million) of repurchase facilities.

¹⁰ Net debt will be 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 greater than total borrowings.

The Group has also put in place foreign exchange facilities for its daily clearing operations and for the RMB Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 30 June 2019, the total amount of the facilities was RMB21,500 million (31 December 2018: RMB21,500 million).

In addition, the Group has arranged banking facilities amounting to RMB13,000 million (31 December 2018: RMB13,000 million) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect, eg, natural disasters or extreme weather conditions in Hong Kong.

At 30 June 2019, 79 per cent (31 December 2018: 83 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

Capital Expenditure and Commitments

During 1H 2019, the Group incurred capital expenditure⁹ of \$368 million (1H 2018: \$339 million) related to the development and upgrade of various trading and clearing systems.

The Group's capital expenditure commitments at 30 June 2019, including those authorised by the Board but not yet contracted for, amounted to \$1,092 million (31 December 2018: \$935 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems.

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

On 28 June 2019, the Group completed the acquisition of a 51 per cent equity interest of Ronghui Tongjin for a total cash consideration of RMB233 million (\$262 million) through capital injection into Ronghui Tongjin. In addition, the Group subscribed for a 9.99 per cent equity interest in Fusion Bank Limited (formerly known as Infinium Limited) for a cash consideration of \$50 million during 1H 2019.

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.

Pledge of Assets

LME Clear receives securities, gold bullion and warrants as collateral for margin posted by its CPs. The total fair value of this collateral was US\$1,649 million (HK\$12,883 million) at 30 June 2019 (31 December 2018: US\$1,490 million (HK\$11,666 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 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\$7,179 million (HK\$56,086 million) at 30 June 2019 (31 December 2018: US\$7,650 million (HK\$59,895 million)).

The above non-cash collateral, which LME Clear is permitted to sell or repledge in the absence of default by the counterparties, was not recorded on the condensed consolidated statement of financial position of the Group at 30 June 2019. Such non-cash collateral, together with certain financial assets amounting to US\$437 million (HK\$3,410 million) at 30 June 2019 (31 December 2018: US\$420 million (HK\$3,288 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

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.

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. For LME Clear, investments of Margin Fund and Default Fund will generally take place in the currency in which cash was received.

The aggregate net open foreign currency positions (excluding collective investment schemes) at 30 June 2019 amounted to HK\$1,400 million, of which HK\$138 million were non-USD exposures (31 December 2018: HK\$3,235 million, of which HK\$584 million were non-USD exposures).

Contingent Liabilities

At 30 June 2019, 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 2018: \$71 million). Up to 30 June 2019, 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 657 trading Participants (31 December 2018: 640) covered by the indemnity at 30 June 2019 defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$131 million (31 December 2018: \$128 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.

CHANGES SINCE 31 DECEMBER 2018

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 2018.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2019 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 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2019, 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 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 HKEX's Articles of Association.

PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES

During the six months ended 30 June 2019, 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 10,600 HKEX shares at a total consideration of \$3 million.

SUSTAINABLE WORKPLACE

During the six months ended 30 June 2019, the Group organised 97 in-house courses for employees to enhance their job knowledge, skills and well-being. Moreover, the Group sponsored a total of 39 employees to attend external training.

As at 30 June 2019, the Group had 2,308 employees, including 144 temporary staff and 55 interns. HKEX's remuneration policy has remained unchanged since the date of the 2018 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 2019 \$m	Six months ended 30 Jun 2018 \$m
Trading fees and trading tariffs		2,940	3,334
Stock Exchange listing fees		847	855
Clearing and settlement fees		1,655	1,747
Depository, custody and nominee services fees		575	518
Market data fees		461	443
Other revenue		577	488
REVENUE		7,055	7,385
Investment income		2,142	1,300
Interest rebates to Participants		(623)	(505)
Net investment income	4	1,519	795
Sundry income		4	14
REVENUE AND OTHER INCOME		8,578	8,194
OPERATING EXPENSES			
Staff costs and related expenses		(1,328)	(1,205)
IT and computer maintenance expenses		(278)	(241)
Premises expenses		(64)	(202)
Product marketing and promotion expenses		(29)	(22)
Professional fees		(37)	(42)
Other operating expenses		(217)	(206)
		(1,953)	(1,918)
EBITDA		6,625	6,276
Depreciation and amortisation		(495)	(378)
OPERATING PROFIT		6,130	5,898
Finance costs	5	(86)	(55)
Share of profits less losses of joint ventures		6	4
PROFIT BEFORE TAXATION		6,050	5,847
TAXATION	6	(847)	(822)
PROFIT FOR THE PERIOD		5,203	5,025
PROFIT/(LOSS) ATTRIBUTABLE TO:			
- Shareholders of HKEX		5,205	5,041
- Non-controlling interests		(2)	(16)
PROFIT FOR THE PERIOD		5,203	5,025
Basic earnings per share	7(a)	\$4.16	\$4.07
Diluted earnings per share	7(b)	\$4.15	\$4.06

