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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)

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

## **2021 INTERIM RESULTS, INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

# STRATEGIC AND FINANCIAL HIGHLIGHTS

## Nicolas Aguzin, Chief Executive Officer said:

"This has been a record first half for HKEX. Driven by a buoyant IPO market, strong trading volumes and significant momentum in Stock Connect, revenue and profit reached record highs. The macro backdrop will remain challenging in the months ahead, but we remain resolutely focused on continuing to enhance the attractiveness of our markets, responding to the needs of our customers and driving our business forward. We are well-placed for the opportunities and challenges ahead."

## Strategic Highlights

### Corporate

- 30 Apr 3rd Anniversary of the new listing regime
- 25 May LME Asia Metals Seminar hosted in Hong Kong

### Regulation

- 31 Mar Published consultation paper on Listing Regime for Overseas Issuers
- 16 Apr Published consultation paper on Review of Corporate Governance Code and Related Listing Rules
- 20 May Published consultation conclusions on the Main Board Profit Requirement and Review of Listing Rules Relating to Disciplinary Powers and Sanctions and the joint statement with the SFC on IPO-related misconduct

### Products and Services

- 18 Jan Launched Hang Seng TECH Index Options
- 20 Jan First L&I Products tracking the FTSE China A50 Index
- 1 Feb Eligible A shares listed on SSE's STAR Market, and corresponding H shares, were included in Stock Connect
- 10 Feb First ETF tracking the SSE's STAR Market
- 18 Mar First ETF focusing on Hong Kong-listed biotech companies
- 29 Mar FTSE Russell confirmed Chinese government bonds will be included in the FTSE World Government Bond Index
- 14 Apr First long duration China bond ETF and the first high yield bond ETF
- 26 Apr Launch of mini USD/CNH Futures contract
- 10 May OTC Clear launched clearing services for Cross Currency Swaps referencing Secured Overnight Financing Rate and Hong Kong Dollar Overnight Index Average
- 24 May Bond Connect launched dealer pay model
- 28 May First L&I Products tracking Taiwanese underlying
- 31 May Introduced a new tiered structure for ETP trading fee exemption for market makers, and fee waivers for Hong Kong-listed fixed income and money market ETFs
- 1 Jun First ETF listings in Hong Kong and Shanghai under the Hong Kong-Mainland ETF Cross-listing Scheme

### Market Operations

- 29 Mar Second phase enhancement of Volatility Control Mechanism implemented in the Cash Market
- 12 Apr Volatility Control Mechanism and Pre-Market Opening Session enhancements implemented in the Derivatives Market
- 26 Apr Completed upgrade of OTC Clearing and Settlement System
- 8 Jun LME published discussion paper outcomes on future market structure

### Corporate Social Responsibility

- Apr Go Green with HKEX campaign
- 7 May Launched the inaugural ESG Academy webinar series
- 1 Jun Launched the 2021 HKEX Charity Partnership Programme

## Financial Highlights

- 1H 2021 revenue and other income reached a half-yearly record of \$10,909 million, 24 per cent higher than 1H 2020 (up 5 per cent against the previous record set in 2H 2020)
  - Core business revenue was up 27 per cent compared with 1H 2020, reflecting higher trading and clearing fees driven by record headline ADT<sup>1</sup>, and higher depository, custody and nominee services fees
  - Stock Connect revenue and other income reached a record half-yearly high of \$1,320 million, up 78 per cent against 1H 2020
  - Net investment income was \$64 million lower compared with 1H 2020, due to reduced Margin Fund investment income, impacted by a low interest rate environment, though partly offset by \$321 million gains on collective investment schemes (1H 2020: \$138 million losses)
- Operating expenses were 9 per cent higher than 1H 2020. Excluding HKEX Foundation charitable donations<sup>2</sup>, operating expenses were up 7 per cent, attributable to higher staff and IT costs
- EBITDA margin<sup>3</sup> was 79 per cent, 2 per cent higher than 1H 2020 and the 2020 financial year
- There was a one-off deferred tax charge on acquired LME intangible assets of \$160 million arising from the approval of the change in UK statutory tax rate in June 2021 from 19 per cent to 25 per cent effective from April 2023
- Profit attributable to shareholders rose by 26 per cent against 1H 2020, to a record half-yearly high of \$6,610 million

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<sup>1</sup> ADT of equity products, DWs, CBBCs and warrants traded on the Stock Exchange

<sup>2</sup> HKEX Foundation was established to deepen HKEX's connectivity and long-standing commitment to our communities. From July 2020 onwards, the donation income from the Stock Code Balloting Charity Scheme was received by HKEX Foundation, and then donations were made to the Hong Kong Community Chest by HKEX Foundation. As a result, HKEX recorded both donation income of \$74 million (1H 2020: \$Nil), under revenue and other income; and HKEX Foundation charitable donations of \$69 million (1H 2020: \$28 million), under operating expenses in 1H 2021.

<sup>3</sup> For the purposes of this announcement, EBITDA is defined as earnings before interest expenses and other finance costs, taxation, depreciation and amortisation. It excludes the Group's share of results of the joint ventures. EBITDA margin is calculated based on EBITDA divided by revenue and other income less transaction-related expenses.

## Key Financials

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m	Change
Revenue and other income			
Core business revenue	10,061	7,944	27%
HKEX Foundation donation income <sup>2</sup>	74	-	N/A
Net investment income	774	838	(8%)
	10,909	8,782	24%
Operating expenses <sup>2</sup>	2,221	2,045	9%
EBITDA	8,607	6,706	28%
Profit attributable to shareholders	6,610	5,233	26%
Capital expenditure	536	519	3%
Basic earnings per share	\$5.22	\$4.15	26%
Interim dividend per share	\$4.69	\$3.71	26%

## Key Market Statistics

	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020	Change
ADT of equity products traded on the Stock Exchange <sup>4</sup> (\$bn)	165.8*	100.0	66%
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	22.4	17.5	28%
ADT traded on the Stock Exchange <sup>4,5</sup> (Headline ADT) (\$bn)	188.2*	117.5	60%
ADT of Northbound Trading of Stock Connect <sup>4</sup> (RMBbn)	114.4*	74.3	54%
ADT of Southbound Trading of Stock Connect <sup>4</sup> (\$bn)	48.1*	20.7	132%
ADV of derivatives contracts traded on the Futures Exchange ('000 contracts)	517	673	(23%)
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	688	502	37%
Chargeable ADV <sup>6</sup> of metals contracts traded on the LME ('000 lots)	544	625	(13%)
ADT of Bond Connect (RMBbn)	26.6*	19.9	34%

\* New record half-yearly high in 1H 2021

<sup>4</sup> Includes buy and sell trades under Stock Connect

<sup>5</sup> ADT of Southbound Trading is included within Headline ADT.

<sup>6</sup> Chargeable ADV excludes administrative trades (Admin Trades) and other non-chargeable trades.

## CHAIRMAN'S STATEMENT

Global financial markets saw a strong start to the year, with optimism around vaccine rollout, encouraging signs of early economic recovery, and government stimulus measures fuelling positive sentiment. However, markets throughout the first half of the year have remained volatile, reflecting concerns over the path to recovery from the pandemic, continued fragile global geopolitics and concerns over rising inflation levels around the world.

Set against this backdrop, HKEX has successfully both maintained its resiliency, and driven new market and product initiatives and programmes, supporting the delivery of another set of record financial results for the first half of 2021.

Amid the ongoing market volatility, the average daily turnover in Hong Kong's securities market (\$188.2 billion) and the average daily volume of futures and options traded in the derivatives market (1,204,798 contracts) in the first half of 2021 increased by 60 per cent and 3 per cent respectively year-on-year. Hong Kong's IPO market remained buoyant in the first half of 2021, welcoming major listings such as Kuaishou Technology and JD Logistics, and a range of innovative new biotechnology companies, and raising total IPO funds of \$211.7 billion, up 128 per cent year-on-year. The IPO pipeline remains strong.

Stock Connect carried its strong momentum into 2021, achieving record half-yearly turnover in both Northbound and Southbound Trading. Bond Connect trading also continued on its robust growth path, reaching new highs in trading volume and number of investors.

Reflecting demand within the global metals market, the chargeable average daily volume of metals contracts traded on the LME decreased by 13 per cent year-on-year. The LME announced the outcomes of its discussion paper on future market structure in June, following extensive consideration of market feedback, and is now moving forward its plans to enhance its electronic offering and provide greater transparency. The Ring, which has been temporarily closed due to the pandemic, is scheduled to re-open for trading on 6 September 2021 for the determination of Official Prices, alongside electronic Closing Prices discovery and trading.

For the six months ended 30 June 2021, the Group recorded total revenue and other income of \$10,909 million and profit attributable to shareholders of \$6,610 million, up 24 per cent and 26 per cent respectively, year-on-year. The Board declared an interim dividend of \$4.69 per share, payable in cash.

On the strategic front, we have continued to drive sustainability and innovation across our markets, enhancing our competitiveness and relevance at the heart of the global financial community.

Building on the success of our 2018 listing reforms, which have transformed HKEX into the go-to listing venue for new economy and biotech companies, we have been exploring and working on a number of key initiatives to reinforce the competitiveness of our listing regimes, whilst safeguarding investors' interest. The Exchange issued a consultation paper in March 2021 to seek market views on proposals to enhance and streamline the listing regime for overseas issuers. The Exchange also launched a market consultation in April on proposals to further raise corporate governance standards among listed issuers in Hong Kong. To uphold and enhance market quality and promote investor protections, the Exchange announced in May amendments to the profit requirement for Main Board listings, and listing rule amendments to strengthen its disciplinary regime. With strong market support, we will proceed to introduce a new platform, FINI (Fast Interface for New Issuance) to comprehensively streamline and digitalise Hong Kong's IPO settlement process in the fourth quarter of 2022 at the earliest.