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m
PROFIT FOR THE PERIOD	5,203	5,025
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences of foreign subsidiaries	(35)	67
Cash flow hedges	(2)	(3)
Changes in fair value of financial assets measured at fair value through other comprehensive income	3	(3)
OTHER COMPREHENSIVE INCOME	(34)	61
TOTAL COMPREHENSIVE INCOME	5,169	5,086
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
- Shareholders of HKEX	5,168	5,100
- Non-controlling interests	1	(14)
TOTAL COMPREHENSIVE INCOME	5,169	5,086

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		At 30 Jun 2019			At 31 Dec 2018		
	Note	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	9	114,532	-	114,532	121,196	-	121,196
Financial assets measured at fair value through profit or loss	9	48,623	50	48,673	61,004	-	61,004
Financial assets measured at fair value through other comprehensive income	9	4,247	-	4,247	3,755	-	3,755
Financial assets measured at amortised cost	9	41,502	398	41,900	31,487	398	31,885
Accounts receivable, prepayments and deposits	10	14,038	21	14,059	18,341	21	18,362
Interests in joint ventures		-	69	69	-	63	63
Goodwill and other intangible assets		-	18,193	18,193	-	18,019	18,019
Fixed assets		-	1,512	1,512	-	1,625	1,625
Right-of-use assets		-	2,328	2,328	-	-	-
Lease premium for land		-	20	20	-	20	20
Deferred tax assets		-	20	20	-	19	19
Total assets		222,942	22,611	245,553	235,783	20,165	255,948
LIABILITIES AND EQUITY							
Liabilities							
Financial liabilities at fair value through profit or loss		39,439	-	39,439	53,915	-	53,915
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs		134,127	-	134,127	123,728	-	123,728
Accounts payable, accruals and other liabilities	11	9,081	-	9,081	18,316	53	18,369
Deferred revenue		672	411	1,083	1,000	418	1,418
Taxation payable		1,202	-	1,202	678	-	678
Other financial liabilities		65	-	65	59	-	59
CPs' contributions to Clearing House Funds		12,374	-	12,374	14,787	-	14,787
Lease liabilities		163	2,223	2,386	-	-	-
Borrowings	12	252	163	415	1,005	161	1,166
Provisions		103	102	205	93	89	182
Deferred tax liabilities		-	743	743	-	743	743
Total liabilities		197,478	3,642	201,120	213,581	1,464	215,045
Equity							
Share capital				29,702			27,750
Shares held for Share Award Scheme				(681)			(682)
Employee share-based compensation reserve				318			218
Hedging and revaluation reserves				(5)			(6)
Exchange reserve				(122)			(84)
Designated reserves				547			523
Reserve relating to written put options to non-controlling interests				(369)			(369)
Retained earnings				14,730			13,379
Equity attributable to shareholders of HKEX				44,120			40,729
Non-controlling interests				313			174
Total equity				44,433			40,903
Total liabilities and equity				245,553			255,948
Net current assets				25,464			22,202

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated financial statements should be read in conjunction with the 2018 annual consolidated financial statements. Except as described in note 2 below, 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 2018.

The financial information relating to the year ended 31 December 2018 that is included in these unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622).

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

2. Adoption of new/revised HKFRSs

In 2019, the Group has adopted the following new standard and interpretation to HKFRSs which are pertinent to the Group's operations and effective for accounting periods beginning on or after 1 January 2019:

HKFRS 16	Leases
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments

HKFRS 16 affects the accounting for the Group's operating leases.

Prior to the adoption of HKFRS 16, leases where substantially all the rewards and risks of ownership of assets remained with the lessor were accounted for as operating leases. Operating lease rentals were recognised under operating expenses in the condensed consolidated income statement on a straight-line basis over the lease term. Commitments under operating leases for future periods were not recognised as liabilities.