To cement our position as Asia's global marketplace, we continued to broaden our product ecosystem across asset class in the first half of 2021, focused on driving market liquidity and vibrancy, and expanding our capabilities in market connectivity.

Across the Group we continued to deliver on our sustainability agenda through a number of important initiatives. Of note are LME's launch of a new digital register, LMEpassport, starting with aluminium due in the third quarter of 2021 to promote disclosure over sustainability criteria, and the introduction of six new contracts in July to support the circular economy and a more sustainable metals market. We have also continued to build 'STAGE', our sustainable and green information platform, now displaying 72 products; and to drive our market education programme on ESG through our newly launched 'ESG Academy', which seeks to build ESG capabilities among our listed issuers and market participants. Our

investment in the newly established Guangzhou Futures Exchange (GFE) early this year further underscored HKEX's commitment to sustainability, reinforcing our role in contributing to Mainland China's continuing internationalisation. With the official launch of GFE in April, we look forward to working with our Mainland partners in building an innovative, market-oriented exchange to support the development of sustainable finance in the Greater Bay Area and beyond.

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

As the world slowly recovers from the pandemic, HKEX, as a leading global financial markets infrastructure group, has a more important role than ever to play in promoting our collective prosperity and long-term sustainability. This we seek to do through the way we conduct ourselves and the way we develop our markets and business, working alongside our customers and our stakeholders, to partner for the future. This is also reflected in our commitment to continuing to make a meaningful and direct impact on our broader communities through the work of the HKEX Foundation, which this year, to date, has contributed \$80 million to projects and programmes within Hong Kong and beyond, focused on financial literacy, poverty relief, diversity and inclusion and environmental stewardship.

Looking forward, we will maintain our resolute focus on our resilience, sustainability, and innovation, delivering on our ambitions, and reinforcing our role as the global markets leader in the Asian time zone. We will closely collaborate with our customers, partners, regulators and other stakeholders, to uphold market quality and integrity, further increase our product diversity and heighten our relevance in connecting Mainland China and international capital markets.

The Board, along with the management team, will work together in the coming months to develop and refine our strategy, so that we remain well-placed to meet the opportunities and challenges that lie ahead. We are confident that, under the leadership of Mr Nicolas Aguzin, our new Chief Executive Officer, HKEX will continue its record of success, and continue to contribute to the development of Hong Kong as a leading international financial centre.

On behalf of the Board, I would like to thank our shareholders, our regulators, customers, partners and friends, for their ongoing trust and confidence, and all our employees for their dedicated commitment and hard work through these challenging times.

**Laura M CHA**  
Chairman

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

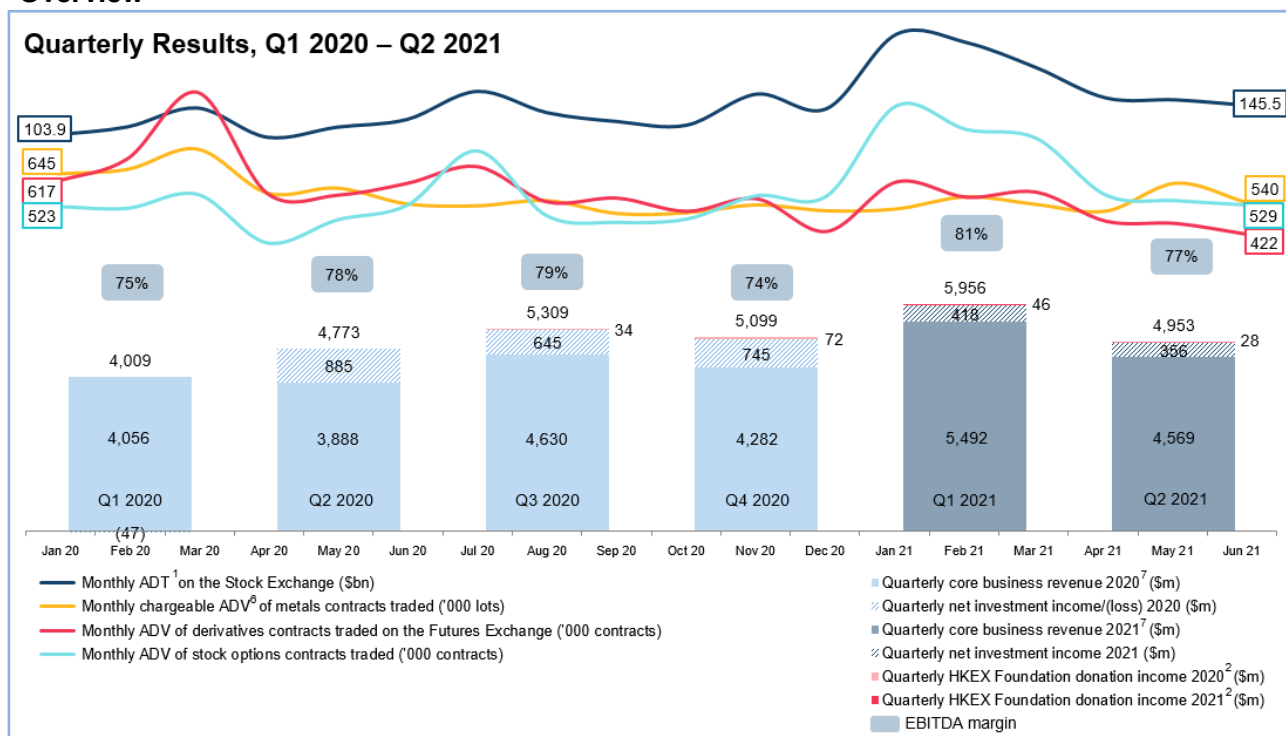


Fig. 1 – Market activity and Group's revenue and other income/(loss)

HKEX performed well in 1H 2021, with record half-yearly revenue and other income and profit, exceeding previous records set in 2H 2020. Driven by an exceptionally buoyant first quarter, with record monthly high ADT in January of \$245.7 billion, 1H 2021 headline ADT<sup>1</sup> rose to a record half-yearly high of \$188.2 billion, 60 per cent above 1H 2020, and 33 per cent above 2H 2020. Stock Connect trading volumes also saw record half-yearly highs with Northbound and Southbound ADT being 54 per cent and 132 per cent higher than 1H 2020 respectively. The Hong Kong IPO market continued to be vibrant, welcoming 46 new company listings, raising over \$200 billion, more than double that of 1H 2020, ranking HKEX third globally by IPO funds raised during the period.

Revenue and other income for 1H 2021 rose by 24 per cent against 1H 2020, reaching a record half-yearly high of \$10.9 billion, driven by higher trading and clearing fees and higher depository, custody and nominee services fees. Operating expenses increased by 9 per cent against 1H 2020. Excluding HKEX Foundation charitable donations<sup>2</sup>, operating expenses were up 7 per cent, mainly due to higher staff costs, and higher maintenance expenses for new IT systems and upgraded networks.

For Q2 2021, revenue and other income was \$5.0 billion. This reflected more moderate Q2 trading volumes compared with the exceptional Q1 2021 volumes, resulting in lower headline ADT and Derivatives Market ADV. This was partly offset by the seasonal increase in depository, custody and nominee services fees.

Throughout the period, the Group maintained its focus on executing and delivering upon its strategy, driving its competitiveness, seeking growth opportunities and ensuring the continued stability and resilience of its markets. At the same time the Group also continued to adopt a prudent approach to cost control and risk management.

<sup>7</sup> Revenue and other income, excluding net investment income and HKEX Foundation donation income

## Analysis of Results and Business Update by Operating Segment

	Six months ended 30 June 2021				Six months ended 30 June 2020			
	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m	Revenue and other income \$m	Transaction-related expenses \$m	Revenue and other income less transaction-related expenses \$m	EBITDA \$m
Results by segment:								
Cash	3,200	-	3,200	2,895	2,253	-	2,253	1,968
Equity and Financial Derivatives	1,731	(63)	1,668	1,331	1,638	(23)	1,615	1,331
Commodities	723	-	723	399	749	-	749	420
Post Trade	4,224	(18)	4,206	3,760	3,629	(8)	3,621	3,197
Technology	523	-	523	375	443	-	443	304
Corporate Items	508	-	508	(153)	70	-	70	(514)
	10,909	(81)	10,828	8,607	8,782	(31)	8,751	6,706

### Cash Segment

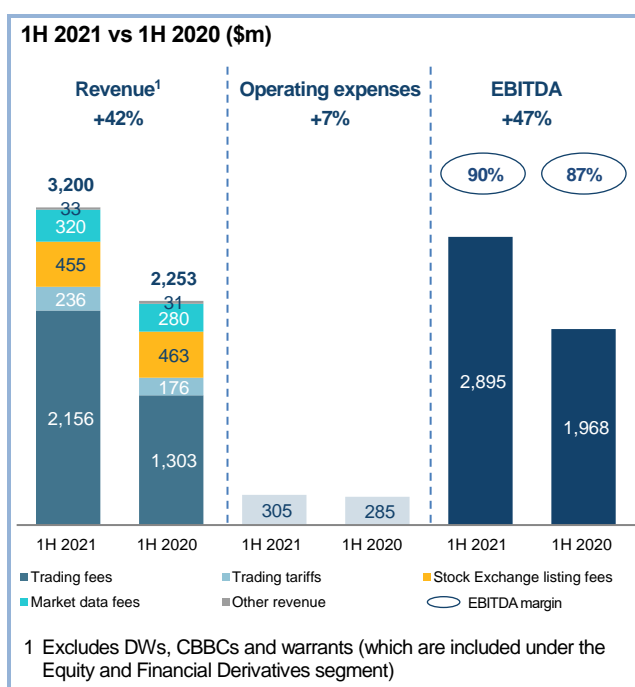
#### Analysis of Results

Revenue was up 42 per cent and EBITDA was up 47 per cent compared with 1H 2020.

Trading fees increased by \$853 million or 65 per cent compared with 1H 2020. This was mainly attributable to the 66 per cent increase in ADT of equity products. In particular, trading fees from Stock Connect Northbound Trading and Stock Connect Southbound Trading reached record half-yearly highs of \$296 million (1H 2020: \$175 million) and \$125 million (1H 2020: \$51 million) respectively. Trading tariffs rose by 34 per cent, driven by the increase in equity products' trading.

Stock Exchange listing fees dropped by \$8 million, mainly due to fewer forfeitures of initial listing fees.

Operating expenses increased by 7 per cent due to higher staff costs for new initiatives, and higher maintenance costs on upgraded systems and networks.





## Business Update

The securities market remained resilient and saw significant growth in trading volume in 1H 2021 as compared with 1H 2020, with headline ADT up 60 per cent to a record half-yearly high of \$188.2 billion.

Stock Connect showed strong momentum in 1H 2021, with Northbound and Southbound ADT both reaching record half-yearly highs at RMB114.4 billion (up 54 per cent against 1H 2020) and \$48.1 billion (up 132 per cent against 1H 2020) respectively. In particular, Southbound Trading turnover reached a record daily high on 24 February 2021, exceeding \$100 billion for the first time ever. As a result, Stock Connect generated record half-yearly revenue and other income of \$1,320 million (1H 2020: \$743 million), of which \$1,018 million (1H 2020: \$578 million) arose from trading and clearing activities.

HKEX, SSE and SZSE together continued their commitment to enhance their mutual market access programme, including the expansion in the scope of eligible stocks for both Northbound and Southbound Trading. On 1 February 2021, eligible A shares listed on the Sci-Tech Innovation Board (STAR Market) of the SSE were included in Northbound Trading under Shanghai-Hong Kong Stock Connect, and their corresponding H shares were also included in Stock Connect Southbound Trading. This expansion was warmly welcomed by the market and trading has been smooth and active since the inclusion of the new eligible stocks.

Further to the successful launch of the first phase enhancement of the Volatility Control Mechanism (VCM) in the Hong Kong securities market in May 2020, the second phase enhancement was successfully launched on 29 March 2021, allowing multiple triggers of VCM per applicable security in the same trading session.

Hong Kong continues to be a popular destination for issuers. In 1H 2021, HKEX welcomed 46 company listings (including four biotech companies listed under Chapter 18A of the Main Board Listing Rules; three issuers with weighted voting rights (WVR) structure under Chapter 8A; and four secondary listings under Chapter 19C), raising a total of \$211.7 billion, more than double that of 1H 2020. Hong Kong ranked third globally<sup>8</sup> by IPO funds raised in 1H 2021, demonstrating the continued vibrancy of Hong Kong's IPO market.

HKEX celebrated the third anniversary of its new listing regime in April 2021. Strong fund raising growth in the New Economy healthcare and information technology sectors, was recorded with 2017-2020 compound annual growth rates of 135 per cent and 115 per cent respectively. In 2020, the top four stocks by trading volume were all New Economy stocks, compared with only one in 2017. This demonstrates the significant change brought by the new listing regime in broadening the type of new issuers at HKEX as the market develops.

Key Market Indicators		
	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020
ADT of equity products traded on the Stock Exchange <sup>1,2</sup> (\$bn)	165.8 <sup>4</sup>	100.0
ADT of Northbound Trading – Shanghai-Hong Kong Stock Connect <sup>2</sup> (RMBbn)	52.8 <sup>4</sup>	31.6
ADT of Northbound Trading – Shenzhen-Hong Kong Stock Connect <sup>2</sup> (RMBbn)	61.6 <sup>4</sup>	42.7
ADT of Southbound Trading – Shanghai-Hong Kong Stock Connect <sup>2</sup> (\$bn)	23.1 <sup>4</sup>	11.9
ADT of Southbound Trading – Shenzhen-Hong Kong Stock Connect <sup>2</sup> (\$bn)	25.0 <sup>4</sup>	8.8
ADT of Bond Connect (RMBbn)	26.6 <sup>4</sup>	19.9
Average daily number of trades of equity products traded on the Stock Exchange <sup>1,2</sup> ('000)	2,097 <sup>4</sup>	1,518
Number of newly listed companies on the Main Board <sup>3</sup>	45	59
Number of newly listed companies on GEM	1	5
Total equity funds raised		
- IPOs (\$bn)	211.7	92.8
- Post-IPO (\$bn)	275.6	139.5
Number of companies listed on the Main Board at 30 Jun	2,190	2,111
Number of companies listed on GEM at 30 Jun	364	376
Number of trading days	121	122
1 Excludes \$22.4 billion (1H 2020: \$17.5 billion) of ADT of DWs, CBBCs and warrants (which are included under the Equity and Financial Derivatives segment) and includes ADT of Southbound Trading under Stock Connect		
2 Includes buy and sell trades under Stock Connect		
3 Includes 1 transfer from GEM (1H 2020: 5 transfers)		
4 New record half-yearly high in 1H 2021		

<sup>8</sup> Source: Dealogic

During 1H 2021, HKEX ETP market performed well and a number of new initiatives were introduced to further enhance the ETP market's attractiveness and depth:

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**Key initiatives for the ETP market**

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- HKEX introduced a new tiered structure for ETP trading fee exemption for market makers. Effective from 31 May 2021, the fee exemption for market makers was adjusted to reflect their ADT over a 12-month period and their relevant investment exposure
  - HKEX expanded its product suite, welcoming the first ETF tracking the SSE's STAR Market, the first ETF focused on Hong Kong-listed biotech companies, the first batch of L&I Products tracking the FTSE China A50 Index, the first L&I Products tracking Taiwanese underlying, the first long duration China bond ETF and the first high yield bond ETF
  - HKEX introduced fee waivers for Hong Kong-listed fixed income and money market ETFs, helping to reduce transaction costs for investors
  - HKEX welcomed the first ETF listings in Hong Kong and Shanghai under the Hong Kong-Mainland ETF Cross-listing Scheme, marking another milestone in the development of cross-border ETFs and collaboration between Hong Kong and Mainland exchanges
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In 1H 2021, Bond Connect's trading volume continued to grow, with ADT reaching a record high of RMB26.6 billion for the half year. ADT reached a record monthly high of RMB30.5 billion in June, and the highest single-daily turnover was recorded on 21 April 2021 with RMB49.6 billion traded. By 30 June 2021, Bond Connect had attracted 2,650 institutional investors, up from 2,352 as at 31 December 2020. Key developments of Bond Connect in 1H 2021 are highlighted as follows:

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**Key developments of Bond Connect**

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- The People's Bank of China announced a new Bond Connect filing arrangement to further facilitate overseas institutional investors' participation in China's inter-bank bond market. Effective from 9 March 2021, the new arrangement enables filings to be submitted by the investment manager at entity level, with one filing for multiple products now allowed
  - Enhanced arrangements were implemented to allow Bond Connect investors to select up to three foreign exchange (FX) settlement banks to conduct their currency conversion and facilitate their FX risk management needs
  - FTSE Russell confirmed that Chinese government bonds would be included in the FTSE World Government Bond Index (WGBI), with inclusion to be phased into the index over a period of 36 months, commencing 29 October 2021
  - Bond Connect launched a new dealer pay model, which allows global investors to get price quotations from market makers with trading fee built into the bond price
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The Hong Kong listed bond market flourished in 1H 2021. Including the latest series of inflation-linked retail bonds (iBond) due in 2024, there were 244 newly listed bonds in 1H 2021 (up 35 per cent from 1H 2020), raising more than \$791 billion (up 17 per cent from 1H 2020).

Since its launch on 1 December 2020, HKEX's Sustainable and Green Exchange (STAGE) has continued to gain traction. As at 30 June 2021, there were a total of 67 sustainable-focused products from leading Asian corporates displayed on STAGE, including green, social, sustainable, or similar, bonds from issuers across different sectors, as well as ESG-related ETPs. In 1H 2021, there were 42 green/ESG-related bond listings, raising a total of \$124 billion (1H 2020: 4 listings raising \$10 billion).

On 20 May 2021, the Stock Exchange published consultation conclusions on the Main Board Profit Requirement (the amendments will take effect on 1 January 2022) and Review of Listing Rules Relating to Disciplinary Powers and Sanctions (the amendments were effective from 3 July 2021). Both consultations received a broad range of responses representing stakeholders across Hong Kong's capital markets. Combined with the approach being taken by the Stock Exchange and the SFC as set out in the Joint Statement on IPO-related misconduct, the conclusions seek to further strengthen and enhance the quality and integrity of Hong Kong's capital markets.