Upon adoption of HKFRS 16, the majority of operating leases (except for short-term leases with lease terms of less than 12 months) are recognised in the condensed consolidated statement of financial position as lease liabilities and right-of-use assets.

The Group has applied HKFRS 16 from 1 January 2019. As permitted by the transitional provision of HKFRS 16, comparatives for 2018 were not restated. The Group recognised right-of-use assets of \$2,419 million and current and non-current lease liabilities amounting to \$235 million and \$2,277 million respectively, and de-recognised provision for lease incentives included under current and non-current liabilities of \$32 million and \$53 million respectively, with the net difference of \$8 million being recognised as a reduction in retained earnings. In addition, reinstatement costs of \$36 million, which were previously included under fixed assets, were reclassified to right-of-use assets.

The following table shows the impact on each individual line item of the condensed consolidated income statement for the six months ended 30 June 2019 following the adoption of HKFRS 16. Line items that were not affected by the changes have not been included, and therefore the line items disclosed do not add up to the sub-totals and totals below.

Condensed consolidated income statement (extracts)	Six months ended 30 Jun 2019		As reported \$m
	Before adoption of HKFRS 16 \$m	Impact from adoption of HKFRS 16 \$m	
OPERATING EXPENSES			
IT and computer maintenance expenses	(282)	4	(278)
Premises expenses	(210)	146	(64)
Other operating expenses	(220)	3	(217)
EBITDA	6,472	153	6,625
Depreciation and amortisation	(364)	(131)	(495)
OPERATING PROFIT	6,108	22	6,130
Finance costs	(42)	(44)	(86)
PROFIT BEFORE TAXATION	6,072	(22)	6,050
TAXATION	(847)	-	(847)
PROFIT FOR THE PERIOD	5,225	(22)	5,203
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF HKEX	5,227	(22)	5,205
Basic earnings per share (\$)	4.18	(0.02)	4.16

HK(IFRIC) Interpretation 23 clarifies how to apply the recognition and measurement requirements in Hong Kong Accounting Standard 12: Income Taxes when there is uncertainty over income tax treatments. The adoption did not have any financial impact on the Group.

3. Operating Segments

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

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

To optimise resources to successfully deliver the initiatives set out in the Group's Strategic Plan 2019-2021, the Group's operating segments have been reorganised. As a result, since April 2019, the "Clearing segment" has been renamed the "Post Trade segment", and the "Platform and Infrastructure segment" has been renamed the "Technology segment".

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, the Shanghai Stock Exchange and the Shenzhen Stock Exchange through Stock Connect, sales of market data relating to these products and other related activities. The major sources of revenue of the segment are trading fees, trading tariffs, listing fees of equity products and market data fees.

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

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

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

The **Technology** segment refers to all services in connection with providing users with access to the platform and infrastructure of the Group. It also includes the services provided by the Group's newly acquired subsidiary, Ronghui Tongjin. Its major sources of revenue are network, terminal user, dataline and software sub-license fees and hosting services fees.

Central income (including 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 segment) 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, profit before taxation and analysis for revenue by timing of revenue recognition for the period is set out as follows:

Six months ended 30 Jun 2019							
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:							
Point in time	1,128	1,144	556	2,302	34	5	5,169
Over time	735	487	138	182	339	5	1,886
Revenue from external customers	1,863	1,631	694	2,484	373	10	7,055
Net investment income	-	-	-	774	-	745	1,519
Sundry income	-	-	-	4	-	-	4
Revenue and other income	1,863	1,631	694	3,262	373	755	8,578
Operating expenses	(302)	(291)	(324)	(420)	(102)	(514)	(1,953)
Reportable segment EBITDA	1,561	1,340	370	2,842	271	241	6,625
Depreciation and amortisation	(64)	(48)	(158)	(120)	(19)	(86)	(495)
Finance costs	(8)	(6)	(4)	(39)	(1)	(28)	(86)
Share of profits less losses of joint ventures	9	(3)	-	-	-	-	6
Reportable segment profit before taxation	1,498	1,283	208	2,683	251	127	6,050
Six months ended 30 Jun 2018							
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:							
Point in time	1,383	1,225	570	2,352	44	2	5,576
Over time	716	509	136	159	283	6	1,809
Revenue from external customers	2,099	1,734	706	2,511	327	8	7,385
Net investment income	-	-	-	622	-	173	795
Sundry income	-	-	-	7	-	7	14
Revenue and other income	2,099	1,734	706	3,140	327	188	8,194
Operating expenses	(282)	(280)	(354)	(400)	(75)	(527)	(1,918)
Reportable segment EBITDA	1,817	1,454	352	2,740	252	(339)	6,276
Depreciation and amortisation	(40)	(36)	(147)	(101)	(18)	(36)	(378)
Finance costs	-	-	-	(16)	-	(39)	(55)
Share of profits less losses of joint ventures	8	(4)	-	-	-	-	4
Reportable segment profit before taxation	1,785	1,414	205	2,623	234	(414)	5,847