In addition, the Stock Exchange published the following guidance materials during 1H 2021:

#### Guidance materials

- Semi-annual (i) Listing Division Newsletter and (ii) Listed Issuers' Regulation Newsletter
- A "Review of Issuers' Annual Report Disclosure – Report 2020" on the findings and recommendations from a review of issuers' annual reports for the financial year ended between 1 January and 31 December 2019
- A new Guidance Letter on pre-vetting for placing to connected clients in an initial public offering; and updated Guidance Letters on (i) disclosure in listing documents for biotech companies; (ii) placing to connected clients, and existing shareholders or their close associates, under the Listing Rules; and (iii) sufficiency of operations
- A dedicated webpage on secondary listings in Hong Kong to educate on the characteristics of investing in securities of secondary listed issuers
- A new e-Learning module on equity fundraising as part of the new e-Learning series on ongoing compliance requirements under the Listing Rules

## Equity and Financial Derivatives Segment

### Analysis of Results

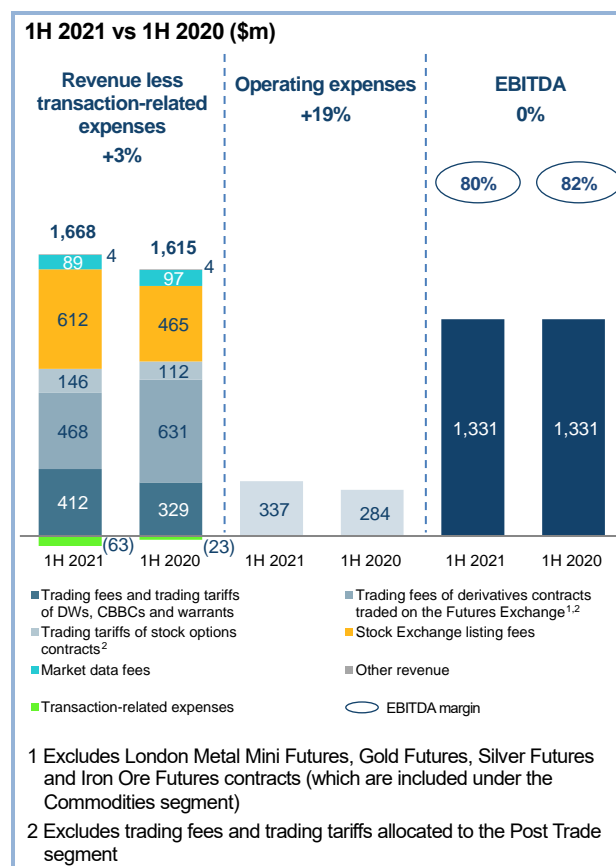
Revenue, less transaction-related expenses, was up 3 per cent and EBITDA was in line compared with 1H 2020.

Futures Exchange derivatives trading fees<sup>9</sup> decreased by \$163 million, or 26 per cent, reflecting the 23 per cent decrease in the volume of derivatives contracts traded (1H 2020 saw the second highest half-yearly ADV due to increased volatility), and a lower proportion of higher fee contracts (including HSI futures and options) being traded in 1H 2021.

Trading fees and trading tariffs of DWs, CBBCs and warrants increased by 25 per cent compared with 1H 2020, lower than the 28 per cent increase in ADT and the 36 per cent increase in total number of trades, primarily due to lower percentage increase in trading fees from new issues of CBBCs.

Stock Exchange listing fees increased by 32 per cent, as the number of newly listed DWs and CBBCs reached half-yearly record highs of 8,247 and 21,017 in 1H 2021 respectively.

Operating expenses increased by 19 per cent due to higher allocated costs, reflecting the relative higher increase in listing fees from DWs and CBBCs; and incentives relating to the MSCI index futures contracts which commenced in 2H 2020.



<sup>9</sup> Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)

## Business Update

ADV of derivatives contracts was 1,203,625<sup>9</sup> in 1H 2021, 3 per cent higher than 1H 2020, mainly attributable to the 37 per cent increase in stock options, partly offset by the 23 per cent drop in derivatives contracts traded on the Futures Exchange.

The Hang Seng TECH Index derivative products continue to gain traction with investors. Since the launch of Hang Seng TECH Index Futures (HTIF) in November 2020, both trading volume and open interest (OI) for HTIF grew during 1H 2021. ADV reached 8,672 contracts in Q2 2021, an increase of 33 per cent over Q1 2021, and daily trading volume reached a record high of 30,561 contracts on 25 May 2021. OI for HTIF increased from 4,721 contracts as of 31 December 2020 to 18,944 contracts as of 30 June 2021. Hang Seng TECH Index Options (HTIO), which was introduced in January 2021, hit a daily record high of 2,032 contracts on 11 May 2021, and OI reached 8,143 contracts at 30 June 2021.

HKEX further expanded its fixed income and currency product coverage, with the launch of Mini USD/CNH Futures contract on 26 April 2021, complementing the existing USD/CNH contract with a smaller contract size of US\$20,000. Since its launch, trading demand for the contract experienced strong momentum, with ADV of 7,130 contracts traded up to 30 June 2021. Trading volume reached a daily record high of 13,448 contracts on 21 June 2021.

To broaden the derivatives product offering and complement the existing Hang Seng product suite, HKEX announced its plan to introduce physically settled Options on Futures Contracts (OOF) on Hang Seng Index Futures and Hang Seng China Enterprises Index Futures in Q3 2021, subject to regulatory approvals and market readiness. The introduction of OOF brings new trading and risk management tools to Hong Kong to complement the existing suite of products available.

During the period, HKEX has continued to enhance its market microstructure, with the roll-out of a number of key initiatives: both the VCM and Pre-Opening Session (POS) enhancements in its Derivatives Market were introduced on 12 April 2021, allowing multiple VCM triggers per trading session to better safeguard market integrity; and introducing a random cut-off mechanism to the pre-opening session and the pre-open allocation session, aiming to deter manipulation of the Calculated Opening Price near the end of the auction process.

Aiming to enhance the industry understanding of the relevant Exchange and Clearing rules, and to raise compliance standards, HKEX organised a number of market communication and education events in 1H 2021, including the publication of compliance reminders and guidance notes, and the hosting of education seminars and compliance roundtables.

The structured products market remained robust and resilient in 1H 2021, with both listing and trading activities experiencing strong growth. The number of newly listed structured products and ADT of CBBCs, DWs and warrants increased by 18 per cent and by 28 per cent respectively against 1H 2020. In June 2021, HKEX was awarded the “Best Structured Products and Derivatives Exchange” in the “Asia-Pacific Awards 2021” organised by Structured Retail Products, for the second consecutive year.

Key Market Indicators	Six months ended	Six months ended
	30 Jun 2021	30 Jun 2020
ADT of DWs, CBBCs and warrants traded on the Stock Exchange (\$bn)	22.4	17.5
Average daily number of trades of DWs, CBBCs and warrants traded on the Stock Exchange ('000)	433 <sup>2</sup>	316
ADV of derivatives contracts traded on the Futures Exchange <sup>1</sup> ('000 contracts)	516	672
ADV of stock options contracts traded on the Stock Exchange ('000 contracts)	688 <sup>2</sup>	502
Number of newly listed DWs	8,247 <sup>2</sup>	5,460
Number of newly listed CBBCs	21,017 <sup>2</sup>	18,920
Number of newly listed Inline Warrants	83	509
ADV of contracts traded during After-Hours Trading (AHT) <sup>1</sup> ('000 contracts)	67	119
Number of trading days	121	122
	At	At
	30 Jun 2021	30 Jun 2020
Open interest of futures and options contracts <sup>1</sup> ('000 contracts)	11,650	11,186
1 Excludes London Metal Mini Futures, Gold Futures, Silver Futures and Iron Ore Futures contracts (which are included under the Commodities segment)		
2 New record half-yearly high in 1H 2021		

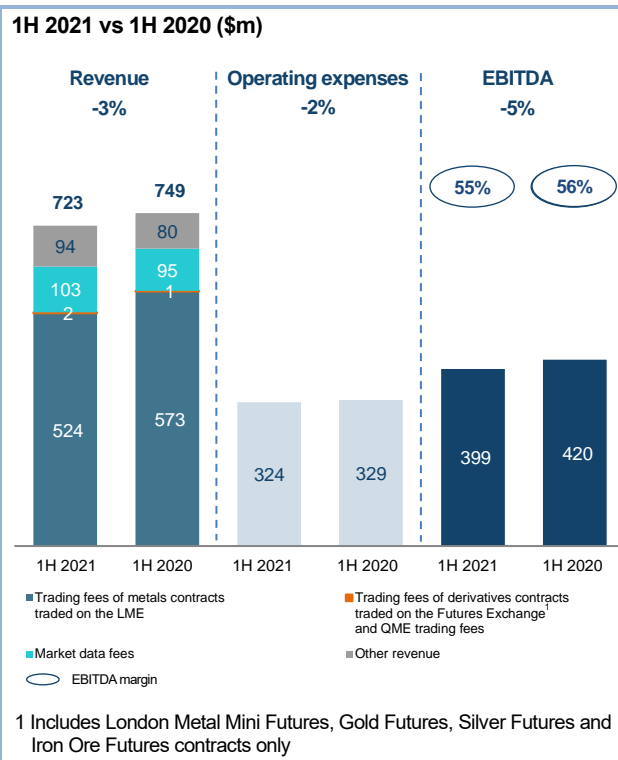
## Commodities Segment

### Analysis of Results

Revenue was down 3 per cent and EBITDA was down 5 per cent compared with 1H 2020, impacted by the fragile global economy and the Covid-19 environment.

LME trading fees dropped by \$49 million (9 per cent) due to the 13 per cent decrease in chargeable ADV of metals contracts traded in 1H 2021, partly offset by a higher average fee per contract.

Operating expenses decreased by 2 per cent due to lower professional fees.



### Business Update

LME trading activity remained suspended on the Ring in 1H 2021, in accordance with UK Government Covid-19 guidance, and the LME's metals prices continued to be generated via the LME's electronic trading platform, supported by implied pricing functionality. Subject to the ongoing relaxation of UK Government social distancing rules, the LME anticipates that it will be able to re-open the Ring in September 2021.

The LME recently published the outcomes of its discussion paper on market structure, designed to enhance the LME's electronic offering and provide greater transparency, while also preserving optionality for the Exchange's diverse global customer base. The summary outcomes of the paper were:

Key Market Indicators	Six months ended	Six months ended
	30 Jun 2021	30 Jun 2020
ADV of metals contracts traded on the LME ('000 lots)		
Aluminium	228	266
Copper	125	135
Zinc	83	100
Nickel	63	73
Lead	39	44
Others	6	7
Total chargeable ADV excluding Admin Trades <sup>1</sup>	544	625
Chargeable Admin Trades <sup>1</sup>	26	46
Other non-chargeable trades	1	1
<b>Total ADV</b>	<b>571</b>	<b>672</b>
<b>Number of trading days</b>	<b>124</b>	<b>125</b>
	At	At
	30 Jun 2021	30 Jun 2020
<b>Total futures Market Open Interest ('000 lots)</b>	<b>1,885</b>	<b>2,094</b>
<sup>1</sup> Admin Trades are chargeable at a lower fee rate of US\$0.04 per contract.		

### Key outcomes of the discussion paper on market structure

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- Ring trading and reference prices - the Ring will re-open on 6 September, with the LME proposing the determination of Official Prices to take place in the Ring, while permanently moving Closing Price discovery and trading to its electronic platform
  - Enhancing liquidity - respondents were broadly supportive of the overarching proposal to enhance electronic liquidity for the benefit of the market as a whole and the LME will implement a range of initiatives, starting in 2022
  - Margin methodology - respecting the mixed views expressed and the clear advantages of the two models for different stakeholders, the LME will stay with the existing Contingent Variation Margin (CVM) methodology in the short to medium term, while investigating a hybrid CVM/Realised Variation Margin (RVM) method and prioritising the delivery of a Value at Risk (VaR) initial margin model
  - Market conduct - the LME intends to introduce enhancements to off-warrant stock reporting to provide greater transparency on physical stocks to all market participants
- 

The LME has continued to invest in its global physical ecosystem in 2021 and is on track to launch an online service called LMEpassport in 2H 2021. LMEpassport will be utilised for registering Certificates of Analysis (COAs) and a broad range of metal sustainability certifications and disclosures electronically. The LME continues to support its listed brands in working towards compliance with the LME's responsible sourcing requirements through (i) the provision of tools and guidance (ii) the approval of auditors for due diligence and (iii) ongoing support with alignment assessment against the Organisation for Economic Co-operation and Development (OECD) guidance for responsible supply chains.

Six new LME cash settled futures were launched on 19 July 2021. These are LME Steel HRC NW Europe (Argus), LME Steel Scrap CFR Taiwan (Argus), LME Steel Scrap CFR India (Platts), LME Aluminium Premium Duty Paid European (Fastmarkets MB), LME Aluminium UBC Scrap US (Argus) and LME Lithium Hydroxide CIF (Fastmarkets MB).

On 1 April 2021, the LME introduced a new market data non-display license, applicable to any use of LME data other than where it is in direct support of its display or distribution.

LME Asia Metals Seminar 2021 was successfully hosted in May 2021, bringing together more than 1,000 industry leaders and investors to discuss the latest development in the global commodities market and opportunities emerging from Covid-19.

Despite the volatility in the international commodities market that has changed the purchase and stockpiling pattern of physical producers and traders, the total trading turnover of QME in 1H 2021 reached RMB6.9 billion, more than triple the trading turnover in 1H 2020. In terms of price benchmarks, QME's alumina benchmark price quotation weight in Antaike's index has been adjusted up from 10 per cent to 15 per cent. In addition, the first financing case based on QME's blockchain warrant was successfully completed in April 2021.

## Post Trade Segment

### Analysis of Results

Revenue and other income, less transaction-related expenses, was up 16 per cent and EBITDA was up 18 per cent compared with 1H 2020.

Clearing and settlement fees for the Cash Market and for Settlement Instructions (SIs) increased by 46 per cent and 29 per cent respectively. The increases were primarily driven by a higher number of transactions, and record clearing fees from Stock Connect Northbound Trading of \$501 million (1H 2020: \$301 million).

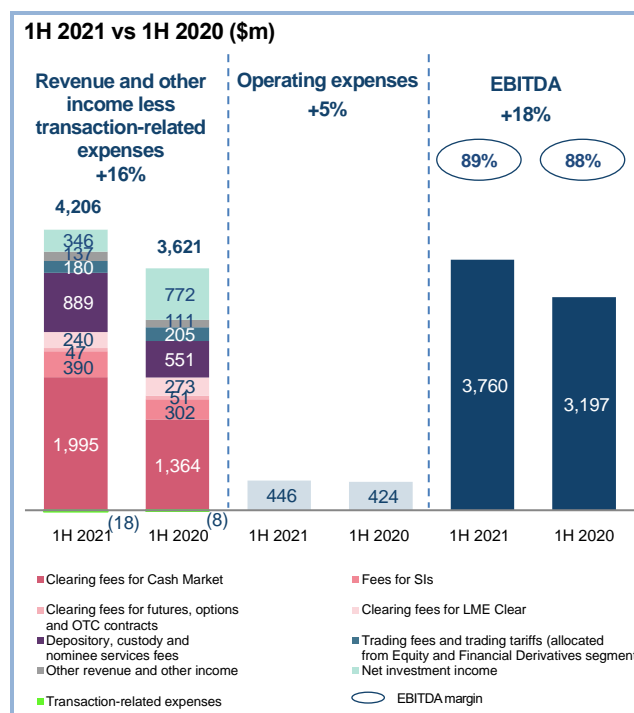
Depository, custody and nominee service fees increased by \$338 million, or 61 per cent. This was mainly due to higher e-IPO service fees from a higher number of e-IPO applications, higher scrip fees from more companies having their book close in 1H 2021, and higher Stock Connect portfolio fees due to increase in portfolio values.

Net investment income dropped by \$426 million, mainly due to lower investment return as a result of the low interest rate environment, partly offset by higher average fund sizes of Margin Funds and Clearing House Funds.

The analysis of net investment income is as follows:

	Six months ended 30 Jun 2021			Six months ended 30 Jun 2020		
	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	316	9	325	687	58	745
- Debt securities	20	1	21	32	-	32
- Exchange losses	-	-	-	(5)	-	(5)
Total net investment income	336	10	346	714	58	772
Average fund size (\$bn)	186.0	22.5	208.5	151.7	16.3	168.0
Annualised net investment return	0.36%	0.09%	0.33%	0.94%	0.71%	0.92%

Operating expenses increased by 5 per cent, reflecting increases in staff costs for new initiatives.





## Business Update

Driven by strong trading activities in 1H 2021, the average daily number of Stock Exchange trades and SIs settled by CCASS increased by 38 per cent and 21 per cent respectively in 1H 2021 when compared to 1H 2020; and the number of Stock Exchange trades reached a record high of 4.6 million on 24 February 2021.

Usage of Stock Connect clearing services increased in 1H 2021 following sustained flows in both Southbound and Northbound Trading, with the average daily value of Northbound SIs increasing by 71 per cent in 1H 2021, against 1H 2020. In addition, the Northbound and Southbound portfolio values of Stock Connect as at 30 June 2021 increased by 12 per cent and 29 per cent to RMB2,629 billion and \$2,709 billion respectively, compared with 31 December 2020.

### Key Market Indicators

	Six months ended 30 Jun 2021	Six months ended 30 Jun 2020
ADT traded on the Stock Exchange (\$bn)	188.2 <sup>2</sup>	117.5
Average daily number of Stock Exchange trades ('000)	2,530 <sup>2</sup>	1,834
Average daily value of SIs (\$bn)	450.4	339.7
Average daily number of SIs ('000)	134	111
Chargeable ADV <sup>1</sup> of metals contracts traded on the LME ('000 lots)	544	625

1 Chargeable ADV excludes Admin Trades (which are chargeable at a lower clearing fee rate of US\$0.02 per contract) and other non-chargeable trades.

2 New record half-yearly high in 1H 2021

HKEX has been carrying out phase one of a participants' familiarisation programme for NextGen Risk Management Platform (a newly developed risk management platform) since January 2021. HKEX also kicked off phase two preparation work where default fund information and a margin simulator will be provided to participants.

OTC Clear's USD/CNH Cross Currency Swaps (CCS) clearing volume for 1H 2021 was up 20 per cent, with US\$27.7 billion notional cleared, compared with US\$23.1 billion in 1H 2020. To provide a full suite of Risk-Free Rate (RFR) based clearing products before the cessation of the use of London Inter-bank Offered Rate (LIBOR), OTC Clear launched clearing services for CCS referencing Secured Overnight Financing Rate (SOFR) and Hong Kong Dollar Overnight Index Average (HONIA) in May 2021, and subsequently cleared the first trade in the same month. In addition, OTC Clear has completed the switch of discounting rates, from Fed Funds rates to SOFR for CCS, Deliverable FX derivatives and Non Deliverable FX derivatives in June 2021.

## Technology Segment

### Analysis of Results

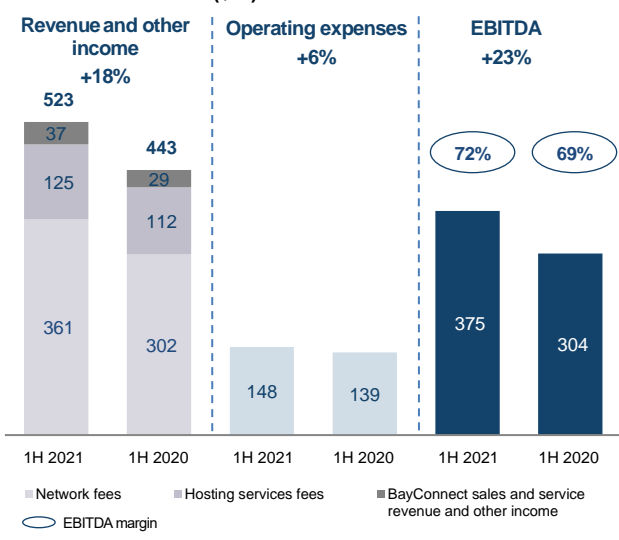
Revenue and other income was up 18 per cent and EBITDA was up 23 per cent compared with 1H 2020.

During 1H 2021, network fees rose by 20 per cent due to increased usage of the Orion Central Gateway and China Connect Central Gateway by EPs, and higher fees from the sale of new throttles.