4. Net Investment Income

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m
Gross interest income from financial assets measured at amortised cost	1,549	1,229
Gross interest income from financial assets measured at fair value through other comprehensive income	52	29
Interest rebates to Participants	(623)	(505)
Net interest income	978	753
Net 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	535	52
Others	6	(10)
Net investment income	1,519	795

5. Finance Costs

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m
Interest on borrowings	4	27
Interest on lease liabilities	44	-
Banking facility commitment fees	25	21
Negative interest on Euro and Japanese Yen deposits	13	7
	86	55

6. Taxation

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

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m
Current tax - Hong Kong Profits Tax	744	762
Current tax - Overseas Tax	102	61
Total current tax	846	823
Deferred tax	1	(1)
Taxation charge	847	822

- (a) Hong Kong Profits Tax has been provided at the rate of 16.5 per cent (2018: 16.5 per cent) and overseas profits tax at the rates of taxation prevailing in the countries in which the Group operates, with the average corporation tax rate applicable to the subsidiaries in the UK being 19 per cent (2018: 19 per cent).

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 2019	Six months ended 30 Jun 2018
Profit attributable to shareholders (\$m)	5,205	5,041
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,250,719	1,238,023
Basic earnings per share (\$)	4.16	4.07

(b) Diluted earnings per share

	Six months ended 30 Jun 2019	Six months ended 30 Jun 2018
Profit attributable to shareholders (\$m)	5,205	5,041
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,250,719	1,238,023
Effect of shares awarded under Share Award Scheme (in '000)	3,010	2,872
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,253,729	1,240,895
Diluted earnings per share (\$)	4.15	4.06

8. Dividends

	Six months ended 30 Jun 2019 \$m	Six months ended 30 Jun 2018 \$m
Interim dividend declared of \$3.72 (2018: \$3.64) per share at 30 Jun	4,680	4,538
Less: Dividend for shares held by Share Award Scheme at 30 Jun	(12)	(11)
	4,668	4,527

9. Financial Assets

	At 30 Jun 2019 \$m	At 31 Dec 2018 \$m
Cash and cash equivalents	114,532	121,196
Financial assets measured at fair value through profit or loss	48,673	61,004
Financial assets measured at fair value through other comprehensive income	4,247	3,755
Financial assets measured at amortised cost	41,900	31,885
	209,352	217,840

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

	At 30 Jun 2019 \$m	At 31 Dec 2018 \$m
<u>Cash for A shares</u> (note (a))		
Cash and cash equivalents	-	3,014
<u>Corporate Funds</u>		
Cash and cash equivalents (note (b))	9,775	11,904
Financial assets measured at fair value through profit or loss	9,234	7,089
Financial assets measured at amortised cost	8,903	5,840
	27,912	24,833
<u>Margin Funds</u> ¹		
Cash and cash equivalents	91,635	90,773
Financial assets measured at fair value through other comprehensive income	4,247	3,755
Financial assets measured at amortised cost	32,997	26,045
	128,879	120,573
<u>Clearing House Funds</u>		
Cash and cash equivalents	13,122	15,505
<u>Metals derivatives contracts</u>		
Financial assets measured at fair value through profit or loss	39,439	53,915
	209,352	217,840

1 Excludes Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear and margin receivable from CPs of \$5,248 million (31 December 2018: \$3,155 million), which are included in accounts receivable, prepayments and deposits. If such amounts are included, total Margin Funds would be \$134,127 million (31 December 2018: \$123,728 million).

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

	At 30 Jun 2019						At 31 Dec 2018					
	Cash for A shares \$m	Corporate Funds \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Total \$m	Cash for A shares \$m	Corporate Funds \$m	Margin Funds \$m	Clearing House Funds \$m	Metals derivatives contracts \$m	Total \$m
Within twelve months	-	27,464	128,879	13,122	39,439	208,904	3,014	24,435	120,573	15,505	53,915	217,442
Over twelve months	-	448	-	-	-	448	-	398	-	-	-	398
	-	27,912	128,879	13,122	39,439	209,352	3,014	24,833	120,573	15,505	53,915	217,840

(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 Continuous Net Settlement (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 2019, cash and cash equivalents of Corporate Funds of \$866 million (31 December 2018: \$724 million) were solely used to support Skin-in-the-Game and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund.

10. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represent the Group's CNS money obligations receivable, and Settlement Reserve Fund and Settlement Guarantee Fund paid to ChinaClear, which accounted for 50 per cent (31 December 2018: 73 per cent) and 37 per cent (31 December 2018: 17 per cent) of the total accounts receivable, prepayments and deposits respectively. CNS money obligations receivable mature within two days after the trade date. Fees receivable are due immediately or up to 60 days depending on the type of services rendered. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

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 77 per cent (31 December 2018: 89 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 2019 \$m	At 31 Dec 2018 \$m
Notes	-	753
Written put options to non-controlling interests	415	413
Total borrowings	415	1,166
Analysed as:		
Non-current liabilities	163	161
Current liabilities	252	1,005
	415	1,166

During the six months ended 30 June 2019, the notes were fully repaid, and none of the written put options was exercised.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of \$3.72 per share (2018: \$3.64 per share) for the year ending 31 December 2019. The interim dividend will be payable in cash with a scrip alternative where a 3 per cent discount on the subscription price will be offered to Shareholders who elect to subscribe for shares. 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. Details of the scrip dividend alternative will be set out in a circular to Shareholders.

Relevant Dates for Interim Dividend Payment

Ex-dividend date	27 August 2019
Closure of HKEX's Register of Members	29 to 30 August 2019 (both dates inclusive)
Record date	30 August 2019
Despatch of scrip dividend circular and election form	On or about 4 September 2019
Announcement of scrip share subscription price	On or about 10 September 2019
Despatch of dividend warrants/definitive share certificates	26 September 2019

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, 28 August 2019.

PUBLICATION OF 2019 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/2019. The 2019 Interim Report will be available on the HKEXnews and HKEX Group websites and despatched to Shareholders on or about Thursday, 29 August 2019.

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

Hong Kong, 14 August 2019

As at the date of this announcement, the Board comprises 12 Independent Non-executive Directors, namely Mrs Laura May-Lung CHA (Chairman), Mr Apurv BAGRI, Mr CHAN Tze Ching, Ignatius, Mr CHEAH Cheng Hye, Ms FUNG Yuen Mei, Anita, Mr Rafael GIL-TIENDA, Dr HU Zuli, Fred, Mr HUNG Pi Cheng, Benjamin, Mr LEUNG Pak Hon, Hugo, Ms MA Xuezheng, Mary, Mr John Mackay McCulloch WILLIAMSON, and Mr YIU Kin Wah, Stephen, and one Executive Director, Mr LI Xiaojia, Charles, who is also HKEX's Chief Executive.

GLOSSARY

ADT	Average daily turnover value
ADV	Average daily volume (in number of contracts/lots)
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 will be explored at a later stage
Cash Market	HKEX's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
ChinaClear	China Securities Depository and Clearing Corporation Limited
CNH	Offshore RMB traded outside Mainland China
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
e-IPO	Electronic Initial Public Offering
EP(s)	Exchange Participant(s)
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
Euro	The official currency of the Eurozone
Exchange or SEHK or Stock Exchange	The Stock Exchange of Hong Kong Limited
FIC	Fixed income and currency
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
Government Appointed Director(s)	Director(s) 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
HKCC	HKFE Clearing Corporation Limited
HKEX or the Company	Hong Kong Exchanges and Clearing Limited
HKFRS(s)	Hong Kong Financial Reporting Standards(s)
HKSCC	Hong Kong Securities Clearing Company Limited
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 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

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
MOU	Memorandum of Understanding
MSCI	MSCI Inc.
Northbound Trading	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
QME	Qianhai Mercantile Exchange Co., Ltd.
RMB	Renminbi
Ronghui Tongjin	Shenzhen Ronghui Tongjin Technology Co. Ltd.
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 Shanghai Connect	A mutual market access programme that links the stock markets in Shanghai and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market
Shareholder(s)	HKEX's shareholder(s)
Share Award Scheme or the Scheme	The 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
Shenzhen-Hong Kong Stock Connect or Shenzhen 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	Mainland investors trading in eligible securities that are listed on the Stock Exchange through Stock Connect
Stock Connect	Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
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