Hosting services fees rose by 12 per cent, compared with 1H 2020, due to organic growth from both new customer subscriptions and increased usage by existing customers.

Operating expenses increased by 6 per cent due to higher IT expenses for new systems and upgraded networks.

### 1H 2021 vs 1H 2020 (\$m)





## Business Update

During 1H 2021, despite market volatility and challenges posed by Covid-19 on work arrangements, all of HKEX's major trading, clearing, settlement and market data dissemination systems for the Cash, Derivatives and Commodities Markets continued to perform robustly.

HKEX has committed to further improve the system infrastructure resilience of Hong Kong Futures Automated Trading System (HKATS) by adding two new Matching Engines in Q3 2021, and by reallocating products of a similar nature into the new Matching Engines to facilitate new product initiatives.

To further enhance the operating efficiency of the existing Derivatives Clearing and Settlement System (DCASS) services on External Position Transfer and Position Re-opening (collectively "Position Adjustment"), HKEX plans to enhance the Position Adjustment service by allowing CPs to submit their Position Adjustment requests directly at DCASS Online. The service is scheduled to be launched in 2H 2021.

The upgrade of the OTC Clearing and Settlement System (OCASS) completed on 26 April 2021. This further enhanced system performance, flexibility and stability, and at the same time brought in significant functional and technical improvements (in particular the new risk engine, low-latency technical architecture and market data catch-up processes) to both OTC Clear and its Clearing Members.

The project for hardware obsolescence replacement for various trading and clearing systems, together with the relocation of one of HKEX secondary data centre sites, has been progressing well. The upgrade and relocation of the derivatives trading and clearing systems infrastructure was successfully completed in 1H 2021. The upgrade and relocation of the CCASS infrastructure has been progressing according to plan and is expected to complete in Q3 2021, which will conclude the entire project.

## Corporate Items

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Net investment income	428	66
HKEX Foundation donation income <sup>2</sup>	74	-
Others	6	4
Total revenue and other income	508	70
Operating expenses:		
- HKEX Foundation charitable donations <sup>2</sup>	(69)	(28)
- Others	(592)	(556)
EBITDA	(153)	(514)

## Analysis of Results

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

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m
Net investment income/(loss) from:		
- Collective investment schemes <sup>1</sup>	321	(138)
- Cash and bank deposits	92	237
- Exchange gains/(losses)	15	(33)
Total net investment income	428	66
Average fund size (\$bn)	33.8	29.3
Annualised net investment return	2.53%	0.45%

<sup>1</sup> See Financial Review section for further details

Net investment income of Corporate Funds in 1H 2021 increased by \$362 million compared with 1H 2020. This was principally due to fair value gains on collective investment schemes of \$321 million in 1H 2021, as opposed to losses of \$138 million in 1H 2020, but partly offset by the decrease in interest income under the low interest rate environment.

The fair value change on collective investment schemes mainly came from funds invested in public equities (1H 2021: gains of \$182 million, 1H 2020: losses of \$246 million). As the valuation of the collective investment schemes reflects movements in market prices, fair value gains or losses may fluctuate or reverse until the investments are sold.

Operating expenses increased by 13 per cent against 1H 2020. Excluding HKEX Foundation charitable donations, operating expenses increased by 6 per cent against 1H 2020 due to increased staff costs.

## Business Update

In 1H 2021, HKEX completed a minority stake investment in the newly-established Guangzhou Futures Exchange (GFE) for a total consideration of RMB210 million, the first investment in a domestic futures exchange by a non-Mainland Chinese investor. Anchored in the Guangdong-Hong Kong-Macao Greater Bay Area, GFE was launched in April, and aims to become an innovative and market-oriented exchange with international influence, focusing on serving the real economy and green development initiatives. This investment supports our China Anchored strategy, providing HKEX with the opportunity to help build and promote the development of China's derivatives market, alongside our Mainland partners and customers.

In 1H 2021, HKEX continued to play an active role in shaping the long-term sustainability of global financial markets. Our Corporate Social Responsibility focus remained on our markets, our people and our operations. HKEX's promotion of good corporate governance and ESG stewardship through ongoing industry knowledge sharing and leadership on best practices has been a cornerstone of our outreach during the period.

As part of the Group's ongoing efforts to promote ESG, HKEX rolled out a new ESG Academy webinar series to advocate best practice sharing on ESG stewardship. HKEX continued to promote sustainable and green finance through publication of insights and research papers through STAGE as well as active engagement with regulators, industry practitioners, professional bodies and other stakeholders.

HKEX Foundation, HKEX's dedicated charitable channel, supported those in need in our communities through partnerships with local charities, and supported projects across the Foundation's four focus areas: financial literacy, diversity and inclusion, poverty relief and environmental sustainability. During 1H 2021, HKEX Foundation launched the flagship 2021 HKEX Charity Partnership Programme to support long-term projects in the community. In the first half of the year HKEX Foundation made donations of \$69 million to the community.

## Expenses, Other Costs and Taxation

### Operating Expenses

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m	Change
Staff costs and related expenses	1,495	1,398	7%
IT and computer maintenance expenses	338	315	7%
Premises expenses	57	59	(3%)
Product marketing and promotion expenses	36	17	112%
Professional fees	48	66	(27%)
HKEX Foundation charitable donations	69	28	146%
Other operating expenses	178	162	10%
Total	2,221	2,045	9%

Staff costs and related expenses increased by \$97 million (7 per cent) mainly due to annual payroll adjustments, the increase in part-time wages for supporting new initiatives, and the increase in LME staff costs due to the appreciation of GBP.

IT and computer maintenance expenses increased by \$23 million (7 per cent), attributable to higher maintenance expenses for new systems and upgraded networks.

Product marketing and promotion expenses increased by \$19 million (112 per cent), partially attributable to incentives related to MSCI contracts launched in 2H 2020.

Professional fees decreased by \$18 million (27 per cent), due to lower fees incurred for strategic projects and other business initiatives in 1H 2021.

## Depreciation and Amortisation

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m	Change
Depreciation and amortisation	662	545	21%

Depreciation and amortisation increased by \$117 million (21 per cent), as new IT systems and upgrades were completed in 2H 2020 and 1H 2021.

During 1H 2021, the Group incurred capital expenditure<sup>10</sup> of \$536 million, an increase of 3 per cent from 1H 2020.

## Finance Costs

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m	Change
Finance costs	77	96	(20%)

Finance costs decreased due to lower negative interest charges on lower amount of Euro and Japanese Yen deposits collected from CPs as collateral.

## Taxation

	Six months ended 30 Jun 2021 \$m	Six months ended 30 Jun 2020 \$m	Change
Taxation	1,317	870	51%

Taxation increased due to higher profit before taxation in 1H 2021, and a one-off deferred tax charge of \$160 million on acquired LME intangible assets arising from approval of the change of statutory UK tax rate in June 2021 from 19 per cent to 25 per cent effective from April 2023.

<sup>10</sup> Capital expenditure excludes right-of-use assets recognised under HKFRS 16: Leases.

## FINANCIAL REVIEW

### Significant Financial Assets and Financial Liabilities by Funds

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m	Change
<b>Financial assets</b>			
Cash and cash equivalents	154,621	157,996	(2%)
Financial assets measured at fair value through profit or loss	130,607	100,597	30%
Financial assets measured at fair value through other comprehensive income	8,288	7,942	4%
Financial assets measured at amortised cost	64,673	62,688	3%
Total	358,189	329,223	9%

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 2021 \$m	At 31 Dec 2020 \$m	Change
<b>Financial assets</b>			
Corporate Funds <sup>1</sup>	34,511	33,747	2%
Margin Funds <sup>2</sup>	179,886	175,129	3%
Clearing House Funds	22,365	21,251	5%
Base, ferrous, and precious metals derivatives contracts cleared through LME Clear	121,427	92,884	31%
Cash prepayments and collateral for A shares	-	6,212	(100%)
Total	358,189	329,223	9%

1 Includes \$1,087 million (31 December 2020: \$1,241 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 \$11,474 million (31 December 2020: \$11,879 million), which are included in accounts receivable, prepayments and other deposits

	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m	Change
<b>Financial liabilities</b>			
Base, ferrous, and precious metals derivatives contracts cleared through LME Clear	121,427	92,884	31%
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs	191,360	187,008	2%
CPs' contributions to Clearing House Funds	21,501	20,439	5%
Total	334,288	300,331	11%

Financial assets and financial liabilities of Margin Funds at 30 June 2021 were 3 per cent and 2 per cent higher than the amounts at 31 December 2020 respectively, as the increase in contributions required from members of LME Clear due to higher metal contract prices was mostly offset by reduced contributions from HKCC CPs due to reduced open positions.

Financial assets and financial liabilities of Clearing House Funds at 30 June 2021 were 5 per cent higher than the balances at 31 December 2020, as higher contributions required from members of LME Clear and SEOCH CPs were partly offset by lower contributions from HKSCC CPs, in response to changes in risk exposures.

Financial assets of Corporate Funds at 30 June 2021 increased by \$764 million as compared with 31 December 2020 due to the retention of cash generated by the business over the past six months partly offset by the cash paid for the 2020 second interim dividend, and the increase in fair values of collective investment scheme investments.

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

Strategy	At 30 Jun 2021 \$m	At 31 Dec 2020 \$m	Change
Public Equities	1,935	1,684	15%
Diversifiers <sup>1</sup>	4,788	4,130	16%
Government Bonds and Mortgage-backed Securities	1,984	1,679	18%
Total	8,707	7,493	16%

<sup>1</sup> Diversifiers comprise Absolute Return and Multi-Sector Fixed Income asset classes.

## Working Capital, Financial Resources and Gearing

Working capital rose by \$209 million or 1 per cent to \$29,568 million at 30 June 2021 (31 December 2020: \$29,359 million). The increase was primarily due to the profit of \$6,610 million generated during 1H 2021, partly offset by the 2020 second interim dividend of \$5,646 million paid in March 2021 and net increase in non-current assets of \$572 million.

At 30 June 2021, the Group's outstanding borrowings represented written put options to non-controlling interests of \$425 million (31 December 2020: \$423 million). As a result, the Group had a gross gearing ratio (ie, gross debt divided by adjusted capital) of 1 per cent (31 December 2020: 1 per cent), and a net gearing ratio (ie, net debt divided by adjusted capital) of zero per cent (31 December 2020: zero per cent). For this purpose, gross debt is defined as total borrowings (excluding lease liabilities) and net debt<sup>11</sup> is defined as gross debt less cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds), and adjusted capital as all components of equity attributable to shareholders other than designated reserves.

Banking facilities have been put in place for contingency purposes. At 30 June 2021, the Group's total available banking facilities for its daily operations amounted to \$21,230 million (31 December 2020: \$21,223 million), which included \$14,729 million (31 December 2020: \$14,722 million) of committed banking facilities and \$6,500 million (31 December 2020: \$6,500 million) of repurchase facilities.

The Group has also put in place foreign exchange facilities for its daily clearing operations and for the RMB Trading Support Facility to support the trading of RMB stocks listed on the Stock Exchange. At 30 June 2021, the total amount of the facilities was HK\$30,444 million (31 December 2020: HK\$30,244 million).

In addition, the Group has arranged contingency banking facilities amounting to RMB13,000 million (31 December 2020: RMB13,000 million) for settling payment obligations to ChinaClear should there be events that disrupt normal settlement arrangements for Stock Connect.

At 30 June 2021, 89 per cent (31 December 2020: 82 per cent) of the Group's cash and cash equivalents were denominated in HKD or USD.

## Capital Expenditure and Commitments

During 1H 2021, the Group incurred capital expenditure<sup>10</sup> of \$536 million (1H 2020: \$519 million) mainly related to the development and upgrade of various trading and clearing systems (notably trading systems for Commodities Market and software for cash clearing systems), and the setup of the new secondary data centre.

<sup>11</sup> Net debt is zero when the amount of cash and cash equivalents of Corporate Funds (excluding those reserved for supporting contributions to default funds and default fund credits for Clearing House Funds) is higher than gross debt.

The Group's capital expenditure commitments at 30 June 2021, including those authorised by the Board but not yet contracted for, amounted to \$711 million (31 December 2020: \$890 million). They were mainly related to the development and upgrade of IT systems including the cash, derivatives and commodities trading and clearing systems, and the setup of the new secondary data centre.

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

In 1H 2021, HKEX completed a minority stake investment in the newly-established Guangzhou Futures Exchange (GFE) for a total consideration of RMB210 million.

Following the capital injection of \$100 million in Fusion Bank Limited in 2019 and 2020, HKEX will further provide additional capital of \$100 million to the bank in Q4 2021.

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

### **Pledges of Assets**

LME Clear receives securities, gold bullion and warrants as collateral for margins posted by its CPs. The total fair value of this collateral was US\$756 million (approximately HK\$5,871 million) at 30 June 2021 (31 December 2020: US\$2,241 million (approximately HK\$17,376 million)). LME Clear is obliged to return this non-cash collateral upon request when the 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\$13,110 million (approximately HK\$101,810 million) at 30 June 2021 (31 December 2020: US\$11,486 million (approximately HK\$89,061 million)).

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

### **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 be in the currency in which cash was received.

The aggregate net open foreign currency positions (excluding collective investment schemes and equity investments) at 30 June 2021 amounted to HK\$1,837 million, of which HK\$395 million were non-USD exposures (31 December 2020: HK\$2,750 million, of which HK\$382 million were non-USD exposures).

## **Contingent Liabilities**

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

- (a) The Group had a contingent liability in respect of potential calls to be made by the SFC to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the repealed Securities Ordinance up to an amount not exceeding \$71 million (31 December 2020: \$71 million). Up to 30 June 2021, no calls had been made by the SFC in this connection.
- (b) The Group had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 628 trading Participants (31 December 2020: 635) covered by the indemnity at 30 June 2021 defaulted, the maximum contingent liability of the Group under the indemnity would amount to \$126 million (31 December 2020: \$127 million).
- (c) HKEX had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEX or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEX, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEX, and for the costs of winding up.

## **CHANGES SINCE 31 DECEMBER 2020**

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 2020.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group's Unaudited Condensed Consolidated Financial Statements for the six months ended 30 June 2021 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 2021.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

Throughout the six months ended 30 June 2021, 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 Chief Executive Officer in his capacity as a Director is not subject to retirement by rotation, as his term on the Board is coterminous with his employment as the Chief Executive Officer with HKEX under HKEX's Articles of Association.

## **PURCHASE, SALE OR REDEMPTION OF HKEX'S LISTED SECURITIES**

During the six months ended 30 June 2021, 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 697,300 HKEX shares at a total consideration of \$331 million.

## **SUSTAINABLE WORKPLACE**

During the six months ended 30 June 2021, the Group organised 79 in-house courses for employees to enhance their job knowledge, skills and well-being. Moreover, the Group sponsored a total of 56 employees to attend external training.

As at 30 June 2021, the Group had 2,112 permanent employees and 223 temporary employees. HKEX's remuneration policy has remained unchanged since the date of the 2020 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 2021 \$m	Six months ended 30 Jun 2020 \$m
Trading fees and trading tariffs		4,124	3,330
Stock Exchange listing fees		1,067	928
Clearing and settlement fees		2,672	1,990
Depository, custody and nominee services fees		889	551
Market data fees		512	472
Other revenue		786	668
<b>REVENUE</b>		<b>10,050</b>	<b>7,939</b>
Investment income		796	1,167
Interest rebates to Participants		(22)	(329)
Net investment income	4	774	838
HKEX Foundation donation income		74	-
Sundry income		11	5
<b>REVENUE AND OTHER INCOME</b>		<b>10,909</b>	<b>8,782</b>
Less: Transaction-related expenses		(81)	(31)
<b>REVENUE AND OTHER INCOME LESS TRANSACTION-RELATED EXPENSES</b>		<b>10,828</b>	<b>8,751</b>
<b>OPERATING EXPENSES</b>			
Staff costs and related expenses		(1,495)	(1,398)
IT and computer maintenance expenses		(338)	(315)
Premises expenses		(57)	(59)
Product marketing and promotion expenses		(36)	(17)
Professional fees		(48)	(66)
HKEX Foundation charitable donations		(69)	(28)
Other operating expenses		(178)	(162)
		<b>(2,221)</b>	<b>(2,045)</b>
<b>EBITDA</b>		<b>8,607</b>	<b>6,706</b>
Depreciation and amortisation		(662)	(545)
<b>OPERATING PROFIT</b>		<b>7,945</b>	<b>6,161</b>
Finance costs	5	(77)	(96)
Share of profits less losses of joint ventures		38	39
<b>PROFIT BEFORE TAXATION</b>		<b>7,906</b>	<b>6,104</b>
<b>TAXATION</b>	6	<b>(1,317)</b>	<b>(870)</b>
<b>PROFIT FOR THE PERIOD</b>		<b>6,589</b>	<b>5,234</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>			
- Shareholders of HKEX		6,610	5,233
- Non-controlling interests		(21)	1
<b>PROFIT FOR THE PERIOD</b>		<b>6,589</b>	<b>5,234</b>
<b>Basic earnings per share</b>	7(a)	<b>\$5.22</b>	<b>\$4.15</b>
<b>Diluted earnings per share</b>	7(b)	<b>\$5.21</b>	<b>\$4.14</b>



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

		At 30 Jun 2021			At 31 Dec 2020		
	Note	Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
<b>ASSETS</b>							
Cash and cash equivalents	9	154,621	-	154,621	157,996	-	157,996
Financial assets measured at fair value through profit or loss	9	129,770	837	130,607	100,081	516	100,597
Financial assets measured at fair value through other comprehensive income	9	8,288	-	8,288	7,942	-	7,942
Financial assets measured at amortised cost	9	64,271	402	64,673	62,589	99	62,688
Accounts receivable, prepayments and deposits	10	27,279	21	27,300	47,059	21	47,080
Tax recoverable		8	-	8	26	-	26
Interests in joint ventures		-	202	202	-	164	164
Goodwill and other intangible assets		-	18,897	18,897	-	18,737	18,737
Fixed assets		-	1,553	1,553	-	1,657	1,657
Right-of-use assets		-	2,037	2,037	-	2,193	2,193
Deferred tax assets		-	36	36	-	26	26
<b>Total assets</b>		<b>384,237</b>	<b>23,985</b>	<b>408,222</b>	<b>375,693</b>	<b>23,413</b>	<b>399,106</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Liabilities</b>							
Financial liabilities at fair value through profit or loss		121,427	-	121,427	92,884	-	92,884
Margin deposits, Mainland security and settlement deposits, and cash collateral from CPs		191,360	-	191,360	187,008	-	187,008
Accounts payable, accruals and other liabilities	11	17,044	-	17,044	42,974	-	42,974
Deferred revenue		725	352	1,077	1,049	371	1,420
Taxation payable		1,741	-	1,741	1,174	-	1,174
Other financial liabilities		106	-	106	48	-	48
CPs' contributions to Clearing House Funds		21,501	-	21,501	20,439	-	20,439
Lease liabilities		299	1,902	2,201	304	2,054	2,358
Borrowings	12	340	85	425	340	83	423
Provisions		126	98	224	114	98	212
Deferred tax liabilities		-	1,077	1,077	-	930	930
<b>Total liabilities</b>		<b>354,669</b>	<b>3,514</b>	<b>358,183</b>	<b>346,334</b>	<b>3,536</b>	<b>349,870</b>
<b>Equity</b>							
Share capital				31,891			31,891
Shares held for Share Award Scheme				(807)			(485)
Employee share-based compensation reserve				360			232
Hedging and revaluation reserves				33			25
Exchange reserve				(190)			(218)
Designated reserves				622			628
Reserve relating to written put options to non-controlling interests				(369)			(369)
Retained earnings	13			18,201			17,214
<b>Equity attributable to shareholders of HKEX</b>				<b>49,741</b>			<b>48,918</b>
Non-controlling interests				298			318
<b>Total equity</b>				<b>50,039</b>			<b>49,236</b>
<b>Total liabilities and equity</b>				<b>408,222</b>			<b>399,106</b>
<b>Net current assets</b>				<b>29,568</b>			<b>29,359</b>

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

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

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

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

## 2. Adoption of new/revised HKFRSs

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

Amendments to HKFRS 16

Leases: COVID-19-Related Rent Concessions<sup>1</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 June 2020

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

## 3. Operating Segments

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

The Group has five reportable segments ("Corporate Items" is not a reportable segment). The segments are managed separately as each segment offers different products and services and requires different 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 of the Stock Exchange, 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 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 commodities contracts traded on the Futures Exchange. The major sources of revenue of the segment are trading fees of commodity products, commodity market data fees and fees from ancillary operations.

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

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

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

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

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

Six months ended 30 Jun 2021							
	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:							
Point in time	2,406	1,029	579	3,511	54	-	7,579
Over time	794	702	143	362	467	3	2,471
Revenue	3,200	1,731	722	3,873	521	3	10,050
Net investment income	-	-	-	346	-	428	774
HKEX Foundation donation income	-	-	-	-	-	74	74
Sundry income	-	-	1	5	2	3	11
Revenue and other income	3,200	1,731	723	4,224	523	508	10,909
Less: Transaction-related expenses	-	(63)	-	(18)	-	-	(81)
Revenue and other income less transaction-related expenses	3,200	1,668	723	4,206	523	508	10,828
Operating expenses	(305)	(337)	(324)	(446)	(148)	(661)	(2,221)
Reportable segment EBITDA	2,895	1,331	399	3,760	375	(153)	8,607
Depreciation and amortisation	(80)	(69)	(171)	(163)	(39)	(140)	(662)
Finance costs	(6)	(6)	(4)	(33)	(1)	(27)	(77)
Share of profits less losses of joint ventures	38	-	-	-	-	-	38
Reportable segment profit before taxation	2,847	1,256	224	3,564	335	(320)	7,906

## Six months ended 30 Jun 2020

	Cash \$m	Equity and Financial Derivatives \$m	Commodities \$m	Post Trade \$m	Technology \$m	Corporate Items \$m	Group \$m
Timing of revenue recognition:							
Point in time	1,491	1,076	616	2,586	30	-	5,799
Over time	762	562	133	268	412	3	2,140
Revenue	2,253	1,638	749	2,854	442	3	7,939
Net investment income	-	-	-	772	-	66	838
Sundry income	-	-	-	3	1	1	5
Revenue and other income	2,253	1,638	749	3,629	443	70	8,782
Less: Transaction-related expenses	-	(23)	-	(8)	-	-	(31)
Revenue and other income less transaction-related expenses	2,253	1,615	749	3,621	443	70	8,751
Operating expenses	(285)	(284)	(329)	(424)	(139)	(584)	(2,045)
Reportable segment EBITDA	1,968	1,331	420	3,197	304	(514)	6,706
Depreciation and amortisation	(60)	(51)	(169)	(106)	(22)	(137)	(545)
Finance costs	(7)	(6)	(4)	(46)	(1)	(32)	(96)
Share of profits less losses of joint ventures	39	-	-	-	-	-	39
Reportable segment profit before taxation	1,940	1,274	247	3,045	281	(683)	6,104

#### 4. Net Investment Income

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

#### 5. Finance Costs

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

## 6. Taxation

Taxation charge in the condensed consolidated income statement represents:

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

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

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

- (b) Diluted earnings per share

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

## 8. Dividends

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

## 9. Financial Assets

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

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

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

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

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

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

- (a) Cash for A shares includes:
- (i) 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 2021, cash and cash equivalents of Corporate Funds of \$478 million (31 December 2020: \$311 million) and financial assets measured at amortised cost of Corporate Funds of \$609 million (31 December 2020: \$930 million) were solely used to support Skin-in-the-Game and default fund credits for HKSCC Guarantee Fund, SEOCH Reserve Fund and HKCC Reserve Fund.

## 10. Accounts Receivable, Prepayments and Deposits

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

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

## 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 82 per cent (31 December 2020: 91 per cent) of the total accounts payable, accruals and other liabilities. CNS money obligations payable mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

## 12. Borrowings

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

During the six months ended 30 June 2021, none of the written put options was exercised.



### 13. Retained Earnings

	2021 \$m	2020 \$m
At 1 Jan	<b>17,214</b>	14,204
Profit attributable to shareholders	<b>6,610</b>	11,505
Transfer from/(to) Clearing House Funds reserves	<b>6</b>	(41)
Dividends:		
2020/2019 second interim dividend	<b>(5,646)</b>	(3,761)
2020 first interim dividend	-	(4,692)
Unclaimed HKEX dividends forfeited	<b>13</b>	21
Vesting of shares of Share Award Scheme	-	(31)
Tax relating to Share Award Scheme	<b>4</b>	9
At 30 Jun 2021 / 31 Dec 2020	<b>18,201</b>	17,214

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has declared an interim dividend of \$4.69 per share for the year ending 31 December 2021, payable in cash.

### Key Dates for 2021 Interim Dividend

Ex-dividend date	24 August 2021
Closure of HKEX's Register of Members	26 to 27 August 2021 (both dates inclusive)
Record date	27 August 2021
Despatch of dividend warrants	13 September 2021

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, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 pm on Wednesday, 25 August 2021.

## PUBLICATION OF 2021 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the HKEX Group website at [www.hkexgroup.com/Investor-Relations/Regulatory-Disclosure/Announcements/2021](http://www.hkexgroup.com/Investor-Relations/Regulatory-Disclosure/Announcements/2021). The 2021 Interim Report will be available on the HKEXnews and HKEX Group websites and despatched to Shareholders on or about Thursday, 26 August 2021.

By Order of the Board

**Hong Kong Exchanges and Clearing Limited**

**David Fu**

Group Company Secretary

Hong Kong, 11 August 2021

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

## GLOSSARY

ADT	Average daily turnover value
ADV	Average daily volume (in number of contracts/lots)
BayConnect	BayConnect Technology Company Limited
Board	HKEX's board of directors
Bond Connect	A mutual bond market access programme between Hong Kong and Mainland China, under which Northbound trading enables overseas investors to invest in the China Interbank Bond Market, and Southbound trading will be explored at a later stage
Cash Market	HKEX's securities related business excluding stock options
CBBCs	Callable Bull/Bear Contracts
CCASS	Central Clearing and Settlement System
Chief Executive Officer	HKEX's Chief Executive
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
CPs	Clearing Participants
Derivatives Market	HKEX's derivatives related business including stock options
Directors	HKEX's directors
DWs	Derivative warrants
e-IPO	Electronic Initial Public Offering
EPs	Exchange Participants
ESG	Environmental, Social and Governance
ETF(s)	Exchange Traded Fund(s)
ETP(s)	Exchange Traded Product(s), which include ETFs and L&I Products
Euro	The official currency of the Eurozone
Exchange or SEHK or Stock Exchange	The Stock Exchange of Hong Kong Limited
Futures Exchange or HKFE	Hong Kong Futures Exchange Limited
Government	The Government of the Hong Kong Special Administrative Region of the People's Republic of China
Government Appointed Directors	Directors appointed by the Financial Secretary of the Hong Kong Special Administrative Region of the People's Republic of China pursuant to Section 77 of the SFO
Greater Bay Area	Guangdong-Hong Kong-Macao Greater Bay Area
Group or HKEX Group	HKEX and its subsidiaries
HKCC	HKFE Clearing Corporation Limited
HKEX Foundation	HKEX Foundation Limited
HKEX or the Company	Hong Kong Exchanges and Clearing Limited
HKFRS(s)	Hong Kong Financial Reporting Standard(s)
HKSCC	Hong Kong Securities Clearing Company Limited
HSI	Hang Seng Index
IPO(s)	Initial Public Offering(s)
IT	Information Technology
JD Logistics	JD Logistics, Inc.
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
MSCI	MSCI Inc.

Northbound Trading or Stock Connect Northbound	Hong Kong and overseas investors trading in eligible securities that are listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange through Stock Connect
OTC	Over-the-counter
OTC Clear	OTC Clearing Hong Kong Limited
QME	Qianhai Mercantile Exchange Co., Ltd.
RMB	Renminbi
SEOH	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	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	The HKEX Employees' Share Award Scheme
Shenzhen-Hong Kong Stock Connect	A mutual market access programme that links the stock markets in Shenzhen and Hong Kong, enabling investors in Hong Kong and Mainland China to trade and settle shares listed on the other market via the exchange and clearing house in their home market
Southbound Trading or Stock Connect Southbound	Mainland investors trading in eligible securities that are listed on the Stock Exchange through Stock Connect
SSE	Shanghai Stock Exchange
STAGE	HKEX's Sustainable and Green Exchange
STAR Market	Sci-Tech Innovation Board of SSE
SZSE	Shenzhen Stock Exchange
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
WVR	Weighted Voting Rights
\$/HK\$/HKD	Hong Kong dollar
\$bn/bn	Hong Kong dollar in billion/billion
\$m	Hong Kong dollar in million
£/GBP	Pound sterling
1H, 2H	First half, second half (of the year)
Q1, Q2, Q3, Q4	First quarter, second quarter, third quarter, fourth quarter (of the year)